



SUMPO FOOD HOLDINGS LIMITED

森寶食品控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1089

Placing and Public Offer



Sponsor



KINGSTON CORPORATE FINANCE LIMITED

Sole Bookrunner and Lead Manager



KINGSTON SECURITIES LIMITED

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice and consult your stockbroker, bank manager, solicitor, professional accountant or other professional advisor.



SUMPO FOOD HOLDINGS LIMITED

森寶食品控股有限公司

(incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING AND PUBLIC OFFER

Number of Offer Shares	: 400,000,000 Shares (subject to the Over-allotment Option)
Number of Placing Shares	: 360,000,000 Shares (subject to reallocation and the Over-allotment Option)
Number of Public Offer Shares	: 40,000,000 Shares (subject to reallocation)
Offer Price	: Not more than HK\$0.80 per Offer Share and expected to be not less than HK\$0.60 per Offer Share (payable in full on application plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% and subject to refund)
Nominal value	: HK\$0.10 each
Stock code	: 1089

Sponsor



KINGSTON CORPORATE FINANCE LIMITED

Sole Bookrunner and Lead Manager



KINGSTON SECURITIES LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by an agreement between the Company and the Lead Manager (for itself and on behalf of the other Underwriters) on or before the Price Determination Date, which is expected to be on or before Wednesday, 5 January 2011 or such other date or time as may be agreed between the Company and the Lead Manager (for itself and on behalf of the other Underwriters) but in any event, not later than 12:00 noon on Thursday, 6 January 2011. The Offer Price will be not more than HK\$0.80 per Offer Share and is expected to be not less than HK\$0.60 per Offer Share. Applicants for the Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.80 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.80 (the maximum Offer Price).

The Lead Manager (for itself and on behalf of the other Underwriters), with the consent of the Company, may reduce the indicative Offer Price range below that as stated in this prospectus (which is HK\$0.60 to HK\$0.80) at any time prior to the morning of the last day for lodging applications under the Public Offer. In such event, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause such change to be published in The Standard (in English) and Singpao (in Chinese) an announcement and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.sumpofood.com). If, for whatsoever reason, the Company and the Lead Manager (for itself and on behalf of the other Underwriters) are unable to reach an agreement on the Offer Price on or before the Price Determination Date or such other date or time as may be agreed between the Company and the Lead Manager (for itself and on behalf of the other Underwriters) but in any event, not later than 12:00 noon on Thursday, 6 January 2011, the Share Offer will not become unconditional and will lapse immediately. In such event, the Company will issue an announcement to be published in The Standard (in English) and Singpao (in Chinese).

Prospective investors of the Share Offer should note that the Share Offer will not proceed if the Lead Manager (for itself and on behalf of the other Underwriters) terminates the obligations of the Underwriters under the Underwriting Agreement if any of the events set out in the sub-paragraph headed "Grounds for termination" in the paragraph headed "Underwriting arrangements and expenses" under the section headed "Underwriting" of this prospectus occurs prior to 8:00 a.m. on the Listing Date. It is important that you refer to the section headed "Underwriting" of this prospectus for further details.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including, without limitation, the risk factors set out in the section headed "Risk Factors" of this prospectus.

30 December 2010

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, the Company will issue an announcement in Hong Kong to be published in English in The Standard and in Chinese in Singpao.

2011^(Note 1)

Latest time to complete electronic applications under HK eIPO White Form service through the designated website at www.hkeipo.hk ^(Note 2)	11:30 a.m. on Tuesday, 4 January
Application lists open ^(Note 4)	11:45 a.m. on Tuesday, 4 January
Latest time to lodge WHITE and YELLOW Application Forms and to give Electronic Application Instructions to HKSCC ^(Note 3)	12:00 noon on Tuesday, 4 January
Latest time to complete payment of HK eIPO White Form application by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, 4 January
Application lists close ^(Note 4)	12:00 noon on Tuesday, 4 January
Price Determination Date ^(Note 5)	Wednesday, 5 January

Announcement of:

- the Offer Price;
- the indication of level of interest in the Placing; and
- the results of applications and the basis of allocation of the Public Offer Shares

to be published in The Standard (in English) and Singpao (in Chinese), on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of the Company at **www.sumpofood.com** on or before

Monday, 10 January

Results of allocation in the Public Offer will be available at **www.tricor.com.hk/ipo/result** with a “search by ID” function

8:00 a.m. on Monday, 10 January
to 12:00 midnight on Friday, 14 January

Announcement of results of allotment of Public Offering (with successful applicants’ identification document numbers, where applicable) available through a variety of channels as described in the paragraph headed “Publication of Results” under the section headed “How to Apply for Public Offer Shares” of this prospectus

9:00 a.m. on Monday, 10 January

EXPECTED TIMETABLE

2011^(Note 1)

Despatch of e-auto refund payment instructions/refund cheques
in respect of wholly successful (if applicable) or wholly
or partially unsuccessful applications on or before^(Note 6) Monday, 10 January

Despatch of the share certificates in respect of wholly
or partially successful applications on or before^(Note 7) Monday, 10 January

Dealing in the Shares on the Stock Exchange to commence on Tuesday, 11 January

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions are set out in the section headed “Structure of the Share Offer” of this prospectus.
2. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. Applicants who apply for the Offer Shares by giving Electronic Application Instructions to HKSCC should refer to the paragraph headed “Applying by giving Electronic Application Instructions to HKSCC” under the section headed “How to Apply for Public Offer Shares” of this prospectus.
4. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 January 2011, the application lists of the Public Offer will not open and close on that day. Particulars of the arrangements are set out in the paragraph headed “Effect of bad weather on the opening of the application lists” under the section headed “How to apply for the Public Offer Shares” of this prospectus.
5. If, for any reason, the Offer Price is not agreed between the Company and the Lead Manager (for itself and on behalf of the other Underwriters) on or prior to Wednesday, 5 January 2011 or such other date as may be agreed between the Company and the Lead Manager (for itself and on behalf of the other Underwriters) but in any event not later than 12:00 noon on Thursday, 6 January 2011, the Share Offer will not proceed. In such event, the Company will issue an announcement to be published in The Standard in English and Singpao in Chinese and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.sumpofood.com).
6. E-auto refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than HK\$0.80 payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.
7. Share certificates will only become valid certificates of title if the Share Offer has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms, the latest time for which is expected to be around 8:00 a.m. on the Listing Date.

Applicants who apply on **white** Application Forms for 1,000,000 Public Offer Shares or more and indicate in their Application Forms that they wish to collect share certificates and/or refund cheques (if any) in person from the Company’s share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wan Chai, Hong Kong may do so in person from 9:00 a.m. to

EXPECTED TIMETABLE

1:00 p.m. on the date notified by the Company in the newspapers and on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.sumpofood.com, which is expected to be on or before Monday, 10 January 2011. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations which opt for personal collection may do so through their authorized representatives bearing letters of authorisation from the corporations duly stamped with the company's chop. Identification documents and (where applicable) authorisation documents acceptable to Tricor Investor Services Limited must be produced at the time of collection of share certificates and/or refund cheques (if any). Details are set out under the paragraph headed "Despatch/collection of share certificates, e-auto refund payment instructions and refund cheques" under the section headed "How to apply for Public Offer Shares" of this prospectus.

Applicants who apply on **yellow** Application Forms for 1,000,000 Public Offer Shares or more and indicate in their Application Forms that they wish to collect refund cheques (if any) in person may do so but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts. The procedures for collection of refund cheques (if any) for applicants who apply on **yellow** Application Forms are the same as those for applicants who apply on **white** Application Forms.

Uncollected share certificates and/or refund cheques (if any) will be despatched by ordinary post at the applicants' own risk to the address specified in the related Application Forms promptly after the expiry of the time of their collection. Further information is set out in the paragraph headed "Despatch/collection of share certificates, e-auto refund payment instructions and refund cheques" under the section headed "How to apply for Public Offer Shares" of this prospectus.

For details of the structure of the Share Offer, including its conditions, please see the section headed "Structure of the Share Offer" of this prospectus.

It is important that prospective investors of the Offer Shares should note that the Lead Manager (for itself and on behalf of the other Underwriters) is entitled to terminate the Underwriting Agreement by notice in writing to the Company upon the occurrence of any of the events set forth under the sub-paragraph headed "Grounds for termination" in the paragraph headed "Underwriting arrangements and expenses" under the section headed "Underwriting" of this prospectus at any time up to 8:00 a.m. on the Listing Date. Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout. It is important that prospective investors should refer to the section headed "Underwriting" in this prospectus for further details.

You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision. The Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms. Any information or representation not made in this prospectus and the related Application Forms must not be relied upon by you as having been authorized by the Company, the Sponsor, the Lead Manager, the Sole Bookrunner, the Underwriters, their respective directors or affiliates of any of them or any other person or parties involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW OF OUR BUSINESS

We are one of the well-known chicken meat products suppliers in the Fujian Province and we sell our chicken meat products under the “森寶 (Sumpo)” brand. According to the China Meat Association (中國肉類協會), which is a non-profit making organization established by social enterprises from all over the PRC engaging in the production, slaughtering, processing and sales of meat and poultry, we ranked 44th out of 90 amongst the Competitive Enterprises of Meat Products Industry in the PRC (中國肉類食品行業強勢企業) in 2008. The assessment was based on the total sales of those enterprises during the year ended 31 December 2007, and with reference to their respective asset values, equipment, sizes of main business, sales, taxes paid, amount of exports, etc. We are currently capable of slaughtering and processing up to approximately 18,000,000 broilers per year. We are the supplier of chicken meat to KFC, Dicos and Mckey (which, in aggregate, accounted for approximately 12.3% of our total revenue in 2009), and other retail and quick-service restaurants. As at 31 December 2009, approximately 84% (in terms of percentage of our total revenue) of our customers (including our distributors) were located in the Fujian Province whilst approximately 16% of our customers were located in other cities of the PRC such as Shanghai, Guangxi, Shantou, Shenzhen, Dongguan and Guangzhou, etc.. We also sell some of our products through a number of distributors.

We produce our chicken meat products from white-feathered broilers. We have our own production facilities in the Fujian Province. We currently have 3 breeder farms, 1 hatching facility, 5 broiler breeding farms, 1 animal feeds production facility and 1 slaughtering and processing facility. We own the land on which our animal feeds production facility, slaughtering and processing facility and head office are erected while we lease the land on which our breeder farms, hatching facility and broiler breeding farms are located.

Our production starts with the procurement of the Parent Stock Day-Old Chicks from a third party supplier. We breed the Parent Stock Day-old Chicks into breeders in our 3 breeder farms. The broiler eggs are then hatched into chicken breeds in our hatching facility. The chicken breeds are then delivered to our 5 broiler breeding farms or sold to the Contract Farmers for breeding. We manufacture animal feeds with our own production facilities and (i) deliver the same to our 5 broiler breeding farms and (ii) sell the same to the Contract Farmers. In the breeding of the chicken breeds, the Contract Farmers are required to purchase the animal feeds from our Group and maintain the population density of broilers in each broiler shed at a certain level. We will collect the grown broilers from our 5 broiler breeding farms and repurchase the grown broilers from the Contract Farmers, all of which will be delivered to our slaughtering and processing facilities for the production of our chicken meat products. We categorize the broilers according to their weights measured by sampling and different repurchase prices will apply to broilers of different weight groups, with the highest prices for broilers with weight within a specific range and lower prices for

SUMMARY

broilers with weight above or below the said range. The repurchase price will then be calculated with reference to the number of broilers delivered to our Group by the Contract Farmers. During the Track Record Period, approximately 70% of the broilers used in our production are repurchased from the Contract Farmers while approximately 30% are grown in our broiler breeding farms. The broilers will be slaughtered, processed and packaged into our chicken meat products and sold to our customers and distributors.

As at 30 June 2010, we had Contract Farming arrangement with approximately 160 Contract Farmers, all of whom being Independent Third Parties. We enter into contract with each of the Contract Farmers each year so that we can encourage the Contract Farmers to continuously improve their breeding services and meet our requirements.

According to the contracts entered into between our Group and our Contract Farmers, (i) a Contract Farmer shall fully pay for the price of the chicken breeds and the relevant vaccines before delivery of the chicken breeds; (ii) upon repurchase of the broilers from the Contract Farmers, we may set off the price for the next batch of chicken breeds and vaccines against the repurchase price payable by our Group; and (iii) the Contract Farmer may request for deferred payment of the purchase price for the animal feeds if certain conditions are satisfied, details of which are set out in the sub-paragraph headed “Payment method” of the paragraph headed “Sales and Customers” under the section headed “Business” of this prospectus.

As advised by our PRC legal advisers, each of the Contract Farmers is required to obtain the Pollutant Discharge Permit (排污許可證) and the Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證). However, none of them has obtained the said permit and certificate as at the Latest Practicable Date. Although we and the Contract Farmers are separate legal entities and the Contract Farmers should ensure their own compliance with the relevant laws and regulations, to avoid disruption on the supply of broilers, we have separately obtained a PRC legal opinion and confirmation from local authority in this regard, which indicated that the likelihood of the Contract Farmers being forced to cease their operations due to lack of permit and certificate is remote.

We will endeavour to assist all the Contract Farmers to apply for such permit and certificate. Our target is to have at least 70% to 75% of our Contract Farmers having obtained such permit and certificate on or before 31 December 2012 (30% during the year ending 31 December 2011 and 40% to 45% during the year ending 31 December 2012). We have undertaken to the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters that we will require the Contract Farmers to satisfy all the relevant requirements for obtaining the said permit and certificate before our renewal of any contracts with the Contract Farmers. We will also endeavour to assist the remaining of our Contract Farmers to obtain the said permit and certificate or to meet the requirements for obtaining the same. We will disclose the progress of the application of the said permit and certificate by the Contract Farmers and the renewal of the same in our interim and annual reports after Listing. For details of the requirements in connection with the said permit and certificate and the rectification measures of our Group, please refer to the sub-paragraph headed “Licensing – Contract Farmers” of the paragraph headed “Quality Assurance” of the section headed “Business” of this prospectus.

SUMMARY

We are dedicated to ensuring the high standard of safety and quality of our chicken meat products. We have obtained (i) ISO14001 (Environment) and ISO22000 (Food Safety) Certificates in January 2006 and (ii) ISO9001 (Quality) Certificate in March 2008. We and the Contract Farmers are required to apply vaccines to the broilers. Those vaccines help to prevent newcastle disease, infectious bronchitis, avian influenza and infectious bursal disease. Those vaccines were obtained by us from authorized manufacturers in the PRC.

We have achieved growth in recent years. Our total revenue increased from approximately RMB436.4 million for the year ended 31 December 2007 to approximately RMB569.2 million for the year ended 31 December 2009, representing a CAGR of approximately 14.2%. Our profit attributable to the owners of the Company increased from approximately RMB42.5 million for the year ended 31 December 2007 to approximately RMB57.0 million for the year ended 31 December 2009, representing a CAGR of approximately 15.8%. During the six months ended 30 June 2009, our Group had incurred a loss. Such loss was mainly due to the loss from our pork operation. The results of operation for the six months ended 30 June 2010 had improved after the disposal of our pork operation.

PRODUCTS

Our main products include:

- (1) chicken meat products which are marketed under our brand name “Sumpo (森寶)”. We process most parts of the broilers into different types of chicken meat products, including, inter alia, whole frozen chicken, chicken wings, chicken breast, chicken legs etc. We also put different flavourings and seasonings into some of our chicken meat products;
- (2) chicken breeds to be sold to the Contract Farmers for the purpose of breeding into white-feathered broilers; and
- (3) animal feeds to be sold to (i) the Contract Farmers for the purpose of feeding the broilers and (ii) other third parties.

The following table sets out a breakdown of our revenue by product categories during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Revenue										
Chicken meat products	331,446	75.9	362,104	61.6	364,395	64.0	158,164	60.7	201,736	67.3
Animal feeds	72,447	16.6	188,818	32.1	166,260	29.2	83,368	32.0	80,251	26.8
Chicken breeds	32,526	7.5	36,821	6.3	38,587	6.8	19,127	7.3	17,672	5.9
Total	436,419	100.0	587,743	100.0	569,242	100.0	260,659	100.0	299,659	100.0

SUMMARY

SALES AND CUSTOMERS

During the Track Record Period, our revenue was derived from our sales of chicken meat products, chicken breeds and animal feeds. We have established a broad customer base for our chicken meat products, including fast food shops chains such as KFC and Dicos. We also sell our products to our distributors. During the Track Record Period, our top 5 customers consist of (i) individual and corporate distributors who/which are engaged in the business of sales of frozen food products, and (ii) direct customers, which include a fast food chain, a large food processing enterprise and an individual engaging in the production and sales of animal feeds.

For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our sales to our five largest customers represented approximately 26.5%, 23.6%, 22.0% and 21.6% of our total revenue respectively. As at the Latest Practicable Date, our five largest customers (save for Mr. Huang Youcai (黃悠財)) had around 4 to 10 years of business relationship with our Group.

We sold animal feeds to Mr. Huang Youcai for a total amount of approximately RMB14.89 million during the period between 6 January 2009 and 30 June 2009. Mr. Huang Youcai was the general manager of Longyan Baoshun Poultry Technology Company Limited (a company beneficially wholly-owned by Mr. Lin and a 38.26% shareholder of Xiamen Sumpo) during the period between April 2007 and January 2009. He subsequently resigned and commenced his own animal feeds business in early 2009. The Directors confirmed that the transactions between our Group and Mr. Huang were made on normal commercial terms and in the interests of our Group and our Shareholders as a whole.

Direct sales of chicken meat products to our customers

As at the Latest Practicable Date, we have around 300 customers of chicken meat products while we had over 230 customers of chicken meat products during the Track Record Period. We sell most of our chicken meat products directly to our direct customers, including but not limited to fast food shops chains, restaurants etc. We also supply chicken meat products to Fujian Sumhua and Xiamen Oporto Catering Management Company Limited, details of which are set out in the paragraph headed “Continuing Connected Transactions in which Waivers are Granted” of the section headed “Connected Transactions” of this prospectus. For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, approximately 77.5%, 77.1%, 78.8% and 80.9% of our revenue were derived from our sales of chicken meat products by way of direct sales to our customers respectively.

Sales of chicken meat products to distributors

Another sales channel of our chicken meat products is sales to distributors. Such distributors operate independently of our Group. As at the Latest Practicable Date, we have cooperation with about 6 distributors, all of which being Independent Third Parties and located in the Fujian Province.

SUMMARY

We enter into non-exclusive distributorship agreements with our distributors, the term of which is usually 1 to 2 years. Pursuant to such distributorship agreements, the distributors are authorized to act as principals in their sales of our chicken meat products to their end customers. The distributors shall sell the products of our Group within the area as specified in the distributorship agreements and are not allowed to sell the products outside such area. For details of terms of distributorship agreement, please refer to the paragraph headed “Sales and Customers” under the section headed “Business” of this prospectus.

The following table sets out a breakdown of our revenue by sales channels during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Revenue										
Direct sales	361,994	82.9	504,896	85.9	491,864	86.4	223,637	85.8	261,088	87.1
Distributors	<u>74,425</u>	<u>17.1</u>	<u>82,847</u>	<u>14.1</u>	<u>77,378</u>	<u>13.6</u>	<u>37,022</u>	<u>14.2</u>	<u>38,571</u>	<u>12.9</u>
Total	<u>436,419</u>	<u>100.0</u>	<u>587,743</u>	<u>100.0</u>	<u>569,242</u>	<u>100.0</u>	<u>260,659</u>	<u>100.0</u>	<u>299,659</u>	<u>100.0</u>

COMPETITIVE STRENGTHS

We believe that our success to date and potential for future growth are attributable to our competitive strengths, which include the following:

- our vertically integrated operation enables us to achieve economies of scale;
- our production base is situated at a strategic location which is benefited by the economic policies of the PRC government;
- we have established a comprehensive food safety and hygiene system and quality control system;
- we have a well-recognized brand name; and
- we have established a stable customer base and a network of distributors.

SUMMARY

OUR BUSINESS STRATEGIES

Continuing to increase market coverage

We are determined to continue to increase our market share. In order to increase our market coverage, we believe that increasing the supply of chicken meat products and maximizing sales will play a key role in our future expansion. We have purchased the land use rights of a piece of land adjacent to our existing production base for the purpose of constructing another production base for our Group with a production capacity of slaughtering and processing approximately 36,000,000 broilers each year by 2011. The increase in our production capacity will help our Group to meet the increase in the demand for our products.

Apart from increasing our production capacity, we will aim specifically at maximizing our sales and profitability. We will focus on maintaining a close relationship with our customers with a view of boosting our growth and consolidating our position in the market.

Enhancing marketing and distribution and exploring new opportunities

We plan to enhance our marketing efforts and sales network and expand our market coverage to other parts of the PRC, including, inter alia, Guangxi, Chongqing, Sichuan, Hunan, Hubei and Zhejiang. We also plan to explore new business opportunities in the future by increasing our cooperation with other reputable production enterprises in the PRC. We will continue to solidify our relationships with our distributors in marketing our products and brands. In addition, we also plan to develop different seasoned chicken meat products to meet our customers' demands. With respect to our major customers, including KFC, Dicos and Mckey, we will continue to strengthen our customer services by providing more customized services, such as establishing an efficient distribution network for the delivery of our chicken meat products to our customers with fast food chains in the southern part of the PRC and improving the tastes of our chicken meat products, to satisfy their particular needs. As at the Latest Practicable Date, we do not have any concrete timetable for the proposed expansion. However, we will endeavour to carry out our plans after Listing.

Enhancing our brand image and recognition

We believe that brand names and image are among the key factors in consumers' purchasing decision. We will continue to build our brand names and image. High level of hygiene and sanitation are important to the safety of our chicken meat products. We implement strict and comprehensive measures at our chicken meat production facilities to reinforce occupational health protection and the hygiene at the production site. All our staff are required to wear uniform and undergo a comprehensive cleansing and sterilisation process before entering into the production site. There is strict temperature control at the production site throughout the entire production process to maintain the freshness of the chicken meat. Movements of our staff between different areas of the production sites are restricted in order to avoid cross-contamination.

SUMMARY

CORPORATE INVESTORS

Prior to the Listing, a number of the corporate investors have invested in our Group during the Track Record Period, the particulars of which are set out as follows:

	Golden Prince <i>(Note 1)</i>	King & Queen <i>(Note 2)</i>	Robust China <i>(Note 3)</i>	Success Dragon <i>(Note 4)</i>	
Date of signing the agreement	20 November 2009	20 November 2009	5 February 2010	20 May 2008	5 February 2010
Investment method	subscription of new shares in Sumpo Holdings	subscription of new shares in Sumpo Holdings	acquisition of shares in Sumpo Holdings from Mr. Lin	acquisition of shares in Sumpo Holdings from Mr. Lin Genghua <i>(Note 5)</i>	acquisition of shares in Sumpo Holdings from Mr. Lin
Total consideration	HK\$20,250,000	HK\$20,250,000	HK\$24,928,000	HK\$27,000,000	HK\$5,472,000
Time of settlement of consideration	8 February 2010	24 November 2009	5 February 2010	6 October 2008	5 February 2010
Number of Shares exchanged immediately after the completion of the Share Offer and the Capitalization Issue	108,000,000	108,000,000	78,720,000	78,720,000	17,280,000
Discount to the mid-point of Offer Price	73.21%	73.21%	54.76%	51.00%	54.76%
Lock-up Period	6 months from the Listing Date	6 months from the Listing Date	6 months from the Listing Date	not subject to any lock up restriction <i>(Note 6)</i>	6 months from the Listing Date
Shareholding in the Company immediately after completion of the Share Offer and the Capitalization Issue	6.75%	6.75%	4.92%	4.92%	1.08%

SUMMARY

Notes:

- (1) Golden Prince is legally and beneficially wholly owned by Mr. Ng Leung Ho. Mr. Ng Leung Ho had been the legal and beneficial owner of 15% shareholding in Sumpo Holdings for the period from 18 August 2007 to 28 April 2009. He liquidated his investment in Sumpo Holdings in mid-2009 to satisfy his then financial needs. After his financial position had improved, Mr. Ng Leung Ho proceeded to subscribe for shares in Sumpo Holdings through Golden Prince on 20 November 2009 from his own financial resources.
- (2) King & Queen is legally and beneficially wholly owned by Mr. Ho Kam Hung, who has been a friend of Mr. Lin for about 10 years.
- (3) Robust China is legally and beneficially owned by Ms. Qian Wei Qing, Ms. Li Qing and Mr. Zhang Shaolin as to approximately 30.02%, 65.82% and 4.16% respectively. These ultimate shareholders are the friends of Mr. Lin.
- (4) Success Dragon is legally and beneficially wholly owned by Mr. Chau Gam Jaak, who has been a friend of Mr. Lin for about 20 years.
- (5) Mr. Lin Genghua is the son of Mr. Lin.
- (6) To the best knowledge of the Directors as at the Latest Practicable Date, Success Dragon has no intention to sell such Shares within the 6 months from the Listing Date.

There will be no special rights for the aforesaid investors after the Listing. Each of the aforesaid corporate investors and their ultimate beneficial owners are Independent Third Parties. Save for the subscription monies received by our Group in respect of subscription of new shares in Sumpo Holdings as mentioned above, there is no other benefit to our Group as a result of their investments.

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FUTURE PLANS AND PROSPECTS

Our Group aims to become one of the top ten manufacturers of chicken meat products in the PRC. In order to achieve this objective, our Group intends to implement the following plans:

Increase our production capacity

As at the Latest Practicable Date, our Group had one slaughtering and processing facility in the PRC. To meet the increasing market demand, our Group is planning to construct a new slaughtering and processing plant in Longyan adjacent to the existing one. The new slaughtering and processing plant is expected to have a production capacity of approximately 36,000,000 broilers per year. Our Group plans to construct 10 new breeder farms, 1 new hatching facility and 10 new broiler breeding farms. The construction of the new hatching facility and 3 new breeder farms is expected to be completed within the first half of 2011, whilst 5 new broiler breeding farms and the new slaughtering and processing plant are expected to be completed by the end of 2011, and the remaining 7 new breeder farms and 5 new broiler breeding farms are expected to be completed by the end of 2012.

The new hatching facility is expected to have a hatching capacity of approximately 38,900,000 chicken breeds per year. The 10 new broiler breeding farms are expected to take in approximately 5.5 batches of broilers per year, each batch consisting of approximately 200,000 broilers. The total breeding capacity of 10 new broiler breeding farms is expected to reach approximately 10,000,000 broilers per year, taking into account the number of dead broilers and those broilers with unsatisfactory quality. The 10 new breeder farms are expected to breed approximately 405,000 sets of breeders per year, laying approximately 45,700,000 broiler eggs per year.

The estimated total acquisition and construction cost of the new slaughtering and processing plant is approximately RMB250.67 million, which will be financed mainly from internal resources of our Group and debt financing.

We believe that the investments in the construction of another slaughtering and processing plant will enable us to capture more market opportunities and achieve economies of scale.

In order to utilize the increased production capacity of our new slaughtering and processing facilities, we will also have to establish new breeders farms, hatching facilities and broiler breeding farms. The estimated costs of establishing such new breeders farms, hatching facilities and broiler breeding farms are approximately RMB98 million, RMB17 million and RMB140 million respectively, which will be financed as to RMB227.04 million, assuming that the Over-allotment Option is not exercised and based on the Offer Price of HK\$0.70 per share (being the mid-point of the stated range of the Offer Price of between HK\$0.60 per share and HK\$0.80 per Share) from the proceeds from the Share Offer and as to RMB27.96 million from the internal resources of our Group and debt financing.

SUMMARY

The table below sets out our total production capacities before and after the construction of new facilities, the sources of fund for the construction of the new facilities and other relevant information:

Existing facilities	Production capacity of existing facilities per year as at 30 June 2010 (approximate)	Utilization rate as at 30 June 2010	New facilities	Total production capacity per year after expansion (including existing facilities) (approximate)	Expected completion date	Estimated capital expenditure (RMB million) (approximate)	Sources of fund (approximate)
1 slaughtering and processing plant	18,000,000 broilers	93.4%	1 new slaughtering and processing plant	54,000,000 broilers	End of 2011	250.67	Internal resources and debt financing
3 breeder farms	210,000 sets <i>(Note)</i>	80.3%	10 new breeder farms	615,000 sets	First half of 2011 (3 breeder farms) By 2012 (7 breeder farms)	98	Proceeds from the Share Offer
1 hatching facility	20,000,000 chicken breeds	91.2%	1 new hatching facility	58,900,000 chicken breeds	First half of 2011	17	Proceeds from the Share Offer
5 broiler breeding farms	5,500,000 broilers	100%	10 new broiler breeding farms	15,500,000 broilers	End of 2011 (5 broiler breeding farms) End of 2012 (5 broiler breeding farms)	140	Proceeds from the Share Offer (as to RMB112 million); Internal resources and debt financing (as to RMB28 million)

Note:

Each female breeder that has been matched with a male breeder for fertilization constitutes one set of breeders. Hence, the number of female breeders is equal to the number of the sets of breeders. For the year ended 31 December 2009, the overall proportion of male breeders and female breeders was approximately 1:8.67.

SUMMARY

Enhance the quality of our products and increase our product varieties

We plan to adjust and improve the technologies and technical know-how of our existing production facilities in order to fully utilize our production capacity and improve the quality of our products.

During the Track Record Period, most of our products are frozen chicken meat products. In order to increase the varieties of our chicken meat products, we plan to enhance our capability in making seasoned chicken meat products, which requires certain technical know-how, by introducing new equipment and ingredients for the production of seasoned chicken meat products. The revenue derived from the sales of such seasoned chicken meat products represents an insignificant portion of our total revenue and is included in the revenue of our chicken meat products. By doing so, we believe that we will be able to attract other potential customers who/which demand for seasoned chicken meat products to purchase such products from us, which will in turn increase our market coverage.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table presents a summary of the Group's combined statements of comprehensive income for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010.

Combined Statements of Comprehensive Income

	Year ended 31 December 2007 <i>RMB'000</i>	Year ended 31 December 2008 <i>RMB'000</i>	Year ended 31 December 2009 <i>RMB'000</i>	Six months ended 30 June 2009 <i>RMB'000</i>	Six months ended 30 June 2010 <i>RMB'000</i>
				<i>(unaudited)</i>	
Continuing operations					
Revenue (<i>Note 1</i>)	436,419	587,743	569,242	260,659	299,659
Cost of sales	<u>(347,012)</u>	<u>(491,148)</u>	<u>(472,545)</u>	<u>(226,423)</u>	<u>(244,586)</u>
Gross profit	89,407	96,595	96,697	34,236	55,073
Other revenue and gains	12,638	15,174	13,700	5,658	7,189
Change in fair value less costs to sell of biological assets	3,058	(2,191)	3,388	(145)	(4,032)
Fair values of agricultural produce on initial recognition	34,880	55,786	57,952	28,960	28,363
Reversal of fair value of agricultural produce due to hatch and disposals	(34,021)	(53,884)	(60,083)	(29,416)	(27,513)
Selling and distribution expenses	(8,354)	(9,481)	(9,295)	(4,763)	(4,160)
Administrative expenses	(23,951)	(19,444)	(22,406)	(10,286)	(16,418)
Finance costs	(4,522)	(9,133)	(8,906)	(4,825)	(5,833)
Other operating expenses	<u>(11,293)</u>	<u>(17,663)</u>	<u>(15,470)</u>	<u>(8,140)</u>	<u>(8,415)</u>
Profit before taxation	57,842	55,759	55,577	11,279	24,254
Taxation	<u>(13,693)</u>	<u>(7,107)</u>	<u>(5,553)</u>	<u>(1,407)</u>	<u>(1,446)</u>
Profit for the period/year from continuing operations	44,149	48,652	50,024	9,872	22,808
Discontinued operation					
Gain/(loss) for the period/year from discontinued operation	<u>—</u>	<u>(2,716)</u>	<u>9,371</u>	<u>(10,512)</u>	<u>—</u>
Profit/(loss) for the period/year (<i>Note 2</i>)	<u><u>44,149</u></u>	<u><u>45,936</u></u>	<u><u>59,395</u></u>	<u><u>(640)</u></u>	<u><u>22,808</u></u>

SUMMARY

	Year ended 31 December 2007 <i>RMB'000</i>	Year ended 31 December 2008 <i>RMB'000</i>	Year ended 31 December 2009 <i>RMB'000</i>	Six months ended 30 June 2009 <i>RMB'000</i>	Six months ended 30 June 2010 <i>RMB'000</i>
<i>(unaudited)</i>					
For continuing and discontinued operations					
Profit/(loss) attributable to:					
Owners of the Company	42,502	39,715	56,985	(671)	19,746
Non-controlling interests	<u>1,647</u>	<u>6,221</u>	<u>2,410</u>	<u>31</u>	<u>3,062</u>
	<u>44,149</u>	<u>45,936</u>	<u>59,395</u>	<u>(640)</u>	<u>22,808</u>
For continuing operations					
Profit/(loss) attributable to:					
Owners of the Company	42,502	42,431	47,614	8,886	19,746
Non-controlling interests	<u>1,647</u>	<u>6,221</u>	<u>2,410</u>	<u>986</u>	<u>3,062</u>
	<u>44,149</u>	<u>48,652</u>	<u>50,024</u>	<u>9,872</u>	<u>22,808</u>
Dividends	<u>–</u>	<u>–</u>	<u>60,000</u>	<u>–</u>	<u>–</u>
Earnings/(loss) per share					
From continuing and discontinued operations					
Basic and diluted (<i>RMB cents</i>)	<u>2.66</u>	<u>2.48</u>	<u>3.56</u>	<u>(0.04)</u>	<u>1.23</u>
From continuing operations					
Basic and diluted (<i>RMB cents</i>)	<u>2.66</u>	<u>2.65</u>	<u>2.98</u>	<u>0.56</u>	<u>1.23</u>

Notes:

- (1) Our revenue increased by approximately 34.7%, from approximately RMB436.4 million for the year ended 31 December 2007 to approximately RMB587.7 million for the year ended 31 December 2008, primarily as a result of the increase in the sales volume in all of our three businesses, namely chicken meat, animal feeds and chicken breeds by approximately 6.3%, 119.6% and 6.0% respectively. Revenue from sales of our chicken meat products business increased by approximately 9.2%, primarily due to increase in the average selling price and sales volume of our chicken meat products by approximately 2.7% and 6.3% respectively resulting from increase in market demand. Revenue from sales of animal feeds business increased by approximately 160.6%, primarily as a result of the increase in the selling price of animal feeds due to the increase in market demand and the acquisition of an animal feeds production plant during 2007 which allowed us to sell animal

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feeds directly to the Contract Farmers. Revenue from sales of chicken breed business increased by approximately 13.2%, primarily as a result of the increase in the sales volume and unit selling price of chicken breeds sold to the Contract Farmers.

Our revenue decreased by approximately 3.1%, from approximately RMB587.7 million for the year ended 31 December 2008 to approximately RMB569.2 million for the year ended 31 December 2009, primarily as a result of the decrease in the sales volume of animal feeds, such as duck feeds and yellow-feathered chicken feeds and the decrease in their average selling prices. Our revenue increased by approximately 15.0%, from approximately RMB260.7 million for the six months ended 30 June 2009 to approximately RMB299.7 million for the six months ended 30 June 2010, primarily due to increase in sales volume and average selling price in the chicken meat products resulting from the recovery of economic condition. For a detailed description of fluctuations in our revenue during the Track Record Period, see “Financial Information – Period to Period Comparison of Results of Continuing Operations” of this prospectus.

- (2) The loss for the six months ended 30 June 2009 of approximately RMB640,000 was primarily due to (i) the loss incurred in discontinued operation and (ii) the decrease in the sales volume and gross profit margin of chicken meat products, resulting mainly from the decrease in its average selling price. For a detailed description of fluctuations in our profit/loss for the period/year during the Track Record Period, see “Financial Information – Period to Period Comparison of Results of Continuing Operations” and “Financial Information – Discontinued Operation” of this prospectus.
- (3) We had historically invested in the pork business since April 2005 and we commenced the operation of the pork business in July 2008 in order to diversify our business into the pork business. In 2009, we decided to dispose of such business to the Controlling Shareholders at the consideration of RMB121,000,000 for the following reasons:
 - (i) given that pigs and chickens have different growing periods and require different breeding environment and facilities and different animal feeds with different ingredients and nutritional contents, the pork business and the chicken meat business are two distinct and separate businesses and thus, not much synergy nor economies of scale can be achieved from the two businesses; and
 - (ii). by disposing of the pork business, our Group can focus our business on the chicken meat products.
- (4) Our other revenue and gains primarily consist of sales of side products, interest income, government grants and amortization of financial guarantee contract. For a detailed description of fluctuations in our other revenue and gains during the Track Record Period, please refer to the section headed “Financial Information – Principal Components of Statement of Comprehensive Income” of this prospectus.

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Gross profit and gross profit margin

The following table sets out our total gross profit and gross profit margin by business segments during the Track Record Period:

Gross profit

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	<i>RMB'000</i>	<i>% of total gross profit</i>	<i>RMB'000</i>	<i>% of total gross profit</i>	<i>RMB'000</i>	<i>% of total gross profit</i>	<i>RMB'000</i>	<i>% of total gross profit</i>	<i>RMB'000</i>	<i>% of total gross profit</i>
Chicken meat products	67,550	75.6	46,088	47.7	50,768	52.5	12,912	37.7	37,184	67.5
Animal feeds	4,381	4.9	27,994	29.0	21,269	22.0	9,589	28.0	6,042	11.0
Chicken breeds	17,476	19.5	22,513	23.3	24,660	25.5	11,735	34.3	11,847	21.5
Total	<u>89,407</u>	<u>100.0</u>	<u>96,595</u>	<u>100.0</u>	<u>96,697</u>	<u>100.0</u>	<u>34,236</u>	<u>100.0</u>	<u>55,073</u>	<u>100.0</u>

Gross profit margin (Note 1)

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	%	%	%	%	%
Chicken meat products	20.4	12.7	13.9	8.2	18.4
Animal feeds	6.0	14.8	12.8	11.5	7.5
Chicken breeds	53.7	61.1	63.9	61.4	67.0
Overall (Note 2)	<u>20.5</u>	<u>16.4</u>	<u>17.0</u>	<u>13.1</u>	<u>18.4</u>

Note:

- (1) The gross profit margin for our chicken meat products decreased from approximately 20.4% for the year ended 31 December 2007 to approximately 12.7% for the year ended 31 December 2008. This was primarily due to the fact that the extent of increase in the average selling price of chicken meat products of approximately 2.7% could not compensate the extent of increase in the repurchase price of broilers from the Contract Farmers of approximately 20.8%. Such increase in the repurchase price of broilers from the Contract Farmers was primarily due to the increase in the feeding cost.

The gross profit margin for our chicken meat products increased from approximately 12.7% for the year ended 31 December 2008 to approximately 13.9% for the year ended 31 December 2009. This was primarily due to the fact that decrease in the average selling price was less than decrease in the average unit costs of our chicken meat products.

The gross profit margin for our chicken meat products increased from approximately 8.2% for the six months ended 30 June 2009 to approximately 18.4% for the six months ended 30 June 2010. This was primarily due to the increase in the average selling price of our chicken meat products by approximately 17.0% as a result of the recovery of economic condition in 2010.

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The gross profit margin for our animal feed business increased from approximately 6.0% for the year ended 31 December 2007 to approximately 14.8% for the year ended 31 December 2008. The increase in gross profit margin for animal feeds was primarily due to i) the increase in the average selling price of animal feeds due to the increase in market demand; ii) the acquisition of an animal feeds production plant during 2007 which enabled us to enjoy economies of scale.

The gross profit margin for our animal feeds decreased from approximately 14.8% for the year ended 31 December 2008 to approximately 12.8% for the year ended 31 December 2009. This was primarily due to the decrease in the average selling price of animal feeds to the Contract Farmers resulting from economic downturn.

The gross profit margin for our animal feeds decreased from approximately 11.5% for the six month ended 30 June 2009 to approximately 7.5% for the six months ended 30 June 2010. This was primarily due to the increase in the unit cost of major raw materials of animal feeds, namely corn and wheat by approximately 15.5% and 11.3% respectively while our average selling price of animal feeds remained stable during both periods. Since the Contract Farmers purchase animal feeds from us at an agreed price fixed at the beginning of 2010, the effect of the increase in the cost of major raw materials of animal feeds was not passed to the Contract Farmers.

- (2) The overall gross profit margin decreased from approximately 20.5% for the year ended 31 December 2007 to approximately 16.4% for the year ended 31 December 2008, primarily as a result of the decrease in the gross profit of our chicken meat products. Our overall gross profit margin remained stable at approximately 16.4% and approximately 17.0% for the year ended 31 December 2008 and 2009 respectively. Our overall gross profit margin increased from approximately 13.1% for the six months ended 30 June 2009 to approximately 18.4% for the six months ended 30 June 2010, primarily due to the increase in gross profit of chicken meat product business as a result of the increase in the average selling prices of chicken meat products. For a detailed description of fluctuations in our gross profit margin during the Track Record Period, see “Financial Information – Period to Period Comparison of Results of Continuing Operations”.

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The following table sets out the sales volumes of our (i) chicken meat and animal feeds in terms of weight and (ii) chicken breed in terms of quantity during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007 (tonnes)	2008 (tonnes)	2009 (tonnes)	2009 (tonnes)	2010 (tonnes)
Total tonnes sold					
Chicken meat products	<u>30,706</u>	<u>32,651</u>	<u>34,592</u>	<u>16,263</u>	<u>17,727</u>
Animal feeds					
– Chicken feeds	26,287	52,042	55,661	26,176	26,918
– Pig feeds	1,961	8,881	6,546	4,551	3,422
– Others ^(Note 1)	<u>2,008</u>	<u>5,521</u>	<u>2,247</u>	<u>1,942</u>	<u>–</u>
Total animal feeds	<u>30,256</u>	<u>66,444</u>	<u>64,454</u>	<u>32,669</u>	<u>30,340</u>
Total pieces sold					
Chicken breeds	<u>11.6 million</u>	<u>12.3 million</u>	<u>12.9 million</u>	<u>6.4 million</u>	<u>5.9 million</u>

Note:

(1) Others mainly represented duck feeds and yellow-feathered chicken feeds.

The following table sets out the average selling prices for our major product categories, being chicken meat products, animal feeds and chicken breeds for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007 RMB Per tonne	2008 RMB Per tonne	2009 RMB Per tonne	2009 RMB Per tonne	2010 RMB Per tonne
Average selling prices					
Chicken meat products	10,794.11	11,090.21	10,534.18	9,725.13	11,380.29
Animal feeds	2,394.43	2,841.74	2,579.53	2,551.93	2,645.10
– Chicken feeds	2,367.16	2,873.26	2,612.56	2,626.69	2,599.98
– Pig feeds	2,799.12	2,852.46	2,421.57	2,264.16	3,000.04
– Other feeds	2,356.17	2,527.36	2,221.47	2,218.61	–
Chicken breeds (per piece)	2.80	2.99	2.99	2.99	2.99

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Summary of Statements of Financial Position

The table below sets forth selected data from the combined statements of financial position of our underlying business for Track Record Period.

	As at 31 December 2007 <i>RMB'000</i>	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 30 June 2010 <i>RMB'000</i>
Non-current assets	<u>286,587</u>	<u>374,026</u>	<u>128,319</u>	<u>118,877</u>
Current assets	<u>152,519</u>	<u>186,112</u>	<u>430,411</u>	<u>452,059</u>
Current liabilities	<u>174,739</u>	<u>248,902</u>	<u>303,996</u>	<u>297,919</u>
Net current assets/ (liabilities)	<u>(22,220)</u>	<u>(62,790)</u>	<u>126,415</u>	<u>154,140</u>
Total assets less current liabilities	<u>264,367</u>	<u>311,236</u>	<u>254,734</u>	<u>273,017</u>
Equity				
Equity attributable to owners of the Company	123,804	162,144	195,028	210,312
Non-controlling interests	<u>5,723</u>	<u>13,344</u>	<u>13,843</u>	<u>16,905</u>
Total equity	<u>129,527</u>	<u>175,488</u>	<u>208,871</u>	<u>227,217</u>
Non-current liabilities	<u>134,840</u>	<u>135,748</u>	<u>45,863</u>	<u>45,800</u>
Total equity and non-current liabilities	<u>264,367</u>	<u>311,236</u>	<u>254,734</u>	<u>273,017</u>

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Summary of Cash Flow Data

The following table summarizes the combined statements of cash flows of underlying business for the Track Record Period.

	Year ended 31 December 2007 <i>RMB'000</i>	Year ended 31 December 2008 <i>RMB'000</i>	Year ended 31 December 2009 <i>RMB'000</i>	Six months ended 30 June 2009 <i>RMB'000</i> <i>(unaudited)</i>	Six months ended 30 June 2010 <i>RMB'000</i>
Net cash generated from operating activities	53,157	18,938	5,977	82,524	137,782
Net cash used in investing activities	(148,018)	(106,878)	(24,072)	(28,264)	(47,682)
Net cash generated from/(used in) financing activities	<u>98,270</u>	<u>63,175</u>	<u>60,363</u>	<u>(13,147)</u>	<u>(47,817)</u>
Net increase/(decrease) in cash and cash equivalents	3,409	(24,765)	42,268	41,113	42,283
Cash and cash equivalents at the beginning of the period/year	40,734	43,893	19,787	19,787	61,259
Effect of foreign exchange rate changes	<u>(250)</u>	<u>659</u>	<u>(796)</u>	<u>(446)</u>	<u>704</u>
Cash and cash equivalents at the end of the period/year	<u><u>43,893</u></u>	<u><u>19,787</u></u>	<u><u>61,259</u></u>	<u><u>60,454</u></u>	<u><u>104,246</u></u>

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PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

The Directors forecast that, in the absence of unforeseeable circumstances and on the bases and assumptions set out in Appendix II to this prospectus, the forecast of the Group's combined profit attributable to owners of the Company for the year ending 31 December 2010 will be approximately RMB54.0 million. Please refer to the section headed "Profit Forecast" in Appendix II to this prospectus.

The forecast combined profit attributable to owners of the Company of approximately RMB54.0 million for the year ending 31 December 2010 includes an estimated gain arising from changes in fair values less costs to sell of biological assets of RMB2.6 million for the year ended 31 December 2010. The gain arising from changes in fair values less costs to sell of biological assets is calculated i) on the same basis that has been adopted by the Group in valuing its biological assets and ii) on the assumption that there will be no material change in the key parameters which have been used by the Valuer in determining the fair value of the Group's biological assets as at 30 June 2010. The forecast fair value of the Group's biological assets as at 30 June 2010 and 31 December 2010 is valued by the Valuer (including the underlying assumptions). The extent of any gain arising from changes in fair value less costs to sell of biological assets for the year ending 31 December 2010 is dependent on market conditions and other factors that are beyond our control.

Sensitivity analysis

Key assumptions underlying valuation of the Group's breeders as at 31 December 2010 are set out below:

Estimated fair value less costs to sell (RMB)	10,679,000
Estimated selling price of broiler egg (RMB/per piece)	2.3
Estimated direct production costs of broiler egg (RMB/per egg laying cycle of mature breeders)	287
Discount rate	24.58%

The following table illustrates the sensitivity of the combined profit attributable to the owners of the Company to levels of the estimated fair value less costs to sell of the Group's breeders for the year ending 31 December 2010 by varying the discount rate:

	Adjusting 500 basis points upward	Adjusting 200 basis points upward	Adjusting 100 basis points upward	Adjusting 100 basis points downward	Adjusting 200 basis points downward	Adjusting 500 basis points downward
Increase/(decrease) in profit attributable to owners of the Company (RMB'000)	(291)	(118)	(59)	59	118	291

SUMMARY

The following table illustrates the sensitivity of the combined profit attributable to the owners of the Company to levels of the estimated fair value less costs to sell of the Group's breeders for the year ending 31 December 2010 by varying the selling price of broiler egg:

	5%	2%	1%	1%	2%	5%
	increase in	increase in	increase in	decrease in	decrease in	decrease in
	the selling	the selling	the selling	the selling	the selling	the selling
	price of	price of	price of	price of	price of	price of
	broiler egg	broiler egg	broiler egg	broiler egg	broiler egg	broiler egg
Increase/(decrease) in profit attributable to owners of the Company (RMB'000)	1,462	585	292	(292)	(585)	(1,462)

The following table illustrates the sensitivity of the combined profit attributable to the owners of the Company to the levels of the estimated fair value less costs to sell of the Group's breeders for the year ending 31 December 2010 by varying the direct production costs of broiler egg:

	5%	2%	1%	1%	2%	5%
	increase in	increase in	increase in	decrease in	decrease in	decrease in
	the direct	the direct	the direct	the direct	the direct	the direct
	production	production	production	production	production	production
	costs of	costs of	costs of	costs of	costs of	costs of
	broiler egg	broiler egg	broiler egg	broiler egg	broiler egg	broiler egg
Increase/(decrease) in profit attributable to owners of the Company (RMB'000)	(1,025)	(410)	(205)	205	410	1,025

This sensitivity illustration is intended for reference only, and any variation could exceed the amounts indicated. Investors should note in particular that (i) this sensitivity illustration is not intended to be exhaustive and is limited to the impact of changes in key assumptions including the fair value of biological assets less costs to sell, the selling price of broiler eggs and the direct production costs of broiler egg; (ii) the profit forecast is subject to further and additional uncertainties. While we consider that for the purposes of the profit forecast what we believe is the best estimate of, among other assumptions, the fair value change on biological assets less costs to sell for the year ending 31 December 2010, our actual revaluation on the fair value change on biological assets less costs to sell for the year ending 31 December 2010 may differ materially from our estimate and is dependent on market conditions and other factors that are beyond our control.

SUMMARY

Note 1: Based on the costs of equity generated from Bloomberg below, we note the expected rate of return should range from 10% to 15% for comparable companies. However, given the risk associated with a particular asset (i.e. the breeders) is much greater than the risk associated with a company, especially a listed company, the Directors are of the view that the discount rates adopted in the discounted cash flow are fair and reasonable.

Market comparables

Name of Company	Stock Code	Cost of Equity
DaChan Food Asia Ltd	HKE: 03999	14.85%
Shandong Minhe	SHE: 002234	13.57%
Fujian Sunner	SSE: 002299	13.66%
Henan Huaying Agri Development	SHE: 002321	13.66%
Venky's India Ltd	BOM: 523261	12.16%
Srinivasa Hatcheries	BOM: 526893	10.38%
Rainbow Chicken	JNB: RBW	13.72%
Yuhe International Inc	NASDAQ: YUII	<u>11.42%</u>
	Average	<u><u>12.93%</u></u>

Note 2: The Valuer is of the view that the range adopted in the sensitivity analysis is the reasonably likely range in which the value of the numerical parameters may deviate from the base case level.

As far as discount rate is concerned, the major varying element is risk free rate (with long term Government bond rates acting as its proxy). In analyzing the 10-year PRC Government Bond rates between November 2009 and November 2010 (as shown in the Bloomberg screenshots below), it is observed that the highest and lowest rate is 4.128% and 3.249% respectively, with a range of 0.879%. The standard deviation of the change of the same set of bond rates is 2.08%. Therefore, the selected level of variation (i.e. $\pm 1\%$ to the base case discount rate or from 96% to 104% of the base case discount rate) is considered to be adequate to cover the expected range of possible outcomes for this variable.

As far as selling price of broiler eggs and production costs are concerned, given the target inflation rate of not exceeding 4% as set by the Central Government, the selected level of variation (i.e. from 95% to 105% of the base case level) is considered to be adequate to cover the expected range of possible outcomes for these variables.

SUMMARY

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and based on the Offer Price of HK\$0.70 per Share Offer (being the mid-point of the stated range of the Offer Price of between HK\$0.60 per Share and HK\$0.80 per Offer Share), the net proceeds of the Share Offer, after deducting related expenses payable by us, are estimated to be approximately HK\$258 million (equivalent to approximately RMB227.04 million). The Directors presently intend to apply such net proceeds of the Share Offer as follows:

- as to approximately HK\$111.36 million (equivalent to approximately RMB98.00 million) will be used to finance the costs of establishing our new breeders farms;
- as to approximately HK\$19.32 million (equivalent to approximately RMB17.00 million) will be used to finance the costs of establishing our new hatching facilities; and
- as to the balance of approximately HK\$127.32 million (equivalent to approximately RMB112.04 million) will be used to finance the costs of establishing our new broiler breeding farms.

In the event that the Offer Price is set at HK\$0.80 per Offer Share, being the high-end of the proposed Offer Price range, our Company will receive additional net proceeds of the Share Offer of approximately HK\$39.00 million (equivalent to approximately RMB34.32 million) when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus, RMB27.96 million of which will be used to finance the cost of establishing our new broiler breeding farms and the remaining sum of RMB6.36 million will be used as working capital of the Group.

In the event that the Offer Price is set at HK\$0.60 per Offer Share, being the low-end of the proposed Offer Price range, the net proceeds of the Share Offer will be decreased by approximately HK\$39.00 million (equivalent to approximately RMB34.32 million) when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus. Under such circumstances, our Company intends to reduce its allocation of the net proceeds to finance the cost of establishing our new broiler breeding farms.

In the event that the Over-allotment Option is exercised in full, and assuming an Offer Price of HK\$0.80 per Offer Share (being the high-end of proposed Offer Price range), the Group will receive additional net proceeds of approximately HK\$46.80 million (equivalent to approximately RMB41.18 million), RMB27.96 million of which will be allocated to finance the cost of establishing our new broiler breeding farms and the remaining sum of RMB13.22 million will be used as working capital of the Group.

In the event that the Over-allotment Option is exercised in full, and assuming an Offer Price of HK\$0.70 per Offer Share (being the mid-point of the stated Offer Price range between HK\$0.60 per Offer Share and HK\$0.80 per Offer Share), the Group will receive additional net proceeds of approximately HK\$40.95 million (equivalent to approximately

SUMMARY

RMB36.04 million), RMB27.96 million of which will be allocated to finance the cost of establishing our new broiler breeding farms and the remaining sum of RMB8.08 million will be used as working capital of the Group.

In the event that the Over-allotment Option is exercised in full, and assuming an Offer Price of HK\$0.60 per Offer Share (being the low-end of proposed Offer Price range), the Group will receive additional net proceeds of approximately HK\$35.10 million (equivalent to approximately RMB30.89 million), RMB27.96 million of which will be allocated to finance the cost of establishing our new broiler breeding farms and the remaining sum of RMB2.93 million will be used as working capital of the Group.

To the extent that the net proceeds of the Share Offer and the issue of new Shares under the Over-allotment Option are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with financial institutions.

The Directors consider that the net proceeds from the Share Offer, together with internally generated funds and the banking facilities available to our Group, will be sufficient to finance the future business development of our Group as described in this prospectus.

OFFER STATISTICS

	Based on Offer Price of HK\$0.60	Based on Offer Price of HK\$0.80
Market capitalization of our Company	HK\$960,000,000	HK\$1,280,000,000
Prospective price/earnings multiple (pro forma)	15.64 times	20.86 times
Unaudited pro forma adjusted net tangible asset value per share	HK\$0.29	HK\$0.34

Notes:

1. All statistics presented in this table are based on the assumption that the Over-allotment Option will not be exercised.
2. The calculation of market capitalization is based on 1,600,000,000 Shares expected to be in issue immediately upon completion of the Share Offer and the Capitalization Issue, assuming that the Over-allotment Option will not be exercised.
3. The calculation of the prospective price/earnings multiple is based on the forecast of the Group's combined profit attributable to the owners of the Company of approximately RMB54 million for the year ending 31 December 2010 on a pro forma basis at the respective Offer Price of HK\$0.6 and HK\$0.8 assuming that the Company has been listed since 1 January 2010 and a total of 1,600,000,000 Shares have been in issue during the entire year.
4. The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in the section headed "Unaudited Pro Forma Adjusted Net Tangible Assets" in Appendix III to this prospectus and based on 1,600,000,000 Shares expected to be in issue

SUMMARY

immediately upon completion of the Share Offer and the Capitalization Issue (assuming that the Over-allotment Option will not be exercised) and the respective Offer Prices of HK\$0.60 and HK\$0.80.

DIVIDEND POLICY

In 2009, Sumpo Holdings declared and paid a dividend of RMB60 million to its shareholders. In 2010, Sumpo Holdings further declared a dividend of RMB75 million to its shareholders. A sum of RMB50 million of the said dividend had been settled by way of deducting the receivables due from the shareholders of Sumpo Holdings on 31 August 2010 and the remaining RMB25 million had been settled by way of cash in November 2010.

We currently do not have any plans to distribute regular dividends immediately after the Listing, although this is subject to change. Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law, including the approval of our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

RISK FACTORS

The Directors believe that there are certain risks involved in our Group's operations. They can be categorized as (i) risks associated with our business operations, (ii) risks associated with the PRC and (iii) risks associated with the Shares and the Share Offer.

These risks are summarized below. For a further discussion on the risk factors, please refer to the section headed "Risk Factors" of this prospectus.

Risks associated with our business operations

- We rely heavily on the sole supplier of Parent Stock Day-Old Chicks.
- The outbreak of animal diseases could adversely affect our business.
- We rely heavily on the Contract Farmers to grow live broilers for the production of our chicken meat products.
- We rely on a continuous supply of live broilers from time to time.
- Our business and reputation may be affected by real or perceived quality issues caused by medicines and/ or vaccines applied to the broilers.
- We rely heavily on the PRC market.
- We may encounter fluctuation in the price of raw materials or interruption in the supply of raw materials.

SUMMARY

- We may have to put extra resources in compliance with the increasingly stringent laws and regulations on environmental protection.
- The Contract Farmers do not possess the necessary licences and permits to carry out the Contract Farming.
- We may not be able to secure the continued service of our key management personnel.
- The interests of our Controlling Shareholders may conflict with those of our other minority Shareholders.
- We rely heavily on the sales of chicken meat products and are subject to change of consumer tastes and preferences.
- The prices of our products may fluctuate.
- We may encounter interruptions by natural disasters and other incidents that may affect our production and operations.
- We may be subject to product liability.
- Our products may be affected if the Contract Farmers do not follow our control measures.
- We rely on third party distributors for a portion of our sales and marketing and we have limited control over them.
- We rely on profit distribution by our operating subsidiaries in the PRC.
- We had history of net current liabilities.
- We may be subject to competition from other competitors engaging in the same or similar business.
- We have limited production capacities for the time being and our production facilities will be under-utilized after expansion of the same after Listing.
- Our results of operation may be adversely affected by changes in the fair value of our biological assets and agricultural produce.
- The global financial markets have experienced significant deterioration and volatility during the past few years, which may adversely affect our financial condition and results of operations.
- Substantial default on the part of, or significant reduction in the purchases ordered by, or deterioration of the financial condition of, our customers and distributors, especially in view of the declining economic conditions, may have an adverse effect on our business, financial condition and results of operations.

SUMMARY

- We may encounter fluctuation in the exchange rates of RMB and foreign currencies.
- We may encounter fluctuation in interest rate.
- Our results of operation may fluctuate and there is no assurance that our profits will increase in the future.
- We may be affected by the Controlling Shareholders' use of the trademarks.

Risks associated with the PRC

- Political and social conditions may affect our business.
- Economic conditions may affect our business.
- The legal system of the PRC may affect our business.
- Our business may be affected by the trade disputes between the PRC and the US.
- Our major operating subsidiaries may not be able to continue to enjoy preferential tax treatment.
- Dividends payable by us to foreign investors and gains on the sales of our Shares may become subject to withholding tax under PRC tax laws and regulations.
- It may be difficult to effect service of process or to enforce judgments in the PRC.

Risks associated with the Shares and the Share Offer

- The liquidity and price of the Shares may be volatile.
- There is no prior market for the Shares.
- Statistics and facts under the section headed "Industry and Regulatory Overview" of this prospectus may be inaccurate.
- Forward-looking statements may be inaccurate.
- Historical dividends are not indicative of future dividends.
- Future disposals of a substantial number of our Shares by our major Shareholders in the public market may cause downward pressure to the market prices of our Shares.
- As the Offer Price is higher than the net tangible book value per Share, investors will experience immediate dilution.
- Investors should not rely on any information contained in the press articles or other media regarding our Group and the Share Offer.

DEFINITION

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“Application Form(s)”	white, yellow and green application form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company adopted on 17 December 2010 and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the allotment and issue of 1,199,995,000 Shares to be made upon the capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Shareholders’ resolutions of the Company passed on 17 December 2010” in the section headed “Further information about the Company” in Appendix VI to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant

DEFINITION

“China” or “PRC”	the People’s Republic of China, and for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of China and Taiwan
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Sumpo Food Holdings Limited (森寶食品控股有限公司), a company incorporated in the Cayman Islands with limited liability on 22 February 2010 under the Companies Law
“Conflicted Director(s)”	any Director(s) who is/are also a director or a legal representative (if applicable) of those companies controlled by the Controlling Shareholders (other than those companies comprising our Group)
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Contract Farmers”	the farmers who enter into contracts with us for the growing of the chicken breeds as mentioned in the section headed “Business” of this prospectus, all of whom being Independent Third Parties
“Contract Farming”	the mechanism used by our Group to procure live broilers by entering into contracts with the Contract Farmers, pursuant to which our Group will supply chicken breeds to the Contract Farmers for growing in accordance with the terms of the contracts and thereafter repurchase grown broilers from such Contract Farmers
“Contract Farms”	the farms on which the Contract Farming takes place
“Controlling Shareholders”	Mr. Lin and Mr. Lin Genghua (the son of Mr. Lin), who will together beneficially own an aggregate of approximately 50.58% of the Shares immediately following the Share Offer (without taking into account the Shares, if any, to be allotted and issued pursuant to the Share Option Scheme and the Over-allotment Option)

DEFINITION

“Dicos”	Dico’s, a quick service restaurant chain in the PRC serving, inter alia, fried chickens, which is an Independent Third Party
“Director(s)”	the director(s) of our Company
“Euro”	Euro, the lawful currency of the European Union
“Fujian Baojiashun”	福建寶佳順食品發展有限公司 (Fujian Baojiashun Food Development Company Limited), a limited liability company established in the PRC on 14 July 2010 and a wholly-owned subsidiary of Fujian Sumpo
“Fujian Hetai”	福建和泰農牧有限公司 (Fujian Hetai Poultry Company Limited), a limited liability company established in the PRC on 8 June 2010 and a wholly-owned subsidiary of Fujian Sumpo
“Fujian Senhong”	福建森鴻食品發展有限公司 (Fujian Senhong Food Development Co. Limited), a company established in the PRC on 17 June 2009 with a registered capital of RMB10,000,000 and a wholly-owned subsidiary of Fujian Sumhua
“Fujian Sumhua”	福建森華實業有限公司 (Fujian Sumhua Enterprise Limited), a limited liability company established in the PRC on 18 April 2005 and a former subsidiary of Fujian Sumpo
“Fujian Sumhui”	福建森輝農牧發展有限公司 (Fujian Sumhui Agriculture Development Limited), a sino-foreign equity joint venture enterprise established in the PRC on 2 March 2009 and a former subsidiary of Fujian Sumpo
“Fujian Sumpo”	福建森寶食品集團股份有限公司 (Fujian Sumpo Foods Holdings Co., Ltd.) (formerly known as 森寶(龍岩)實業有限公司 (Sumpo (Longyan) Industrial Co. Ltd.), a limited liability company established in the PRC on 7 September 1998, which was transformed into a joint stock company on 10 July 2008 and is owned as to 90% by Sumpo Holdings and 10% by Longyan Investment
“GDP”	gross domestic products

DEFINITION

“Golden Prince”	Golden Prince Group Limited, a company incorporated in the BVI with limited liability on 22 July 1998 and a 6.75% shareholder of our Company immediately upon completion of the Share Offer and the Capitalization Issue and is wholly owned by Mr. Ng Leung Ho, an Independent Third Party
“green application form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”	our Company and its subsidiaries
“HK eIPO White Form”	the application for the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by the Company, as specified on the designated website at www.hkeipo.hk
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/ are not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial Shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“JPY”	Japanese yen, the lawful currency of Japan
“KFC”	Kentucky Fried Chicken, a restaurant chain specializing in grilled chicken and chicken sandwiches which is an Independent Third Party

DEFINITION

“King & Queen”	King & Queen International Limited, a company incorporated in the BVI with limited liability on 1 July 2009 and a 6.75% shareholder of our Company immediately upon completion of the Share Offer and the Capitalization Issue and is wholly owned by Mr. Ho Kam Hung, an Independent Third Party
“Latest Practicable Date”	24 December 2010, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in the prospectus prior to its publication
“Lead Manager” or “Sole Bookrunner”	Kingston Securities Limited, a licensed corporation for type 1 (dealing in securities) regulated activity under the SFO
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date on which trading in the Shares on the Main Board of the Stock Exchange commences
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Longyan Baotai”	龍岩寶泰農牧有限公司 (Longyan Baotai Agriculture Company Limited), a company established in the PRC on 1 November 2005 and a wholly-owned subsidiary of Fujian Sumpo
“Longyan Baoxing”	龍岩寶興農牧有限公司 (Longyan Baoxing Agriculture Co. Limited), a company established in the PRC on 18 April 2008 with a registered capital of RMB10,000,000 and a 80% subsidiary of Fujian Sumhua
“Longyan Investment”	龍岩惠仁投資有限公司 (Longyan Hui Ren Investment Limited), a company established in the PRC on 3 July 2007 and a 10% shareholder of Fujian Sumpo, which is legally and beneficially owned by Mr. Lin Qingrong, Mr. Ke and Mr. Lai Youhui (賴友輝) as to 50%, 30% and 20% respectively

DEFINITION

“Longyan Land Properties”	collectively, (i) the 5th floor of the 9-storey office building with a gross floor area of approximately 879 sq. m. and (ii) the dormitory no. 1 of 6-storey with a gross floor area of approximately 2,745 sq. m., both of which are located at 688 Denggao East Road, Dongcheng, Xinluo District, Longyan, Fujian Province, the PRC
“Mckey”	Mckey Food Services Limited, a customer of our Group which is an Independent Third Party
“Mr. Ke”	Mr. Ke Mingxing (柯明星), the deputy chief executive officer and a director of Fujian Sumpo, a senior management of our Group and a 30% shareholder of Longyan Investment
“Mr. Lin”	Mr. Lin Qinglin (林慶麟), the chairman and the chief executive officer of our Company and an executive Director
“Mr. Lin Qingrong”	Mr. Lin Qingrong (林慶榮), the brother of Mr. Lin, the former chairman of Fujian Sumpo, a former director of Xiamen Sumpo Trading and a 50% shareholder of Longyan Investment
“Mr. Yang”	Mr. Yang Chu Tian (楊初添), the younger cousin of Mr. Lin, a former shareholder of Xiamen Sumpo Trading
“Ms. Fu”	Ms. Fu Jian Ping (傅建萍), the wife of Mr. Lin
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) which will be not more than HK\$0.80 and is expected to be not less than HK\$0.60, such price to be determined in the manner as further described in the paragraph headed “Price payable on application” under the section headed “Structure of the Share Offer” of this prospectus
“Offer Shares”	the Placing Shares and the Public Offer Shares

DEFINITION

“Over-allotment Option”	the option to be granted by our Company to the Lead Manager (for itself and on behalf of the other Underwriters) to require our Company to allot and issue up to an aggregate of 60,000,000 additional new Shares to, among other things, cover over-allocations in the Placing, if any, details of which are contained in the section headed “Structure of the Share Offer” of this prospectus
“Over-allotment Shares”	up to an aggregate of 60,000,000 additional new Shares (representing 15% of the Offer Shares) to be issued by our Company pursuant to the exercise of the Over-allotment Option
“Placing”	the conditional placing of the Placing Shares at the Offer Price with institutional, professional and private investors, details of which are described in the section headed “Structure of the Share Offer” of this prospectus
“Placing Shares”	the 360,000,000 new Shares initially being offered by the Company for subscription at the Offer Price under the Placing, subject to reallocation and the Over-allotment Option and as described in the section headed “Structure of the Share Offer” of this prospectus
“Placing Underwriters”	the underwriters of the Placing whose names are set out in the paragraph headed “Placing and Public Offer Underwriters” under the section headed “Underwriting” of this prospectus
“Price Determination Date”	the date, expected to be on or before 5 January 2011 (or such later date as may be agreed between the Lead Manager (for itself and on behalf of the other Underwriters) and the Company), on which the Offer Price is fixed for the purpose of the Share Offer and in any event no later than 12:00 noon on 6 January 2011
“Public Offer”	the offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are described in the section headed “Structure of the Share Offer” of this prospectus and the related Application Forms

DEFINITION

“Public Offer Shares”	the 40,000,000 new Shares initially being offered by the Company for subscription at the Offer Price under the Public Offer, subject to reallocation as mentioned under the section headed “Structure of the Share Offer” of this prospectus
“Public Offer Underwriter”	the underwriter of the Public Offer whose name is set out in the paragraph headed “Placing and Public Offer Underwriters” under the section headed “Underwriting” of this prospectus
“Reorganization”	the reorganization of our Group prior to the issue of this prospectus, details of which are set out in the paragraph headed “Corporate reorganization” in Appendix VI to this prospectus
“Reporting Accountants”	HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Robust China”	Robust China Limited, a company incorporated in the BVI with limited liability on 5 January 2010 and a 4.92% shareholder of our Company immediately upon completion of the Share Offer and the Capitalization Issue. It is owned by Ms. Qian Wei Qing, Ms. Li Qing and Mr. Zhang Shaolin as to approximately 30.02%, 65.82% and 4.16% respectively, all of whom being Independent Third Parties
“SAFE”	State Administration of Foreign Exchange
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.10 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the Placing and the Public Offer

DEFINITION

“Share Option Scheme”	the share option scheme approved and adopted by the Company on 17 December 2010, the principal terms of which are summarized in the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus
“Sponsor”	Kingston Corporate Finance Limited, a licensed corporation for type 6 (advising on corporate finance) regulated activity as set out in schedule 5 to the SFO and the sponsor to the Listing
“sq.m.”	square metres
“Stock Borrowing Agreement”	the stock borrowing agreement dated 29 December 2010 entered into between Mr. Lin and the Lead Manager
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Success Dragon”	Success Dragon International Limited (成龍國際有限公司), a company incorporated in the BVI with limited liability on 11 April 2008 and a 6% shareholder of our Company immediately upon completion of the Share Offer and the Capitalization Issue. It is wholly owned by Mr. Chau Gam Jaak, an Independent Third Party
“Sumpo Holdings”	Sumpo International Holdings Limited, a company incorporated in the BVI on 5 April 2000 and a 90% shareholder of Fujian Sumpo, which is wholly-owned by the Company immediately after the Reorganization and as at the Latest Practicable Date
“Track Record Period”	the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010
“Underwriters”	the Placing Underwriters and the Public Offer Underwriter
“Underwriting Agreement”	the conditional underwriting and placing agreement dated 29 December 2010 entered into among the Company, the Controlling Shareholders, the executive Directors, the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters, particulars of which are set out in the section headed “Underwriting” of this prospectus
“US”	the United States of America
“US\$”	United States dollars, the lawful currency of the US

DEFINITION

“Valuer”	Asset Appraisal Limited, an independent professional property valuer which is a member of the Valuation Organisation Members of the International Valuation Standards Committee (IVSC) and is governed by Guidance Note No. 10 of the International Valuation Standards Eight Edition 2007 in the valuation of biological assets
“Xiamen Sumpo	廈門森寶集團有限公司 (Xiamen Sumpo Group Limited), a company established in the PRC on 2 June 1998 with the current registered capital of RMB78,400,000, which is legally and beneficially owned by Mr. Lin, Ms. Fu, Mr. Lin Genghua (the son of Mr. Lin) as to approximately 58.29%, 13.42% and 28.29% respectively
“Xiamen Sumpo Electronic”	廈門森寶電子科技集團有限公司 (Xiamen Sumpo Electronic Technology Group Limited) (formerly known as 廈門市奕誠貿易有限公司 (Xiamen Yi Cheng Trading Company)), a limited liability company established in the PRC on 30 May 2002 with a registered capital of RMB60,000,000 as at the Latest Practicable Date, a former shareholder of Longyan Baotai and a former subsidiary of Fujian Sumpo
“Xiamen Sumpo Trading”	廈門森寶食品貿易有限公司 (Xiamen Sumpo Food Trading Limited), a limited liability company established in the PRC on 19 October 2005 with a registered capital of RMB10,000,000 and a wholly-owned subsidiary of Fujian Sumpo

Unless the context requires otherwise, translation of US\$, HK\$ and RMB is made in this prospectus, for illustration purpose only, at the rates of US\$1.00 = HK\$7.80 and HK\$1.00 = RMB0.88 respectively.

No representation is made that any amount in HK\$, US\$ or RMB could have been or could be converted at the above rates or at any other rates or at all.

For ease of reference, the English translation of a Chinese company name, or vice versa, has been provided for identification purpose only.

GLOSSARY OF TECHNICAL TERMS

“breeder(s)”	collectively, the immature and mature breeders
“broiler(s)”	the mature chickens which are grown from chicken breeds. It takes approximately 37 – 45 days to breed a chicken breed into a broiler. A broiler is a type of chicken reared for the manufacture of chicken meat products rather than for eggs. It is bred in a highly controlled environment. Broilers are usually slaughtered when they reach the required body weight. After slaughtering, it will be processed into our chicken meat products for sale
“broiler egg(s)”	the eggs laid by the breeder, which are fertilized eggs and will be incubated in our machines for approximately 21 days and hatched into chicken breeds. Such eggs are more expensive than normal unfertilized eggs
“chicken breed(s)”	the chicks hatched from broiler eggs, which will then be delivered to either our broiler breeding farms or the Contract Farms for breeding into broilers
“immature breeder(s)”	the chickens of less than 24 weeks old which are grown from the Parent Stock Day-Old Chicks for the purpose of laying broiler eggs
“mature breeder(s)”	the mature chickens of 24 weeks old or more which are grown from the Parent Stock Day-Old Chicks and used for laying broiler eggs. Such mature breeders will usually start to lay eggs from approximately the 25th week to the 66th week after their birth. After the 66th week, those mature breeders will be sold and will not be used for the production of our chicken meat products
“Parent Stock Day-Old Chicks”	the day-old chicks that are bred for the purpose of laying broiler eggs. We purchase such day-old chicks from a supplier which is an Independent Third Party

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases we use words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and our various measures to implement such strategies;
- our future plans;
- the future market conditions of the PRC;
- the general industry outlook for the PRC meat industry and chicken meat industry; and
- the trend of the PRC economy in general.

These statements are based on numerous assumptions, including those regarding our present and future business strategy and the environment in which we will operate in the future. Our future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk Factors”, “Business” and “Financial Information” of this prospectus.

Should one or more risks or uncertainties stated in the aforesaid sections materialize, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of these forward-looking statements.

In this prospectus, statements of, or references to, our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to our Company.

RISKS ASSOCIATED WITH OUR BUSINESS OPERATIONS

We rely heavily on the sole supplier of Parent Stock Day-Old Chicks

As discussed in the section headed “Business” of this prospectus, under our production process, we purchase all our Parent Stock Day-Old Chicks from one supplier, which is a breeding company established in 1988 in the PRC that imports grandparent stock breeders to produce and market Arbor Acre Plus (AA+) Parent Stock Day-Old Chicks for sale, and an Independent Third Party. Its grandparent stock breeders are originated from the US, which will lay the eggs of the Parent Stock Day-Old Chicks after they have grown up. The reason why we choose the Parent Stock Day-Old Chicks originated from such supplier is that the vaccines and quality of the Parent Stock Day-Old Chicks satisfy the requirements of our Group. Such Parent Stock Day-Old Chicks will not be used for the production of our chicken meat products. The broiler eggs laid by such Parent Stock Day-Old Chicks after they have grown up will be hatched into chicken breeds, which will in turn be delivered to our broiler breeding farms or sold to the Contract Farmers for breeding. After such chicken breeds grow into broilers, we will collect the grown broilers from our broiler breeding farms and repurchase them from the Contract Farmers for the production of our chicken meat products.

During the Track Record Period, we purchased all the Parent Stock Day-Old Chicks from one supplier. We have not entered into a long-term contract with it. Instead, we enter into contract with that supplier on a contract by contract basis for each order made by our Group. We have established commercial relationship with this supplier for about 8 years. Since our Company now specializes in breeding one type of broilers, it is preferable to use one supplier of Parent Stock Day-Old Chicks in order to ensure the quality of our chicken meat products. The Directors are of the view that the quality of the Parent Stock Day-Old Chicks supplied by such supplier is stable and the price is reasonable. The after-sales services are also satisfactory. Our Group had never experienced any shortage of supply during the Track Record Period.

If the sole supplier ceases to supply the Parent Stock Day-Old Chicks to us, we may require additional time to select alternative suppliers with comparable quality and services and our business and production process may be affected.

During the Track Record Period, we have not experienced any infection of animal diseases in the Parent Stock Day-Old Chicks procured by our Group. In the event that there is any outbreak of animal diseases in the US, the supply of the grandparent stock breeders may be interrupted, which will in turn affect the supply of Parent Stock Day-Old Chicks and our operation.

RISK FACTORS

After our Group has increased our production capacity, we will consider procuring the Parent Stock Day-Old Chicks from two to three suppliers in order to mitigate the reliance risk. As at the Latest Practicable Date, we have not entered into any legally binding commitment with any other supplier of the Parent Stock Day-Old Chicks with respect to the supply of the same.

The outbreak of animal diseases could adversely affect our business

A lot of countries have encountered animal diseases, including but not limited to, the foot-and-mouth disease and the avian influenza. The avian influenza, in particular H5N1 virus, is a type of disease which spreads through poultry and is capable of killing millions of poultry and may, in some circumstances, be transmitted to humans, causing symptoms such as fever, cough, sore throat, muscle aches and, in severe cases, breathing problems and pneumonia that may be fatal. The outbreak of avian influenza in 2004 and 2005 caused considerable damage to the national and local economies in the PRC and some other Asian countries. During the outbreak of avian influenza in the PRC, a large number of poultry were exterminated, and the sales of chicken meat products in the PRC dropped significantly because of the general fear of H5N1 virus in the public.

Further, we procure all the Parent Stock Day-Old Chicks from one supplier. The grandparent stock breeders, which will be used by the supplier to lay eggs for the Parent Stock Day-Old Chicks, are imported from the US. In the event that there is any animal diseases in the US, the supply of the grandparent stock breeders may be interrupted, which will in turn affect the supply of Parent Stock Day-Old Chicks and our operation.

In 2004, 2005 and during the Track Record Period, the Group did not encounter any outbreak of animal diseases because we have implemented hygiene measures in our broiler breeding procedures. Further, our broiler breeding farms are located in areas ideal for quarantine to prevent the outbreak of animal diseases and are built according to the same structure, which eases the control of epidemics. We may be required to suspend our business operations temporarily during the outbreak of the avian influenza or animal diseases. We or our suppliers may be required to exterminate large quantities of poultry if any of our broilers is suspected to be carrying avian influenza or other animal diseases. Further, since usually over ten thousands of broilers are bred in each broiler shed where cross infection between broilers may easily occur, in the event that any one broiler in a broiler shed is found to have been infected, we may have to exterminate all the broilers in the same broiler shed or even the farm, which will in turn cause significant loss to our Group. Recurrence of an outbreak of avian influenza or any other similar epidemic could also materially affect the confidence and interest of the consumers about our chicken meat products, which will in turn directly affect the sales of our chicken meat products and disrupt our production activities. The Directors confirm that during the Track Record Period, there were no incidents of extermination of broilers due to outbreaks of animal diseases.

RISK FACTORS

We rely heavily on the Contract Farmers to grow live broilers for the production of our chicken meat products

Our operations depend heavily on a sufficient and stable supply of live broilers. During the Track Record Period, we procure approximately 70% of the live broilers in the production of our chicken meat products through Contract Farming. As at 30 June 2010, we contracted with approximately 160 Contract Farmers. These Contract Farmers are required to purchase chicken breeds and animal feeds from us, and grow the chicken breeds in accordance with our requirements. We agree to repurchase the grown broilers at an agreed price. The Contract Farmers are not allowed to provide farming services to other parties during the term of their contracts with us. We have not entered into any long term agreements with our Contract Farmers, and the contracts with the Contract Farmers are for a term of one year and there is no assurance that we will be able to engage sufficient number of Contract Farmers to supply live broilers to us in the future. In the event that there are other farming services which are more profitable for the Contract Farmers as compared with the Contract Farming arrangements with our Group or some other competitors offer more favourable terms to the farmers to provide farming services to them, the Contract Farmers may refuse to continue to provide, or request for more favourable terms in the provision of, their Contract Farming services to our Group, which may in turn affect our costs of production and hence our profitability.

We enter into contracts with each of the Contract Farmers to stipulate the details of the Contract Farming arrangement. The Directors have confirmed that, during the Track Record Period, none of the Contract Farmers has been found to be in violation of the contracts entered into with our Group. In particular, they are required to purchase all animal feeds from us and are prohibited to add any ingredients to the animal feeds. However, there is no assurance that they will strictly comply with our requirements and provide live broilers with quality which will meet our requirements. Since the Contract Farmers are located in various places of different distances from our production base, there are difficulties for us to supervise closely the Contract Farmers from time to time. There is also no assurance that the Contract Farmers will continue to honour their obligations under the contracts. Any of the above scenarios may have a negative impact on the supply of our live broilers, and may adversely affect our production and productivity.

Further, one of our sources of revenue is our revenue derived from the sales of our animal feeds and chicken breeds to the Contract Farmers. For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, revenue derived from the sales of our animal feeds and chicken breeds to the Contract Farmers represent approximately 21.7%, 31.7%, 32.3% and 32.7% of our total revenue respectively. In the event that we are not allowed to carry out the Contract Farming arrangement due to any reason, or a significant number of Contract Farmers refuse to continue to provide services to us, our source of revenue and our profitability will be adversely affected.

We rely on a continuous supply of live broilers from time to time

A continuous supply of live broilers is crucial to our production. Our management set out in detail the time schedule to collect grown live broilers from the Contract Farmers and our broiler breeding farms from time to time in order to ensure that live broilers will be

RISK FACTORS

delivered to our slaughtering and processing facilities on a timely basis for our production. During the Track Record Period, we have not experienced any interruptions in the supply of live broilers. However, in the event that the supply of live broilers is interrupted due to any reason whatsoever, our production will have to be suspended and our business will be adversely affected.

Our business and reputation may be affected by real or perceived quality issues caused by medicines and/or vaccines applied to the broilers

During the course of breeding of the broilers, we shall, and the Contract Farmers are required to, apply the appropriate medicines and vaccines to the broilers. Although we procure those medicines and vaccines from suppliers which possess the relevant certificate, we cannot guarantee that the side effects of such medicines and vaccines on the broilers and the chicken meat products that we manufacture from such broilers will be fully made known to us. In the event that any of our chicken meat products is affected by such medicines and/or vaccines which results in any human health, food safety or quality issues, we may face product liability claims from the customers and/or the end-consumers of our chicken meat products. Any product liability claim made or threatened to be made against us in the future, regardless of its merits, could result in costly litigation and adverse publicity and put strain on our administrative and financial resources. Such incidents will also affect the confidence of the consumers in our chicken meat products, which will in turn adversely affect the sales of our chicken meat products and our business. The Directors confirm that there were no such incidents during the Track Record Period.

We rely heavily on the PRC market

During the Track Record Period, all our sales were made in the PRC. We expect that most of our sales will still be derived from the PRC in the foreseeable future. Any natural disasters in the PRC, recession in the PRC economy, outbreak of an epidemic in the PRC and other incidents happened in the PRC may adversely affect the sales of our products and our results of operations.

We may encounter fluctuation in the price of raw materials or interruption in the supply of raw materials

The major raw materials used by our Group include corn, wheat and soya meal for the purpose of production of our animal feeds.

The price of such raw materials has experienced volatility and is affected by various factors, including but not limited to the weather conditions and harvest conditions of the raw materials, the policies of the PRC government and market competition. In particular, the prices of corn, wheat and soya meal have experienced significant increase during the past two to three years, which has in turn increased the costs of production of our Group. In particular, the price of wheat has increased by approximately 22.8% from 2007 to the six months ended 30 June 2010. Our results of operation are subject to such price volatility of raw materials in the future.

RISK FACTORS

For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the costs of the aforesaid raw materials were approximately RMB65.9 million, RMB156 million, RMB140.4 million and RMB71.8 million respectively, representing approximately 20.5%, 33.9%, 32.1% and 31.7% of the total direct material cost of our Group during the same period respectively. We will be exposed to price volatility of raw materials in the future. Accordingly, any significant increase in the prices of the raw materials will increase the operation costs and hence have an adverse impact on the profitability of our business.

Further, we have not entered into any long-term supply contracts with the suppliers of the raw materials. In the event that we are unable to maintain the relationships with the suppliers or those suppliers refuse to continue to supply raw materials to us due to any reason whatsoever, we will have to procure the raw materials from other suppliers and our operation may be interrupted.

The average prices for procuring the following raw materials per tonne for the Track Record Period are set out below:

	2007	Year ended 31 December		2009	Six months ended 30 June		
		2008	Approximate percentage of change		2010	Approximate percentage of change	
	RMB	RMB		RMB		RMB	
Corn (per tonne)	1,838.94	1,858.29	1.1%	1,801.60	(3.1%)	1,987.41	10.3%
Wheat (per tonne)	1,752.83	1,814.32	3.5%	2,000.22	10.2%	2,152.30	7.6%
Soya meal (per tonne)	3,195.14	3,737.50	17.0%	3,299.06	(11.7%)	3,032.46	(8.1%)

Such price fluctuations will affect our production costs, which in turn affects our gross profit margin.

For further details of the price fluctuations of the raw materials, please refer to the sub-paragraph headed “Prices and supply interruptions of raw materials of our animal feeds” under the paragraph headed “Factors affecting financial condition and results of operations of our Group” in the section headed “Financial Information” of this prospectus.

We have not implemented any specific hedging policy against the price fluctuations of our raw materials because to the best knowledge of the Directors, there was no hedging product in the PRC available which we consider appropriate to hedge against such price fluctuations. In order to minimize the impact of such price fluctuations on our financial performance, we usually adjust the selling prices of our animal feeds and the repurchase prices of our broilers. We may also adjust the ingredient formulae of our animal feeds and procure similar substitutes of our raw materials that are available at lower prices, provided that such adjustment will not affect the nutritional contents of the animal feeds and the breeding effect on the broilers.

RISK FACTORS

We may have to put extra resources in compliance with the increasingly stringent laws and regulations on environmental protection

We are required to comply with the laws and regulations on environmental protection in the PRC. We produce certain amount of sewage, solid waste, waste gas and ashes in our production process and we are subject to the restrictions of the laws and regulations on environmental protection in the PRC on the discharge of the aforesaid waste materials. We are required to install waste treatment facilities to deal with such waste substances and pay waste disposal fee to the relevant governmental authority. In the event that the PRC laws, regulations or the policies of the government on environmental protection are amended and more stringent requirements are imposed on our Company, we may have to incur extra costs and expenses and put other resources to comply with such requirements and our business and results of operations may be adversely affected.

We have not received any notice of non-compliance with any laws or regulations in connection with environmental protection since we commenced operation in 1998. If we fail to comply, or are alleged to fail to comply, with the relevant PRC laws, regulations or government policies on environmental protection, we may be involved in costly litigation or subject to penalty imposed by the relevant judicial or governmental authorities.

The Contract Farmers do not possess the necessary licences and permits to carry out the Contract Farming

As advised by our PRC legal advisors, according to the Administrative Measures on Prevention and Cure of Pollution Caused by Breeding of Livestock and Poultry (畜禽養殖污染防治管理辦法) and the Law of Animal Epidemic Prevention of the PRC (中華人民共和國動物防疫法), the Contract Farmers are required to possess Pollutant Discharge Permits (排污許可證) and the Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證) respectively in order to carry out Contract Farming. However, to the best knowledge of the Directors, none of those Contract Farmers has obtained such permit and certificate. If they fail to do so, they will normally be ordered to rectify the same and penalties ranging from RMB300 to RMB3,000 and RMB1,000 to RMB10,000 may be imposed on them respectively by the local PRC governmental authorities. The sanction does not include order to cease operation. Although the relevant PRC governmental authority has not strictly implemented such requirements as at the Latest Practicable Date, there is no assurance that the relevant local PRC governmental authority will not strictly implement such requirements in the future. In the event that the local government implements the same, the Contract Farmers may have to obtain such permit and certificate before they can continue to provide Contract Farming services to us. Although there are sufficient alternative suppliers of live broilers available in the Fujian Province, the PRC, if we are unable to engage such new farmers on a timely basis or on reasonable terms, our operation will be affected.

We may not be able to secure the continued service of our key management personnel

The development of our business is, to a large extent, attributable to the contribution of the Chairman of our Company, Mr. Lin, who is also an executive Director and the chief executive officer of our Company. Mr. Lin, who has served our Group for more than 10

RISK FACTORS

years, played important roles in, inter alia, our market positioning, brand building, financial arrangement, product design and marketing strategies. Although our Company has entered into a service agreement with our Chairman and each of the executive Directors for an initial term of three years, there could be an adverse impact on our operations should any of these senior management personnel terminate the service agreement(s) with our Group or otherwise cease to serve our Group.

The interests of our Controlling Shareholders may conflict with those of our other minority Shareholders

Immediately following the Share Offer, the Controlling Shareholders will together beneficially own an aggregate of approximately 50.58% of the Shares (without taking into account the Shares, if any, to be allotted and issued pursuant to the Share Option Scheme and the Over-allotment Option).

The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. There is no assurance that the Controlling Shareholders will act in the best interests of our Group and the minority Shareholders. In the event of any conflict of interests between the Controlling Shareholders and our minority Shareholders, the Controlling Shareholders will have the power to prevent us from proceeding with any proposed transactions at the general meeting which could be beneficial to us and our other Shareholders, regardless of the underlying reasons.

We rely heavily on the sales of chicken meat products and are subject to change of consumer tastes and preferences

For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, approximately 75.9%, 61.6%, 64.0% and 67.3% of our Group's total sales respectively were derived from the sales of chicken meat products. Further, our other main sources of revenue, including sales of chicken breeds and animal feeds to the Contract Farmers, also depend on our sales of chicken meat products. If the market demand for our chicken meat products decreases, our sales of chicken breeds and animal feeds will also be affected. Accordingly, continued and increasing market acceptance of our chicken meat products are crucial to our prospects.

However, consumer tastes and preferences as well as dietary habits may change from time to time. As the standard and way of living of the people in the PRC are changing from time to time, demand for different kinds of food products, such as convenient food products, ready-made food products, fast food products and frozen food products, may also change from time to time. Further, consumers in the PRC also become increasingly conscious of food safety and quality and impact on health. If we are unable to anticipate and respond to in a timely manner any change in the consumer preferences, the demand for our products may decrease, which may in turn adversely affect our business and results of operation.

Further, as already mentioned in the paragraph headed "The outbreak of animal diseases could adversely affect our business" of this section, in the event that there is any outbreak of animal diseases in the PRC, the confidence and interests of the consumers on our chicken meat products may be affected, which will in turn adversely affect our business.

RISK FACTORS

The prices of our products may fluctuate

Our Group is exposed to business risks arising from changes in the prices of livestock and livestock's agricultural products and the change in cost and supply of animal feed ingredients, all of which are determined by ever-changing market force of supply and demand, and other factors. The other factors include, inter alia, environmental regulations, weather conditions and livestock diseases. Our Group has little or no control over these conditions and factors. During the Track Record Period, the average selling prices of chicken meat products were approximately RMB10,794.11 per tonne, RMB11,090.21 per tonne, RMB10,534.18 per tonne, RMB11,380.29 per tonne respectively, representing a percentage increase/(decrease) for the year ended 31 December 2008 and 2009 and the six months ended 30 June 2010 of approximately 2.7%, (5.0%) and 8.0%. The average selling prices of animal feeds during the Track Record Period were approximately RMB2,394.43 per tonne, RMB2,841.74 per tonne, RMB2,579.53 per tonne, RMB2,645.10 per tonne respectively, representing a percentage increase/(decrease) for the year ended 31 December 2008 and 2009 and the six months ended 30 June 2010 of approximately 18.7%, (9.2%) and 2.5%. The average selling prices of chicken breeds per piece was approximately RMB2.8 for the year ended 31 December 2007 and remained stable at RMB2.99 during the remaining Track Record Period. If the price of our products decreases or the cost of animal feed ingredients increases, it may adversely affect our revenue and profit.

We may encounter interruptions by natural disasters and other incidents that may affect our production and operations

We require large area of land to accommodate our operations, including but not limited to the breeder farms, the broiler breeding farms, the hatching facility, the animal feeds production facility and the slaughtering and processing facility. All these facilities cannot be relocated easily with minimal time and costs.

Our operation may be interrupted by natural disasters and other incidents, including but not limited to, earthquake, fire, flood, epidemic, power shortage, etc. We have not purchased business interruption insurance. In the event that our operation is interrupted by any of the aforesaid incidents, our business and results of operation may be adversely affected.

Further, as our business has adopted a vertically-integrated operation model, which involves breeding of Parent Stock Day-Old Chicks, growing of broilers, production of animal feeds, slaughtering and processing of our chicken meat products, interruption of any stage of such production process may affect our operation.

We may be subject to product liability

Being a food producer, product safety is important to our business. Although we have implemented various measures to ensure the safety of our products, including but not limited to implementing strict hygiene measures in the breeding of our broilers and slaughtering and processing of the broilers, there can be no assurance that our products will not be contaminated and cause harm to end-users.

RISK FACTORS

As at the Latest Practicable Date, we have not maintained any product liability insurance policy in the PRC. During the Track Record Period, we have not encountered any product liability claim from the end-customers of our chicken meat products. Nevertheless, any product liability claim made or threatened to be made against us in the future, regardless of its merits, could result in costly litigation and adverse publicity and put strain on our administrative and financial resources.

Our products may be affected if the Contract Farmers do not follow our control measures

Although we have implemented various measures to ensure the quality of our products, there is no assurance that the Contract Farmers will strictly follow our control measures, in particular there is a risk that they may apply some vaccines not permitted by us to the broilers or add some supplements to the feeds for the broilers so as to reduce the duration of the breeding process and to make their broilers fatter. Although we categorize the broilers according to their weights and pay the highest prices for broilers with weight within a specific range but lower prices for broilers outside such range, there is no assurance that the Contract Farmers will not apply vaccines not authorized by us or add any supplements to the feeds when growing broilers. If they apply such vaccines, use such supplements or violate our control measures in any other way, there may be adverse side effects on the quality of our chicken meat products and we may be exposed to adverse public relations if our products cause, or are alleged to cause, injury or illness, or if we have violated, or are alleged to have violated governmental regulations. In the event of any claims or allegations that our products are harmful to humans, we may experience reduced demand for our products.

We rely on third party distributors for a portion of our sales and marketing and we have limited control over them

We sell a portion of our chicken meat products to the third-party distributors, which in turn sell our products to end-customers. For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, sales to distributors represented 17.1%, 14.1%, 13.6% and 12.9% of our total revenue respectively. We will continue to rely on these distributors for a portion of our sales. However, we have not entered into any long-term distributorship agreements with these distributors. As at the Latest Practicable Date, 5 out of 6 distributors have entered into distributorship agreements with our Group for a term of one year while the remaining one distributor has entered into distributorship agreement with our Group for a term of two years, details of which are set out in the paragraph headed “Sales and Customers” of the section headed “Business” of this prospectus. If we fail to secure the service of the distributors or the distributors fail to sell our products efficiently, our sales, financial condition and results of operation may be adversely affected. Furthermore, we have limited control over our distributors and may not be able to monitor our distributors’ inventory level in the event that our distributors decide to accumulate our chicken meat products as inventory. We cannot assure that all our chicken meat products sold to distributors are subsequently sold to end customers and the sales of our chicken meat products truly reflect the market demands.

RISK FACTORS

We rely on profit distribution by our operating subsidiaries in the PRC

The Company is a holding company and relies on dividends paid to the Company by its operating subsidiaries, Fujian Sumpo, Longyan Baotai, Xiamen Sumpo Trading, Fujian Baojiashun and Fujian Hetai. Under the relevant PRC laws, Fujian Sumpo, Longyan Baotai, Xiamen Sumpo Trading, Fujian Baojiashun and Fujian Hetai may only declare and pay dividends out of their net income, which are determined based on their retained profits calculated in accordance with accounting principles applicable to enterprises established in the PRC and the relevant financial regulations in the PRC, which may be different in certain material respects from that arrived at by adopting Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, under the PRC laws and regulations, Fujian Sumpo, Longyan Baotai, Xiamen Sumpo Trading, Fujian Baojiashun and Fujian Hetai are required to set aside a certain portion of their net income after tax each year to the statutory reserve funds and the employees welfare funds, which are not distributable as dividends. Accordingly, the Company may not have sufficient distribution from Fujian Sumpo, Longyan Baotai, Xiamen Sumpo Trading, Fujian Baojiashun and/or Fujian Hetai to support its payment of dividends to the Shareholders.

We had history of net current liabilities

Our Group had recorded net current liabilities of approximately RMB22.2 million and RMB62.8 million as at 31 December 2007 and 2008 respectively. The main underlying reason leading to such net current liabilities was that substantial financial resources including short term bank borrowings had been used in the long term capital investment of the former pork business of our Group. Further, we had also recorded net current liabilities of approximately RMB18.5 million as at 31 October 2010. This was primarily due to (i) the acquisition of Fujian Baojiashun the major assets of which consists of prepaid lease payments and buildings valued at approximately RMB81.0 million; (ii) the settlement of the dividends to the shareholders of approximately RMB50.0 million; and (iii) the repayment of bank borrowings of approximately RMB49.0 million. There is no assurance that our Group's operations will generate sufficient cash inflow to finance all our Group's activities and cover our general working capital requirements in the future. In the event that our Group is unable to generate enough cash from its operations to finance our future development, the performance and prospects of our Group as well as our ability to implement our business plan will be adversely affected. For further details of indebtedness and liquidity, financial resources and capital structure of our Group, please refer to the section headed "Financial Information" of this prospectus.

We may be subject to competition from other competitors engaging in the same or similar business

There is no specific market entry barrier for the business which our Group is engaged in. It is also not subject to any major restrictions for market entry. Such circumstances will favour small and medium-sized producers to enter the market, which will in turn intensify the market competition in our industry. Competition may affect our sales and the price of our products, which will in turn affect the profitability of our business.

RISK FACTORS

Further, we face competition from companies engaging in similar business and producing similar products in the domestic market of the PRC. We also face competition from foreign suppliers. We cannot assure that our current or future competitors will not develop products of a comparable or superior quality as compared to ours, or are not more capable of coping with the preferences of the consumers. Increased competition may also force us to decrease the selling prices of our products, which will in turn adversely affect our profit and results of operations.

We have limited production capacities for the time being and our production facilities will be under-utilized after expansion of the same after Listing

The production capacities of our Group had almost reached saturation. As at 30 June 2010, the utilization rate of our breeder farms, hatching facility, broiler breeding farms and slaughtering and processing facility was approximately 80.3%, 91.2%, 100% and 93.4% respectively. For details of the utilization rates of our production facilities, please refer to the paragraph headed “Production” of the section headed “Business” of this prospectus.

We are now planning to construct a new slaughtering and processing plant in Longyan adjacent to the existing one, which is expected to have a production capacity of 36,000,000 broilers per year. Additional breeder farms and broiler breeding farms will also be established. Immediately upon expansion of our production facilities, our production capacities will increase significantly. In the event that we fail to capture new business opportunities and increase the demands for our chicken meat products, our new production facilities cannot be fully utilized.

Our results of operation may be adversely affected by changes in the fair value of our biological assets and agricultural produce

Being a company principally engaged in the production and sales of chicken meat products, a significant portion of our assets are biological assets. According to the Hong Kong Accounting Standard 41 (Agriculture) (“HKAS 41”), we are required to reflect movements in the fair value of our biological assets less costs to sell at each reporting date, with any resultant gain or loss recognized in our combined statements of comprehensive income. Agricultural produce is initially measured at fair value less costs to sell at time of lay and subsequently recorded at cost under inventory. The valuations of biological assets and agricultural produce were arrived at on the basis of valuation carried out by independent valuers which are members of the Hong Kong Institute of Valuers and have appropriate qualifications and recent experiences in valuation of similar assets. Our biological assets comprising breeders, the Parent Stock Day-Old Chicks and chicken breeds of approximately RMB14,346,000, RMB17,642,000, RMB17,111,000 and RMB14,232,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, accounted for approximately 3.3%, 3.1%, 3.1% and 2.5% of our Group’s total assets of approximately RMB439,106,000, RMB560,138,000, RMB558,730,000 and RMB570,936,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively. Our agricultural produce consisted of broiler eggs of approximately RMB3,095,000, RMB4,997,000, RMB2,866,000 and RMB3,716,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, accounted for approximately 2.0%, 2.7%, 0.7% and 0.8% of our Group’s total current assets of approximately RMB152,519,000, RMB186,112,000, RMB430,411,000 and RMB452,059,000 as at 31 December 2007, 2008

RISK FACTORS

and 2009 and 30 June 2010 respectively. Please refer to the paragraph headed “Critical Accounting Policies and Estimates – Biological Assets and Agricultural Produce” in the section headed “Financial Information” of this prospectus.

Except for a loss of approximately RMB2,191,000 and RMB4,032,000 recognized for the year ended 31 December 2008 and the six months ended 30 June 2010 respectively, we recognized a gain for the change in fair value of our biological assets of approximately RMB3,058,000 and RMB3,388,000 for each of the years ended 31 December 2007 and 2009 respectively. Except for a loss of approximately RMB2,131,000 recognized for the year ended 31 December 2009, we recognized a gain for the net change in fair value of our agricultural produce of approximately RMB859,000, RMB1,902,000 and RMB850,000 for each of the years ended 31 December 2007 and 2008 and the six months ended 30 June 2010 respectively. Our results of operation may fluctuate as a result of the changes in the fair value of our biological assets and agricultural produce, which reflect the prevailing market conditions. We cannot assure that the fair value of our biological assets and agricultural produce will not decrease in the future, which will in turn adversely affect our results of operation.

The global financial markets have experienced significant deterioration and volatility during the past few years, which may adversely affect our financial condition and results of operations

The financial crisis during the past few years have impacted the global financial markets, which resulted in general slowdown of economic growth in the PRC and the other parts of the world, volatility in the securities markets and the tightening of liquidity in the credit markets.

Various countries are still encountering financial problems and it is difficult to predict as to when the economy can be recovered in full. The financial crisis and economic downturn may result in decline of business activities and consumer confidence and will continue to pose extra uncertainties to the result of operations of our Group.

Further, the financial crisis has caused a downward adjustment to the prices of the chicken meat products imported into the PRC from overseas. Decrease in the prices of the chicken meat products overseas indirectly increases the market competition in the PRC. In the event that the prices of the imported chicken meat products remain or become more competitive in the future, we may have to adjust the prices of our chicken meat products, which will in turn affect our revenue and profitability.

Substantial default on the part of, or significant reduction in the purchases ordered by, or deterioration of the financial condition of, our customers and distributors, especially in view of the declining economic conditions, may have an adverse effect on our business, financial condition and results of operations

We cannot assure you that our customers and distributors will continue to maintain relationships with us or that they will continue to procure our products at similar volumes or at all in the future. In addition, we cannot assure you that our customers and distributors will not experience any deterioration in their financial condition such as bankruptcy,

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insolvency or other credit failure. Although all our sales were made in the PRC, disruptions in the global financial markets and other macroeconomic challenges currently affecting the PRC economy and the global economic outlook may as well adversely impact our customers and distributors in the PRC, which could in turn adversely affect the business, financial condition and results of operations of our Group.

We may encounter fluctuation in the exchange rates of RMB and foreign currencies

We procure some of our equipment from overseas countries, such as the US, Germany and Denmark. Our Group's profitability could be adversely affected in the event of any unfavourable fluctuation in the exchange rates between RMB and the foreign currencies. As such, our Group is exposed to risk associated with currency conversion in the foreign exchange market and this can increase our production costs and affect our profitability. For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, 0.7%, 0.7%, 0.5% and nil of our Group's purchases of machineries were made in foreign currencies respectively.




We may encounter fluctuation in interest rate

Our Group is exposed to interest rate risk arising from the potential adjustments in interest rates that may have an adverse effect on our Group's results for the current reporting period and in future years. Our Group is exposed to interest rate risk arising from bank borrowings on floating rate basis. Our Group generally does not take a speculative view on the movement in interest rates and, therefore, does not actively use interest rate derivative instruments to hedge interest rate risks.

Our results of operation may fluctuate and there is no assurance that our profits will increase in the future

During the six months ended 30 June 2009, our Group had incurred a loss. Such loss was mainly due to the loss from our pork operation. The results of operation for the six months ended 30 June 2010 had improved after the disposal of our pork operation. Nevertheless, since our chicken meat business is affected by various factors, including but not limited to market competition, government policies, costs of raw materials, outbreak of animal diseases and general economic environment, our results of operation may fluctuate significantly and there is no assurance that our chicken meat business will be able to sustain or our results of operation will continue to improve in the future.

We may be affected by the Controlling Shareholders' use of the trademarks

During the Track Record Period, our chicken meat products were sold under the trademarks of , , *SUNPO* and . Although the Controlling Shareholders have undertaken not to use these trademarks in any business within the scope of classes 29 and 31, including the pork business, they may continue to use such trademarks for the business and products outside classes 29 and 31. To the best knowledge of the Directors, the Controlling Shareholders have not used the said trademarks in any products as at the Latest Practicable Date. However, there is no assurance that the Controlling Shareholders will not use the said trademarks in the future and there is also no assurance that the Controlling

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Shareholders' use of such trademarks will not cause any harm to our Group. Although the Controlling Shareholders have agreed to indemnify our Group on a full indemnity basis for any loss or damages suffered by our Group as a result of the Controlling Shareholders' continuous use of the said trademarks, there is no assurance that our Group's loss can be fully compensated by monetary terms if our goodwill or reputation is adversely affected by their use of such trademarks.

RISKS ASSOCIATED WITH THE PRC

Substantially all of our assets are located in the PRC and substantially all of our revenue is sourced from the PRC. Accordingly, our results of operations, financial position and prospects are subject to a significant degree to the economic, political and legal developments in the PRC.

Political and social conditions may affect our business

Since 1978, the PRC government has been undergoing a series of reforms, with emphasis on its political systems. Such reforms have resulted in significant economic growth and social progress and many of the reforms are expected to be refined and improved. Other political and social factors may also lead to further readjustment and refinement of the reform measures. There is no assurance that such reform measures introduced by the PRC government will have a favourable effect on the operations of our Group. Our Group's performance may be adversely affected by changes in the PRC political and social conditions resulting from changes in the policies adopted by the PRC government.

Economic conditions may affect our business

The economy of the PRC has been transformed from a planned economy to a market economy with socialist characteristics. There is no certainty that the PRC government's pursuit for economic reforms will not be slowed down. However, as the PRC legal system matures, there can be no assurance that changes in its legislation or the related interpretation will not have an adverse effect on the business and prospects of our Group. In particular, the financial position and results of operations may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to our Group.

The legal system of the PRC may affect our business

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, including but not limited to, foreign investment, corporate organization, taxation, with a view to develop a comprehensive system of commercial laws. Despite the legal development during the past decades, the legal system of the PRC still has to be improved. In particular, enforcement of existing laws and contracts may sometimes be difficult. We cannot predict with certainty the effect of future legal development in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the inconsistencies between local rules and regulations and the national laws. In addition, the PRC legal system is sometimes affected by the government policies.

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Our business may be affected by the trade disputes between the PRC and the US

As at the Latest Practicable Date, all our chicken meat products are sold in the PRC domestic market. However, our Group may decide to sell our products to overseas customers in the future. Further, the grandparent stock breeders, which will be used by the supplier to lay eggs for the Parent Stock Day-Old Chicks, are imported from the US. Due to the high costs involved, our Group does not import the Parent Stock Day-Old Chicks from the US directly.

The trade disputes between the PRC and the US have intensified recently. The US government is putting pressure on the PRC government to appreciate the value of RMB from time to time and has commenced anti-dumping investigation towards the products of the PRC imported into the US from time to time.

As our sole supplier of Parent Stock Day-Old Chicks imports grandparent stock breeders that are originated from the US from an American company, in the event that the trade disputes between the PRC and the US further worsen, the imports of grandparent stock breeders may be adversely affected, which will in turn affect the supply of our Parent Stock Day-Old Chicks. During the Track Record Period, we understand that our sole supplier of Parent Stock Day-Old Chicks has not experienced any difficulty in the import of grandparent stock breeders from the US.

On the other hand, the Ministry of Commerce of the PRC (“MOC”) has commenced anti-subsidy investigation towards the broilers products imported from the US in September 2009. In April 2010, the MOC has preliminarily determined that the US government has subsidized the animal feeds for the broilers, which has in turn reduced the production costs of broilers and accordingly indirectly subsidized the broilers industry in the US. As a result, the PRC has implemented anti-subsidy policy against the broilers imported from US accordingly.

There is no certainty as to when the trade disputes between the PRC and the US will end. In the event that we decide to sell our chicken meat products to overseas customers, in particular the customers in the US, our sales may be affected by the policies implemented by the US as a result of, whether directly or indirectly, the trade disputes between the PRC and the US.

Our major operating subsidiaries may not be able to continue to enjoy preferential tax treatment

On 16 March 2007, the National People’s Congress promulgated the new PRC Enterprise Income Tax Law, under which the PRC adopted a uniform tax rate of 25% for all enterprises and revoked the current tax exemption, reduction and preferential treatments. According to the notice issued by the State Council (the “**Notice**”), enterprises which are entitled to enjoy tax incentive shall have a grace period of five years commencing from 1 January 2008 before they are required to pay the corporate income tax at the rate of 25%.

RISK FACTORS

We are entitled to the following preferential tax treatment:

- **Fujian Sumpo**

Fujian Sumpo is entitled to:

- (i) pursuant to the Ministry of Finance's Notice on Preferential Enterprise Income Tax on Agricultural Products (《國家稅務總局關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)》的通知) (Order [2008] No. 149) issued on 20 November 2008, effective on 1 January 2008, tax exemption with respect to the income derived from the processing of frozen chicken meat products during the period between 1 January 2008 and 7 September 2018; and
- (ii) exemption from the value-added tax with respect to animal feeds and chicken breeds.

- **Longyan Baotai**

Longyan Baotai is entitled to:

- (i) pursuant to the Ministry of Finance's Notice on Enterprise Income Tax (《國家稅務總局關於企業所得稅若干優惠政策的通知》) (Order [1994] No. 001) issued on 29 March 1994, effective on 1 January 1994, and the Ministry of Finance's Approval on the Implementation of Preferential Income Tax for Newly Established Enterprises (《國家稅務總局關於新辦企業所得稅優惠執行口徑的批覆》) (“Order [2003] No. 1239”), issued on 18 November 2003, tax exemption with respect to the income derived from broilers breeding during the period between 1 January 2006 and 31 December 2010; and
- (ii) exemption from the value-added tax during the period between 1 December 2005 and 1 November 2025.

- **Xiamen Sumpo Trading**

Before the promulgation of the new PRC Enterprise Income Tax Law, as Xiamen Sumpo Trading is located in the Xiamen Special Economic Zone, it was only required to pay corporate income tax at the reduced rate of 15%. As a result of the new PRC Enterprise Income Tax Law and the Notice:

- (i) Xiamen Sumpo Trading was required to pay corporate income tax at the reduced rate of 18% for the year ended 31 December 2008 and 20% for the year ended 31 December 2009; and
- (ii) Xiamen Sumpo Trading was required to pay corporate income tax at the reduced rate of 22% for the year ending 31 December 2010 and 24% for the year ending 31 December 2011.

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Accordingly, we enjoyed lower overall effective rate (i.e. 23.7%, 12.7%, 10.0%, 6.0%) for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010.

After the expiry of the above-mentioned tax preferential treatment periods, Xiamen Sumpo Trading shall be required to pay enterprise income tax at the full rate of 25% from the year ending 31 December 2012 onwards. This may have an adverse effect on our Group's financial results. Further, there is also no assurance that Fujian Sumpo and Longyan Baotai will continue to be entitled to the above-mentioned tax preferential treatment upon the expiry of the relevant periods. Fujian Baojiashun and Fujian Hetai are not entitled to any tax preferential treatment as at the Latest Practicable Date.

Our Group's historical financial results may not be indicative of its financial results for future years after expiration of the tax benefits currently available to our Group. There is also no assurance that the new PRC Enterprise Income Tax Law, other tax laws and regulations, their respective application or interpretation will not continue to change, in which case the effective income tax rate of our Group may further increase.

Dividends payable by us to our foreign investors and gains on the sales of our Shares may become subject to withholding tax under PRC tax laws and regulations

Under the PRC Enterprise Income Tax ("EIT") Law and implementation of the 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 such 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 source within the PRC. Similarly, any gain realised on the transfer of shares by such investors is also subject to 10% PRC income tax if such 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 you 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 EIT Law to withhold PRC income tax on our dividends payable to our foreign Shareholders who are not within the PRC, or if you are required to pay PRC income tax on the transfer of your Shares, the value of your investment in your Shares may be materially and adversely affected.

It may be difficult to effect service of process or to enforce judgments in the PRC

Almost all of our assets and our operating subsidiaries are located in the PRC. Most of our Directors and senior management reside in the PRC, and the assets of our Directors and senior management may also be located in the PRC. It may be difficult to effect service of process from outside the PRC upon us or upon most of our Directors and senior management. A judgment of a court of another jurisdiction may be recognized or enforced by the PRC courts either through treaties between the PRC and the relevant countries or regions, or through the application of the principle of reciprocity, subject to the relevant legal and regulatory requirements. However, the PRC does not have treaties with Japan, the

RISK FACTORS

United Kingdom, the US and most other countries providing for the reciprocal enforcements of judgments. As a result, recognition and enforcement in the PRC of judgments in such jurisdictions are subject to uncertainties.

RISKS ASSOCIATED WITH THE SHARES AND THE SHARE OFFER

The liquidity and price of the Shares may be volatile

Prior to the Share Offer, there has been no public market for the Shares. The Offer Price may not be indicative of the price at which the Shares will trade following the completion of the Share Offer. There is no assurance that the market price of the Shares will not fall below the Offer Price. Prices for the Shares may also fluctuate significantly. The trading price of the Shares subsequent to the Share Offer may also be subject to significant volatility in response to, among other factors, the following:

- investors' perceptions of our Group and our Group's future plans and prospects;
- variations in the operating results of our Group;
- technological advance;
- changes in pricing by our Group or our competitors;
- changes in our Group's key and senior management; and
- general economic and other factors.

There is no prior market for the Shares

Prior to the Share Offer, there has been no public market for the Shares. There is no assurance that an active trading market for the Shares, if it does develop, will be sustained following the completion of the Share Offer.

Statistics and facts under the section headed "Industry and Regulatory Overview" of this prospectus may be inaccurate

All of the statistics relating to the PRC food market and most of the related facts as set out in the section headed "Industry and Regulatory Overview" of this prospectus have been extracted from various governmental official resources. Our Group has not carried out any independent verification on the relevant statistics and facts. Accordingly, our Group makes no representation as to the completeness or accuracy of these statistics and facts, or their compatibilities with other sources or reports. Such statistics and facts may be inaccurate and should not be unduly relied upon.

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Forward-looking statements may be inaccurate

This prospectus contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of our Group to be materially different from the anticipated results, performance or achievements expressed or implied by the forward-looking statements in this prospectus. Such forward-looking statements are based on numerous assumptions as to our Group's present and future business strategies and the environment in which our Group will operate in the future. Our Group's actual results, performance or achievements may differ materially from those discussed in this prospectus.

Historical dividends are not indicative of future dividends

In 2009, Sumpo Holdings declared and paid a dividend of RMB60 million to the shareholders. In 2010, Sumpo Holdings further declared a dividend of RMB75 million to its shareholders, RMB50 million of which had been settled by way of deducting the receivables due from the shareholders of Sumpo Holdings on 31 August 2010 and the remaining RMB25 million had been settled by way of cash in November 2010. Such dividends should not be used by the potential investors as a guide to the future dividend policy of our Group. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The past dividend rates should not be used as a reference or basis to determine the amount of dividends in the future. The amount of any dividends to be declared in the future will be subject to, among other factors, the discretion of the Directors, having considered the working capital requirements in the future, the availability of distributable profits, the Group's results of operation, working capital, capital and funding requirements, tax requirements, the applicable laws and other relevant factors.

Future disposals of a substantial number of our Shares by our major Shareholders in the public market may cause downward pressure to the market prices of our Shares

The disposals of a substantial number of our Shares in the public market after the Share Offer, or the possibility for such disposals, could adversely affect the market price of our Shares. Some of the Shares are subject to certain lock-up periods, the details of which are set out in the section headed "Underwriting" of this prospectus. The relevant Shareholders will be able to dispose of their Shares upon expiration of the lock-up period. Disposals of any substantial number of our Shares may cause downward pressures on the market price of our Shares.

As the Offer Price is higher than the net tangible book value per Share, investors will experience immediate dilution

The Offer Price of our Shares is higher than the net tangible assets book value per Share immediately prior to the Share Offer. Therefore, investors of our Shares in the Share Offer will experience an immediate dilution in the pro forma combined net tangible asset book value of HK\$0.33 per Share based on the maximum Offer Price of HK\$0.80 per Share.

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Further, we may consider issuing additional new Shares in the future. Investors of our Shares may experience further dilution in the net tangible assets book value per Share if we issue additional new Shares in the future at a price which is lower than the net tangible asset book value per Share.

Investors should not rely on any information contained in the press articles or other media regarding our Group and the Share Offer

There has been press coverage in certain news publications regarding our Group and the Share Offer which included certain financial information, financial projections and other information about our Group that do not appear in this prospectus (the “Information”). Our Group wishes to emphasize to potential investors that our Group does not accept any responsibility for the accuracy or completeness of the Information and that the Information was not sourced from or authorized by our Group. Our Group makes no representation as to the appropriateness, accuracy, completeness or reliability of any of the information and underlying assumptions. To the extent that any of the Information is inconsistent with, or conflicts with, the information contained in this prospectus, our Group disclaims it. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The following waivers from the basic requirements in relation to the qualifications for Listing have been applied for and granted by the Stock Exchange.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily residents in Hong Kong. Given that the business and operation of the Group are primarily located, managed and conducted in the PRC and none of the executive Directors is ordinarily based in Hong Kong, we do not and will not, in the foreseeable future, have a management presence in Hong Kong.

Accordingly, we have applied to and obtained from the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we have put in place the following measures to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorized representatives appointed are Mr. Wu Shiming, an executive Director and Mr. Ng Kin Sun, the company secretary of our Company, and Mr. Ng Kin Sun is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or email. Each of the two authorized representatives is authorized by the Board to communicate on behalf of our Company with the Stock Exchange;
- (b) the Company shall promptly inform the Stock Exchange if there are any changes to the authorized representatives of the Company;
- (c) all the authorized representatives have means to contact all members of the Board (including the independent non-executive Directors) and of the senior management team promptly. To enhance the communication between the Stock Exchange, the authorized representatives and the Directors, (i) each executive Director and independent non-executive Director shall provide his mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the authorized representatives; (ii) in the event that an executive Director or independent non-executive Director expects to travel and be out of office, he shall provide the phone number of the place of his accommodation to the authorized representatives; and (iii) all the executive Directors, independent non-executive Directors and authorized representatives will provide their respective mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) if the circumstances require, meetings of the Board can be summoned and held in such manner as permitted under the articles of association of our Company at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner; and
- (e) all executive Directors have confirmed that they possess valid travel documents to travel freely to Hong Kong and would be able to come to Hong Kong and meet the Stock Exchange upon reasonable short notice.

In addition, we have entered into a compliance advisor agreement with Kingston Corporate Finance Limited to retain Kingston Corporate Finance Limited as the compliance advisor of our Company for a period commencing on the Listing Date and ending on the date on which our Company shall comply with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date to provide us with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two authorized representatives of our Company, as our Company's principal channel of communication with the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

Members of our Group have entered into certain transactions, which would constitute continuing connected transactions of our Company under the Listing Rules after the Listing. We have applied to the Stock Exchange for waivers from strict compliance with the announcement requirement as set out in Chapter 14A of the Listing Rules. For details of such continuing connected transactions, please refer to the paragraph headed "Continuing Connected Transactions in which Waivers are Granted" under the section headed "Connected Transactions" of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquires, that to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material aspects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FULLY UNDERWRITTEN

The Share Offer comprises the Placing and the Public Offer. The Share Offer is an offer by our Company of 40,000,000 Shares under the Public Offer (subject to reallocation) and 360,000,000 Shares under the Placing (subject to reallocation and the Over-allotment Option), in each case at the Offer Price. Details of the structure of the Share Offer are set out in the section headed "Structure of the Share Offer" of this prospectus. This prospectus and the Application Forms relating thereto set out the terms and conditions of the Share Offer.

The Share Offer is sponsored by the Sponsor, managed by the Lead Manager and the Sole Bookrunner and is fully underwritten by the Underwriters as referred to in the paragraph headed "Underwriting arrangements and expenses" in the section headed "Underwriting" of this prospectus.

In the event that the Company and the Lead Manager (for itself and on behalf of the other Underwriters) are unable to reach an agreement on the Offer Price on or before the Price Determination Date or such other date or time as may be agreed between the Company and the Lead Manager (for itself and on behalf of the other Underwriters) but in any event, not later than 12:00 noon on Thursday, 6 January 2011, the Share Offer will not become unconditional and will lapse immediately.

OFFER SHARES TO BE OFFERED IN HONG KONG ONLY

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any circumstances in which such offer or invitation is not authorized or to any person to whom it is unlawful to

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

make an unauthorized offer or invitation. The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorized in connection with the Share Offer to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sponsor, the Lead Manager, the Sole Bookrunner, the Underwriters, any of their respective directors or any other person or parties involved in the Share Offer.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this prospectus, and any Shares which may fall to be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme.

No part of our Company's share or loan capital is listed or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek the listing of or permission to deal in its Shares and loan capital on any other stock exchange.

STAMP DUTY

All Offer Shares will be registered on our Company's branch register of members maintained in Hong Kong. Only Shares registered in our Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange. Dealings in Shares registered in our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealing in the Offer Shares, you should consult an expert. None of our Company, the Directors, the Sponsor, the Lead Manager, the Sole Bookrunner, the Underwriters, their respective directors and any other person involved in the Share Offer accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealing in the Offer Shares.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and the related stabilization exercise are set out in the section headed "Structure of the Share Offer" of this prospectus.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set out in the section headed "How to apply for Public Offer Shares" of this prospectus and on the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed “Structure of the Share Offer” of this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the Shares to be admitted to CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:30 a.m. on Tuesday, 11 January 2011.

The Shares will be traded in board lots of 5,000 Shares each.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors:</i>		
Lin Qinglin (林慶麟)	Room 101, No. 137 Haitian Road, Huli District, Xiamen, PRC	Chinese
Wu Shiming (吳世明)	Room 1502, No. 582 Xianyue Road, Siming District, Xiamen, PRC	Chinese
Yin Shouhong (尹壽宏)	Room 205, Block 6. Fuda Garden, Guangming Executive Village, Anhui Province, PRC	Chinese
<i>Independent non-executive Directors:</i>		
Hu Chung Ming (胡宗明)	Flat F, 16th Floor, Block 5, Grand Horizon, 11 Cheung Wan Street, Tsing Yi, Hong Kong	Chinese
Liao Yuan (廖遠)	24C, Block 10, Xiangyu Central Garden, Nongyuan Road, Futian District, Shenzhen, Guangdong, PRC	Chinese
Chau On Ta Yuen (周安達源)	Flat C, 23rd Floor, Tower 21, Laguna Verde, Hung Hom, Kowloon, Hong Kong	Chinese
Wei Ji Min (韋冀閩)	48 Lingyuan Lu, Zhongcheng, Xinluo District, Longyan, PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sponsor	Kingston Corporate Finance Limited Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Sole Bookrunner and Lead Manager	Kingston Securities Limited Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Co-Managers	Christfund Securities Limited 26th Floor, 100 Queen's Road Central, Hong Kong CIMB Securities (HK) Limited 25th Floor, Central Tower, 28 Queen's Road Central, Hong Kong Get Nice Securities Limited 10th Floor, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong Luen Fat Securities Company Limited 6th Floor, New Henry House, 10 Ice House Street, Central, Hong Kong
Public Offer Underwriter	Kingston Securities Limited Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Placing Underwriters

Kingston Securities Limited
Suite 2801, 28th Floor,
One International Finance Centre,
1 Harbour View Street,
Central,
Hong Kong

Christfund Securities Limited
26th Floor, 100 Queen's Road Central,
Hong Kong

CIMB Securities (HK) Limited
25th Floor, Central Tower,
28 Queen's Road Central,
Hong Kong

Get Nice Securities Limited
10th Floor, Cosco Tower, Grand Millennium Plaza,
183 Queen's Road Central,
Hong Kong

Luen Fat Securities Company Limited
6th Floor, New Henry House,
10 Ice House Street,
Central,
Hong Kong

Legal advisors to the Company

As to Hong Kong law
Cheung, Tong & Rosa
Room 501, 5th Floor, Sun Hung Kai Centre,
30 Harbour Road,
Hong Kong

As to PRC law
Jun He Law Offices
Shanghai Office,
32nd Floor, Shanghai Kerry Centre,
1515 Nanjing Road West,
Shanghai,
200040 PRC

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

	<p><i>As to Cayman Islands law</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>
<p>Legal advisors to the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters</p>	<p><i>As to Hong Kong law</i> F. Zimmern & Co. Suites 1501-3, 15th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong</p>
	<p><i>As to PRC law</i> GFE Law Office 18th Floor, Guangdong Holdings Tower, No. 555 Dongfeng East Road, Guangzhou, PRC</p>
<p>Auditors and reporting accountants</p>	<p>HLB Hodgson Impey Cheng <i>Chartered Accountants</i> <i>Certified Public Accountants</i> 31st Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong</p>
<p>Property valuer</p>	<p>Asset Appraisal Limited Room 802, 8th Floor, On Hong Commercial Building, No. 145 Hennessy Road, Wanchai, Hong Kong</p>
<p>Receiving bankers</p>	<p>Bank of Communications Co., Ltd., Hong Kong Branch 20 Pedder Street, Central, Hong Kong</p>

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands
Head office and principal place of business in the PRC	No. 688, Denggao East Road, Xinluo District, Longyan, Fujian, PRC
Principal place of business in Hong Kong	Suite 1906, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Company secretary	Ng Kin Sun (吳建新) CPA, CPA (Aust.)
Compliance advisor	Kingston Corporate Finance Limited
Authorized representatives	Wu Shiming Ng Kin Sun
Members of audit committee	Hu Chung Ming (<i>Chairman</i>) Liao Yuan Chau On Ta Yuen Wei Ji Min
Members of remuneration committee	Liao Yuan (<i>Chairman</i>) Hu Chung Ming Wei Ji Min Lin Qinglin
Principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House, 68 Fort Street, P.O. Box 609, Grand Cayman KY1-1107, Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

CORPORATE INFORMATION

Principal bankers

China Construction Bank
Longyan First Branch,
Sha Xin Zong He Building,
No. 7 Lian Xin Zhong Road,
Xinluo District, Longyan,
PRC

Industrial and Commercial Bank of China
Longyan Branch, Longjin Sub-branch,
Yi Xing Yuan, Renmin Lu,
Xinluo District, Longyan,
PRC

Agricultural Bank of China
Longyan Branch, Xinluo Sub-Branch,
Jiu Yi North Road,
Longyan,
PRC

Agricultural Development Bank of China
Huijing Building, Renmin Lu,
Xinluo District, Longyan,
PRC

China Merchants Bank
Jiang Tou Branch,
Tai Shang Institute,
860 Xian Yue Lu, Xiamen,
PRC

Website

www.sumpofood.com
(contents of this website do not form part of this prospectus)

INDUSTRY AND REGULATORY OVERVIEW

Certain information provided in this section is derived from various official or publicly available sources comprising certain articles, reports and publications, the preparations of which were not commissioned by the Group. The Company and the Sponsor have exercised reasonable care in reproducing such official information from the sources referred to in this prospectus. Such official information, however, has not been prepared or independently verified by the Company, the Sponsor, the Lead Manager, the Sole Bookrunner, the Underwriters or their respective directors or advisors. The Company, the Sponsor, the Lead Manager, the Sole Bookrunner, the Underwriters, their respective directors and advisors or any other parties involved in the Share Offer make no representation as to the accuracy or completeness of such official information, which may not be consistent with information compiled from other sources, and accordingly such information contained in this section may not be accurate and should not be unduly relied upon.

OVERVIEW OF THE PRC ECONOMY

The PRC economy

The PRC economy is one of the world's current fastest growing economies. According to the China Statistical Yearbook 2010 published by the National Bureau of Statistics of the PRC, the PRC reported a GDP of approximately RMB34,051 billion in 2009, representing a CAGR of approximately 14.7% during the period from 2000 to 2009 when compared to the GDP of approximately RMB9,921 billion in 2000.

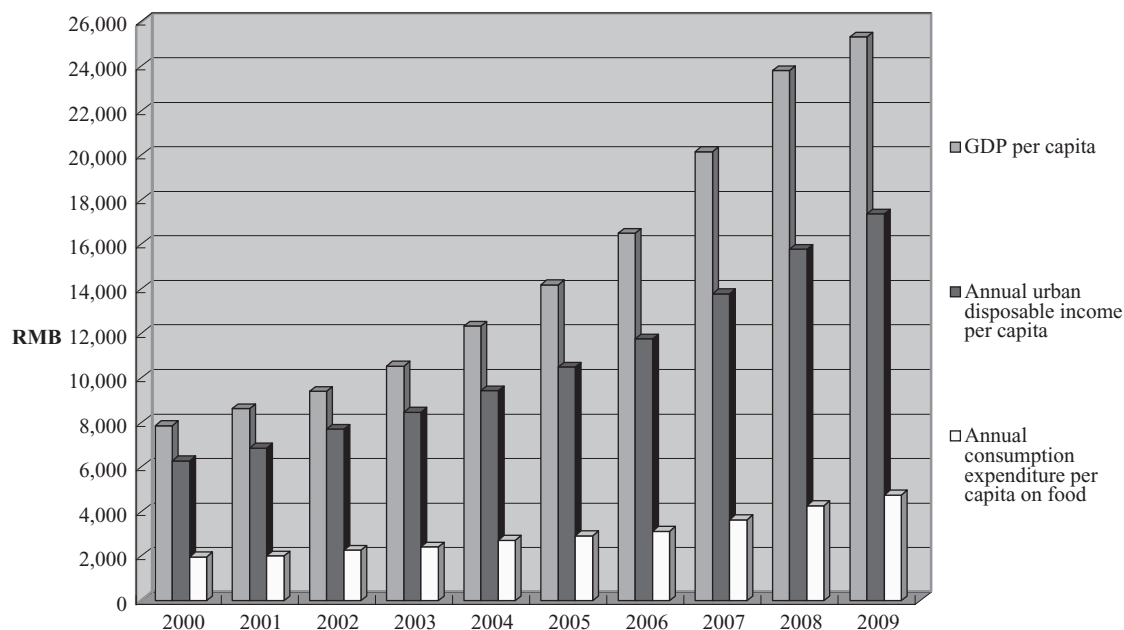
According to the National Bureau of Statistics of the PRC, the PRC has a population of approximately 1.33 billion as at 31 December 2009.

The annual GDP per capita of the PRC increased from approximately RMB7,858 in 2000 to approximately RMB25,575 in 2009, representing a CAGR of approximately 14.0%. The annual urban household disposable income per capita increased from approximately RMB6,280 in 2000 to approximately RMB17,175 in 2009, representing a CAGR of approximately 11.8%.

The following diagram shows the GDP per capita, annual consumption expenditure per capita on food and annual urban household disposable income from 2000 to 2009.

INDUSTRY AND REGULATORY OVERVIEW

GDP per capita, average disposable income per capita and average expenditure on food per capita in the PRC



Source: National Bureau of Statistics of the PRC

According to the China Statistical Yearbook 2010 published by National Bureau of Statistics of the PRC, an urban household in the PRC spent approximately RMB4,479 per capita on food in 2009, which amounted to approximately 36.5% of total consumption expenditure on average, and was more than the expenses on any other single item. As GDP and personal disposable income continue to grow, it is expected that consumers will demand for a greater variety of food and that they will be increasingly conscious about their health and diet, which will in turn increase their demand for nutritious, convenient and hygienic quality food.

THE MEAT INDUSTRY IN THE PRC

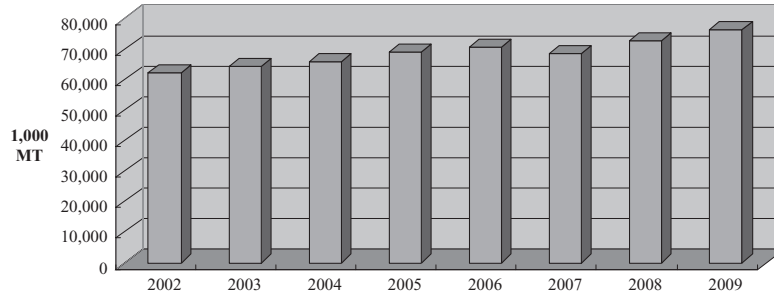
Meat production in the PRC

Driven by the increase in population, living standards and income, the PRC market for meat has grown steadily from 2002 to 2009. From 2002 to 2009, the total annual raw meat production in the PRC grew from approximately 62,343,000 Metric Tonnes (“MT”) to approximately 76,497,000 MT, representing a CAGR of approximately 3.0%. According to the China Animal Agriculture Association (“CAAA”), the PRC had ranked first in the world for total meat production from 1990 to 2007.

INDUSTRY AND REGULATORY OVERVIEW

The following table shows the annual production of raw meat in terms of volume in the PRC between 2002 and 2009:

Output of meat in the PRC



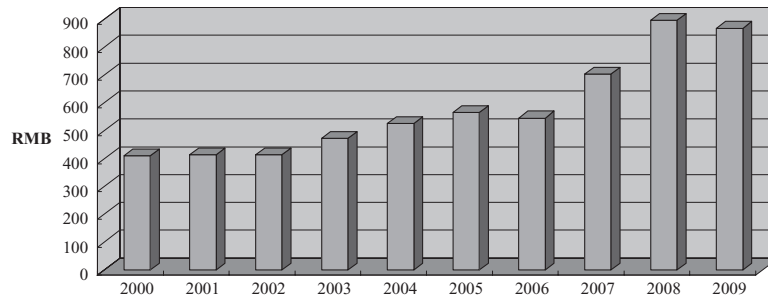
Source: National Bureau of Statistics of the PRC

Driven by the economic development in the PRC and continuing population growth, it is expected that the market for raw meat products in the PRC will continue to grow.

Meat consumption in the PRC

The diagram below shows that there has been an increasing trend of average urban annual consumption expenditure per capita on meat, poultry and processed products in the PRC from 2000 to 2009.

Average annual urban consumption expenditure per capita for meat, poultry and processed products in RMB



Source: National Bureau of Statistics of the PRC

With the increase in population and rising income in the PRC, it is expected that this rising trend will continue in the future.

INDUSTRY AND REGULATORY OVERVIEW

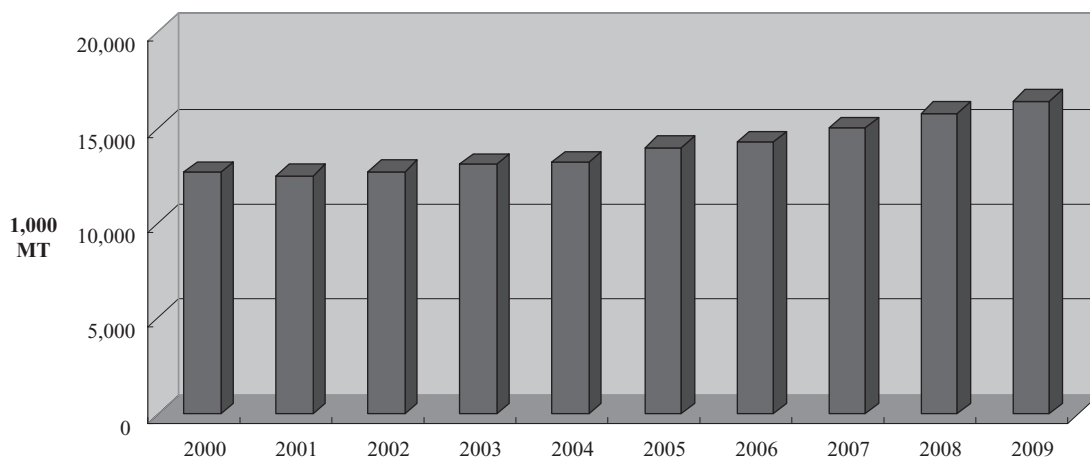
THE POULTRY INDUSTRY IN THE PRC

Poultry production in the PRC

According to the Food and Agriculture Organization of the United Nations (“FAO”) Livestock Statistics, Concepts and Classifications, poultry includes domestic fowls (i.e. chickens), guinea fowl, ducks, geese and turkeys.

The diagram below shows the total annual production of poultry meat in terms of MT in the PRC from 2000 to 2009.

Total production of poultry meat in the PRC



Source: FAO

The total production of poultry meat in the PRC has been growing steadily from 2000 to 2009. To meet the demands of the PRC’s increasing population, it is expected that this steady growing trend will continue in the future.

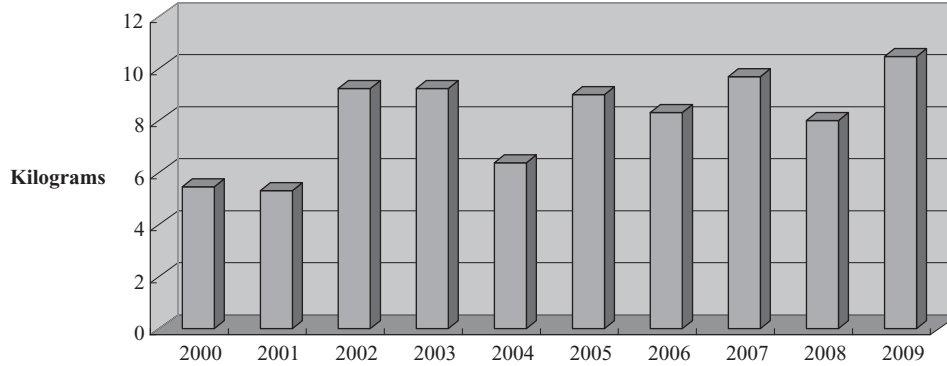
According to the 2009 China Poultry Breeding and Meat and Egg Products Production Report (2009年中國畜禽養殖和肉類蛋品生產報告) published by the China Egg Net (中國禽蛋門戶網), the total production quantity of poultry meat for the year ended 31 December 2009 was approximately 16.0 million tonnes. The production quantity of chicken meat of our Group for the year ended 31 December 2009 was approximately 34,000 tonnes, hence it can be estimated that our chicken meat products represented approximately 0.21% of the market share of the poultry meat market in the PRC.

Poultry consumption in the PRC

The diagram below shows the annual poultry consumption per capita in the PRC from 2000 to 2009.

INDUSTRY AND REGULATORY OVERVIEW

Annual consumption of poultry per capita in the PRC



Source: National Bureau of Statistics of the PRC

It can be seen that there have been rises and falls in the consumption of poultry in the PRC throughout the period from 2000 to 2009, with a sharp decrease in 2004 and generally increasing again thereafter.

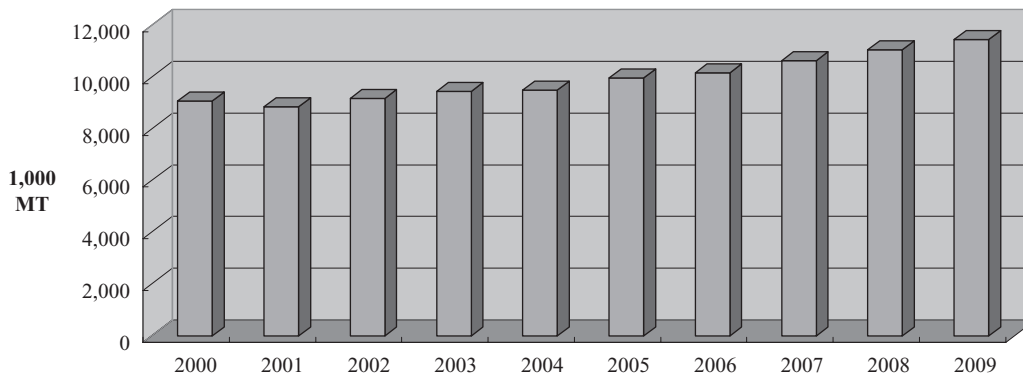
To the best knowledge of our Group, the reason for such decrease in poultry consumption in 2004 was due to the outbreak of avian influenza that year. Nonetheless, the poultry market recovered quickly as the pandemic subsided, with poultry consumption increasing again in 2005. The general trend in poultry consumption in the PRC has been an increasing one, with a CAGR of about 7.55%. It is expected that the poultry consumption will continue to grow in the PRC in the future.

THE CHICKEN MEAT INDUSTRY IN THE PRC

Chicken meat production in the PRC

Chicken meat production in the PRC has grown rapidly in the past decade. From 2000 to 2009, the total annual chicken meat production in the PRC grew from approximately 9,060,000 MT to approximately 11,440,000 MT, representing a CAGR of approximately 2.63%. The following diagram shows the annual production of chicken meat in terms of MT in the PRC from 2000 to 2009.

Chicken meat production in the PRC



Source: FAO

INDUSTRY AND REGULATORY OVERVIEW

Top 10 manufacturers of chicken meat in the PRC

The top 10 manufacturers of chicken meat in the PRC and their respective production capacities are as follows:

Position (Note 1)	Name of Manufacturer	Production Capacity
1	Shandong Liuhe Group Co., Ltd (山東六和集團有限公司)	Sales of 1,250,000 tonnes of meat per year (Note 2)
2	Qingdao Jiuzhen Group Co. Holdings Ltd (青島九聯集團股份有限公司)	Slaughtering of 100,000,000 chickens per year (Note 2)
3	Zhu Cheng Wai Mao Co., Ltd. (諸城外貿有限責任公司)	No publicly available information
4	Shanlihai Group Co., Ltd (山栗海集團有限公司)	Processing of 100,000,000 chickens per year (Note 2)
5	Beijing Huadu Group Co., Ltd. (北京華都集團有限公司)	Processing of more than 50,000,000 chickens per year (Note 2)
6	Beijing Dafa Chia Tai Co., Ltd. (北京大發正大有限公司)	Slaughtering of 180,000 chickens per day (Note 2)
7	Fujian Sunner Development Co., Ltd (福建聖農發展股份有限公司)	Slaughtering of 67,700,000 broilers per year (Note 3)
8	Shandong Qaiyang Chunxue Foodstuff Ltd (山東萊陽春雪食品有限公司)	Production of 8,000,000 tonnes of broiler products (Note 2)
9	Henan Province Qi County Yongda Food Industry Co. Ltd (河南省淇縣永達食業有限公司)	No publicly available information
10	Shandong Xinchang Group Co., Ltd (山東新昌集團有限公司)	No publicly available information

Note 1: Source: China Meat Association

Note 2: Source: Global Broilers Production Industry Forum and Second China White Feathered Production Industry Development Conference Journal (全球肉雞產業論壇暨第二屆中國白羽肉雞產業發展大會會刊) published by the China Livestock Industry Association Poultry Industry Branch (中國禽畜業協會禽業分會)

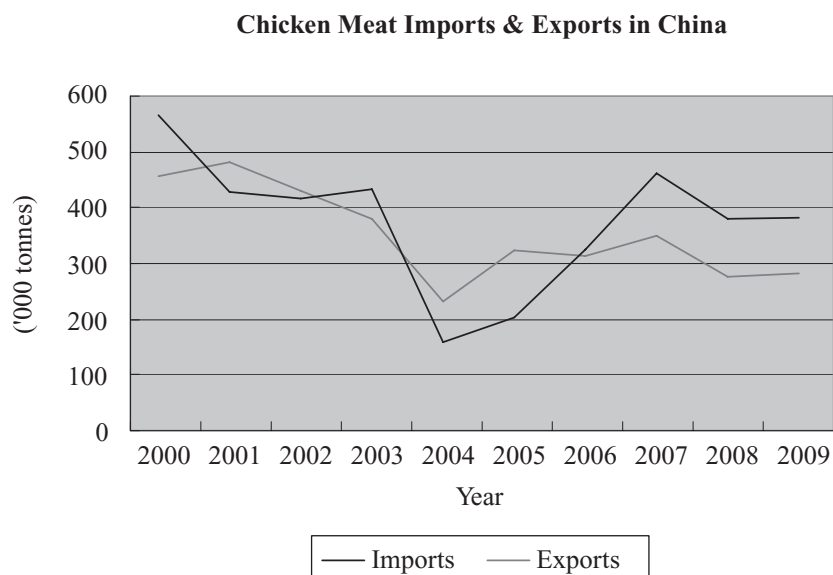
Note 3: Source: Fujian Sunner Development Co. Ltd (福建聖農發展股份有限公司) Annual Report 2009

INDUSTRY AND REGULATORY OVERVIEW

According to the China Meat Association (中國肉類協會), which is a non-profit making organization established by social enterprises from all over the PRC engaging in the production, slaughtering, processing and sales of meat and poultry, we ranked 44th out of 90 amongst the Competitive Enterprises of Meat Products Industry in the PRC (中國肉類食品行業強勢企業) in 2008. The assessment was based on the total sales of those enterprises during the year ended 31 December 2007, and with reference to their respective asset values, equipment, sizes of main business, sales, taxes paid, amount of exports, etc.

Foreign players in the chicken meat market of the PRC

According to the USDA-FAS, the trends in the imports and exports of chicken meat in the PRC from 2000 to 2009 have both been first generally decreasing, with sharp decreases from 2003 to 2004, then generally rising again. The diagram below shows the imports and exports of chicken meat in terms of volume from 2000 to 2009.



Source: USDA-FAS

The percentage of the weight of chicken meat imported into the PRC over the weight of the total production of chicken meat in the PRC in 2009 was approximately 3.3%.

THE BROILER INDUSTRY IN THE PRC

Broiler is a particular type of chicken grown specifically for meat production. Broilers are usually bred for large scale and efficient meat production due to their fast growth rates. Broiler is the type of chickens bred by our Company.

Broiler meat production in the PRC

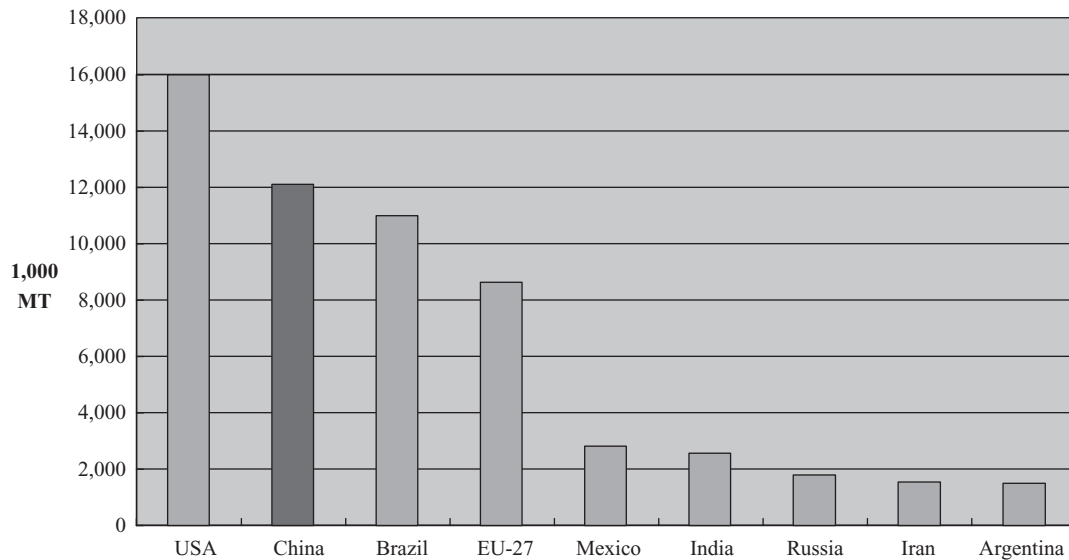
According to the CAAA and the FAO, the PRC ranked the second in the world in terms of total chicken meat production quantity in 2007. Furthermore, according to the United States Department of Agriculture Foreign Agricultural Service (“USDA-FAS”), the

INDUSTRY AND REGULATORY OVERVIEW

PRC continued to rank the second in the world for total broiler meat in terms of volume from 2005 to 2009, and the difference between the USA (being the country with the largest chicken meat production quantity) and the PRC has gradually been closing over the years, from 5,670,000 MT in 2005 to 3,835,000 MT in 2009, as the PRC experiences steady growth in broiler production while the broiler production in the USA has been fluctuating.

Below is a diagram showing the total annual broiler meat production quantity of various countries in 2009:

Global broiler meat production in quantity



Source: USDA-FAS

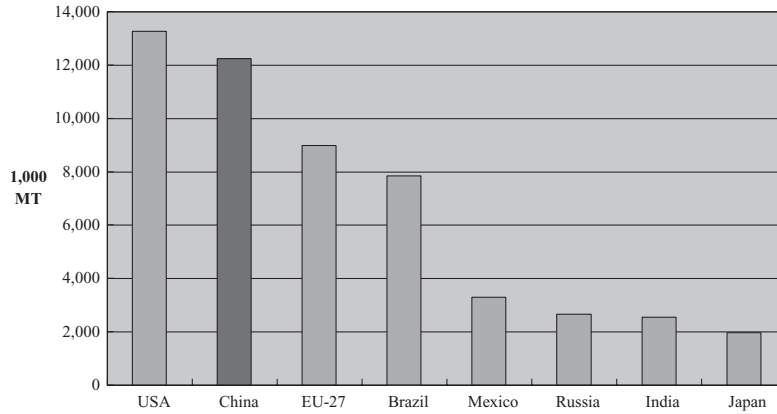
Broiler meat consumption in the PRC

According to the USDA-FAS, the PRC ranked the second in the world in terms of broiler meat consumption from 2005 to 2009, whereas the USA ranked the first during the same period. The difference between USA and the PRC in terms of broiler meat

INDUSTRY AND REGULATORY OVERVIEW

consumption has gradually been narrowing over the years, from 3,343,000 MT in 2005 to 730,000 MT in 2009. The diagram below shows the total broiler meat consumption of different countries in 2009:

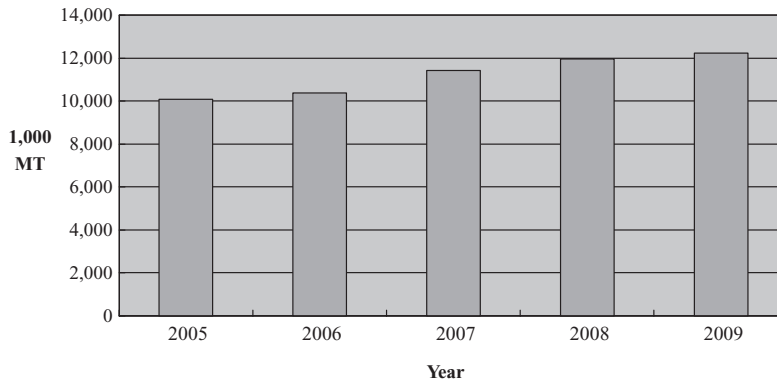
Global broiler meat consumption in quantity



Source: USDA-FAS

According to the USDA-FAS, there has been an increase of approximately 21% in the total consumption of broiler meat in the PRC from 2005 to 2009. Below is a diagram illustrating the growth in total consumption of broiler meat in the PRC from 2005 to 2009:

Broiler meat consumption quantity in the PRC



Source: USDA-FAS

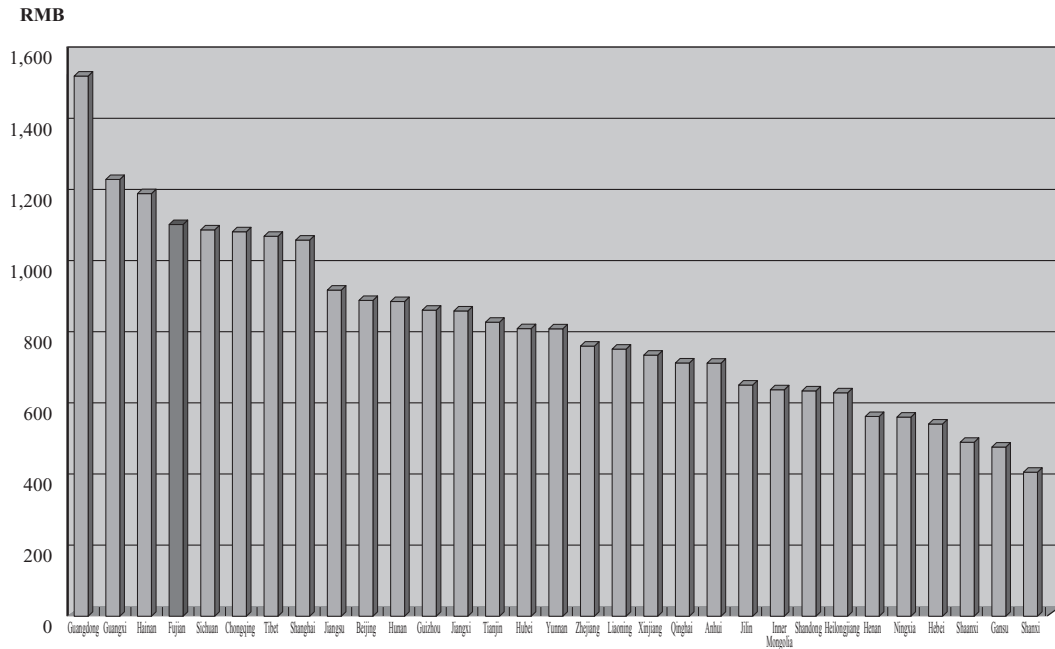
In line with the economic and population growth in the PRC, together with the increase in disposable income, the consumption of chicken meat in the PRC is expected to continue increasing in the coming years.

INDUSTRY AND REGULATORY OVERVIEW

THE POULTRY MARKET IN FUJIAN

The Fujian Province has one of the largest urban markets for poultry meat consumption in the PRC, with an annual consumption expenditure of urban households per capita of approximately RMB1,115 in 2009, ranking the fourth in the PRC that year. Below is a diagram showing the annual urban consumption expenditure of poultry meat per capita across the PRC.

Annual urban consumption expenditure on poultry per capita in the PRC for 2009



Source: National Bureau of Statistics of the PRC

Furthermore, the local urban poultry market within the Fujian Province itself has expanded substantially from 2000 to 2009, with consumption expenditure on poultry meat per capita of RMB548 in 2000 to RMB1,115 in 2009, representing an increase of more than 50%.

With the growing economy and rising income in the PRC, together with the population growth and improvements in the standard of living, it is expected that the demand and consumption for poultry in the Fujian Province will continue to rise.

INDUSTRY AND REGULATORY OVERVIEW

THE GLOBAL INDUSTRY FOR RAW MATERIALS FOR THE PRODUCTION OF ANIMAL FEEDS

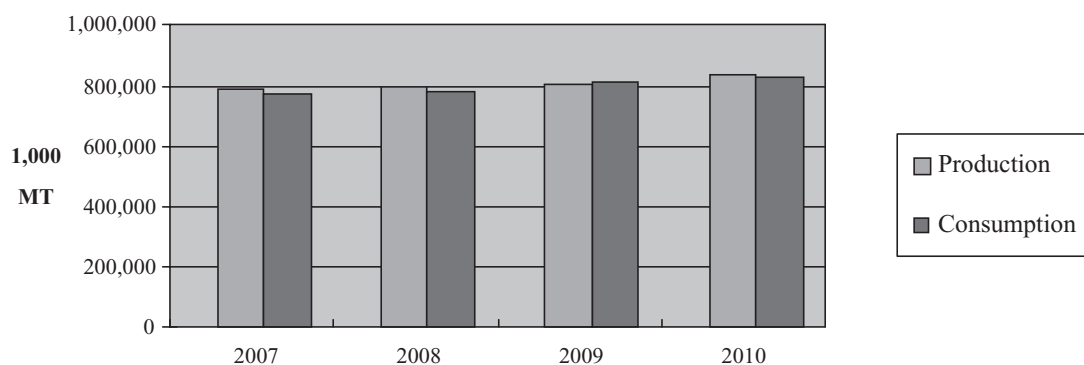
The main raw materials used by our Group for the production of our animal feeds are corn, wheat and soya meal.

The global corn industry

Global corn production and consumption

According to the United States Department of Agriculture -World Agricultural Outlook Board (“USDA-WAOB”), production of corn in the world has increased from 791,870,000 MT in 2007 to 831,590,000 MT in 2010, representing an increase of approximately 5.0% between 2007 and 2010 and a CAGR of approximately 1.64%. The pattern of the consumption of corn in the world is very similar to that of its production, having increased from 771,430,000 MT in 2007 to 831,420,000 MT in 2010, representing an increase of approximately 7.8% between 2007 and 2010 and a CAGR of approximately 2.53%. The diagram below shows the annual production and consumption quantity of corn in the world in terms of MT from 2007 to 2010.

Global production and consumption of corn



Source: USDA-WAOB

*Note: Data for 2010 is projected as at August 2010.

In line with the increasing world population and demand for food, the global consumption of corn is expected to continue to grow in the future, and that global production of corn will also continue to grow to meet the increasing demand.

Global imports and exports of corn

The volume of global imports of corn took a significant drop from 98,350,000 MT in 2007 to 82,450,000 MT in 2008, but started increasing steadily from 2008 to 2010. There has been an overall decrease in global exports of corn of approximately 9.3% between 2007 and 2010. A similar pattern can be observed in the global exports of corn between 2007 and 2010, with a decrease from 2007 to 2008 followed by steady increases from 2008 to 2010,

INDUSTRY AND REGULATORY OVERVIEW

and an overall decrease between 2007 and 2010 of approximately 8.3%. The diagram below shows the annual volume of imports and exports of corn in the world in terms of MT from 2007 to 2010.



Source: USDA-WAOB

*Note: Data for 2010 is projected as at August 2010.

The decrease of both imports and exports from 2007 and 2008 may be attributable to the global financial crisis in 2008.

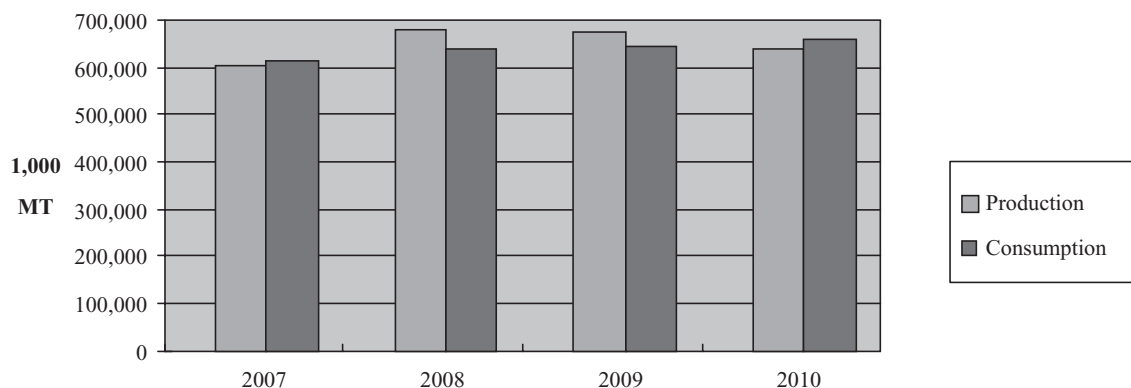
The global wheat industry

Global wheat production and consumption

The production of wheat in the world has experienced slight fluctuations between 2007 and 2010, first increasing from 2007 to 2008, followed by steady decreases from 2008 to 2010. The overall production of wheat in the world increased from 610,430,000 MT in 2007 to 645,730,000 MT in 2010, representing an increase of approximately 5.8%. On the other hand, consumption of wheat in the world has grown steadily from 616,960,000 MT in 2007 to 664,940,000 MT in 2010, representing an increase of approximately 7.8% and a CAGR of approximately 2.53%. The diagram below shows the annual production and consumption quantity of wheat in the world in terms of MT from 2007 to 2010.

INDUSTRY AND REGULATORY OVERVIEW

Global production and consumption of wheat



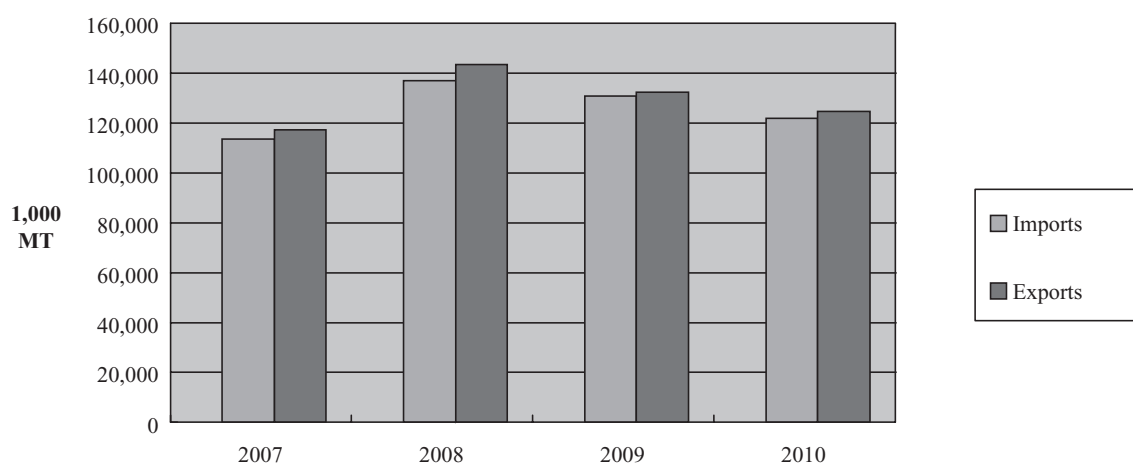
Source: USDA-WAOB

*Note: Data for 2010 is projected as at August 2010.

Global imports and exports of wheat

The volume of global imports of wheat has experienced slight fluctuations between 2007 and 2010, first increasing from 113,390,000 MT in 2007 to 136,860,000 MT in 2008, then steadily decreasing from 2008 to 2010, with an overall increase of approximately 7.5% from 2007 to 2010, representing a CAGR of approximately 2.45%. A similar pattern can be observed in the global exports of wheat, with an increase from 2007 to 2008 followed by steady decreases from 2008 to 2010, and an overall increase of approximately 6.4% from 2007 to 2010. The diagram below shows the annual volume of imports and exports of wheat in the world in terms of MT from 2007 to 2010.

Global imports and exports of wheat



Source: USDA-WAOB

*Note: Data for 2010 is projected as at August 2010.

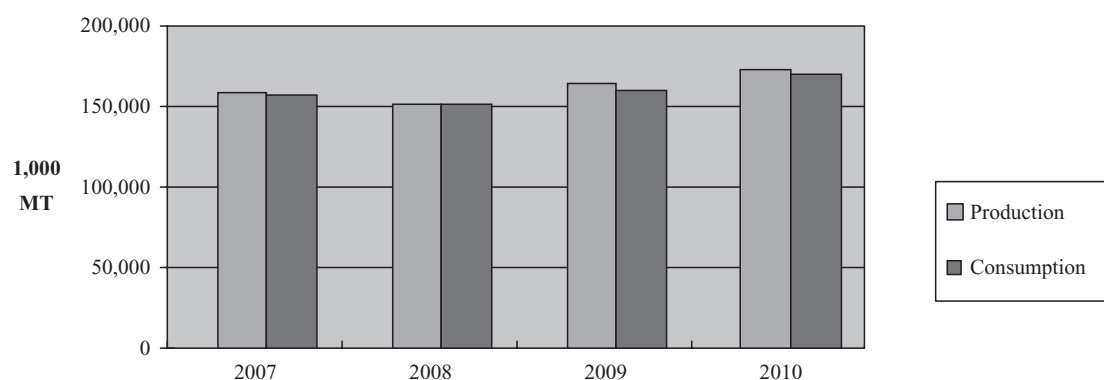
INDUSTRY AND REGULATORY OVERVIEW

The global soya meal industry

Global soya meal production and consumption

The global production of soya meal started off with a slight decrease from 2007 to 2008, followed by steady increases from 2008 to 2010. Nonetheless, the overall trend has been an increasing one, with global production of soya meal increasing from 158,520,000 MT in 2007 to 173,120,000 MT in 2010, representing an increase of approximately 9.2% and a CAGR of approximately 2.98%. The global consumption of soya meal shows a similar trend, having started off with a slight decrease from 2007 to 2008, followed by steady increases from 2008 to 2010. The overall consumption of soya meal increased from 157,470,000 MT in 2007 to 170,550,000 MT in 2010, representing an increase of approximately 8.3% and a CAGR of approximately 2.70%. The diagram below shows the annual production and consumption quantity of soya meal in the world in terms of MT from 2007 to 2010.

Global production and consumption of soya meal



Source: USDA-WAOB

*Note: Data for 2010 is projected as at August 2010.

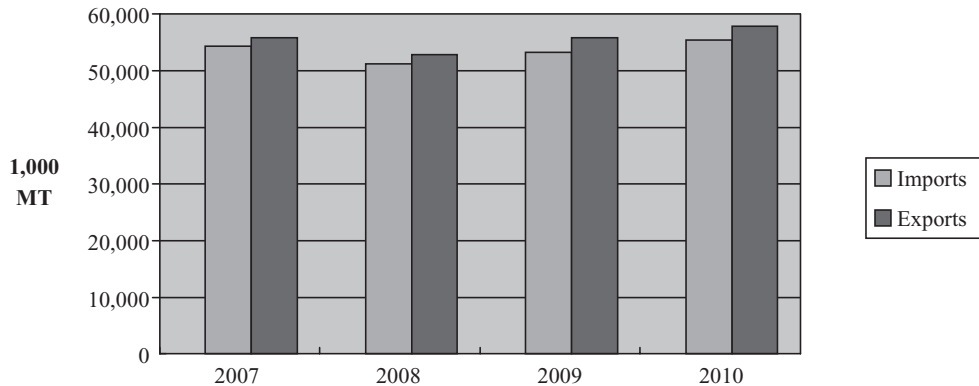
In line with the increasing world population and demand for food, the global consumption of soya meal is expected to continue to grow in the future, and that global production of soya meal will also continue to grow to meet the increasing demand.

Global imports and exports of soya meal

The volume of global imports of soya meal has experienced slight fluctuations between 2007 and 2010, first decreasing from 54,320,000 MT in 2007 to 51,180,000 MT in 2008, then steadily increasing from 2008 to 2010, with an overall increase of approximately 2.0% in the global imports of wheat from 2007 to 2010, representing a CAGR of approximately 0.65%. A similar pattern can be observed in the global exports of soya meal, with a decrease from 2007 to 2008 followed by steady increases from 2008 to 2010, with an overall increase of approximately 3.5% in the global exports of soya meal from 2007 to 2010, representing a CAGR of approximately 1.16%. The diagram below shows the global imports and exports of soya meal in terms of MT from 2007 to 2010.

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Global imports and exports of soya meal



Source: USDA-WAOB

*Note: Data for 2010 is projected as at August 2010.

The decrease of both imports and exports from 2007 and 2008 may be attributable to the global financial crisis in 2008.

THE CORN, WHEAT AND SOYA MEAL INDUSTRY IN THE PRC

Agriculture is one of the major industries in the PRC. Details of the corn, wheat and soya meal industry in the PRC are set out below.

The corn industry in the PRC

Corn production and consumption in the PRC

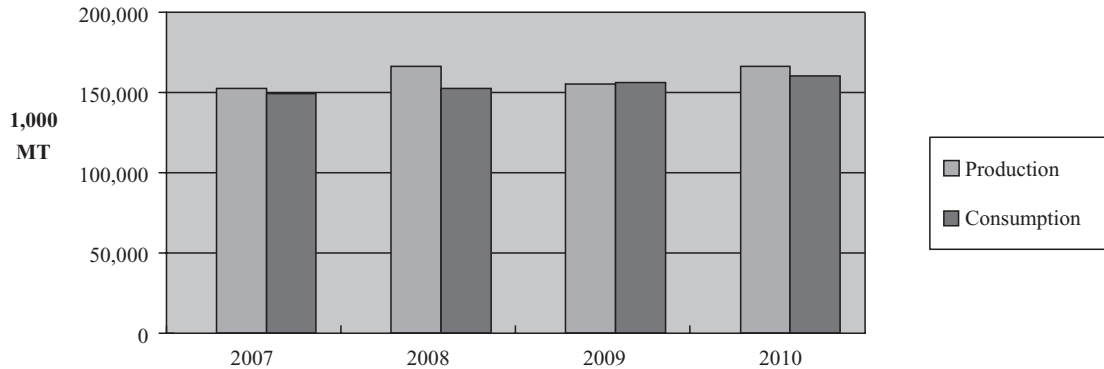
According to the USDA-FAS, production of corn in the PRC has experienced slight fluctuations between 2007 and 2010 but has shown an overall increase from 152,000,000 MT in 2007 to 166,000,000 MT in 2010, representing an increase of approximately 9.2% and a CAGR of approximately 2.98%. The PRC contributed a significant portion of the global corn supply between 2007 and 2010, being approximately 19.2%, 20.1%, and 19.2% for the years 2007, 2008 and 2009 respectively and is projected to contribute approximately 20.0% to the world's corn production in 2010.

On the other hand, consumption of corn in the PRC has grown steadily between 2007 and 2010, increasing from 149,000,000 MT in 2007 to 160,000,000 MT in 2010, representing an increase of approximately 7.4% and a CAGR of approximately 2.4%.

The diagram below shows the annual production and consumption quantity of corn in the PRC in terms of MT from 2007 to 2010.

INDUSTRY AND REGULATORY OVERVIEW

Production and consumption of corn in the PRC



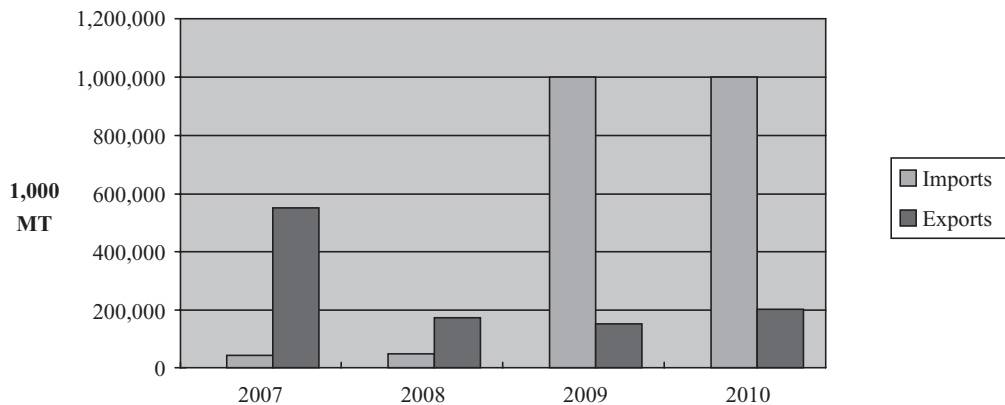
Source: USDA-FAS

In line with the increasing population and demand for food in the PRC, together with the PRC's economic growth and rising income of households, the consumption of corn in the PRC is expected to continue to grow in the future, and the production of corn in the PRC will also continue to grow to meet the increasing demand.

Imports and exports of corn in the PRC

The imports of corn into the PRC have grown rapidly between 2007 and 2010, increasing from 41,000 MT in 2007 to 1,000,000 MT in 2010, representing an increase of approximately 2339.0% and a CAGR of 190.0%. On the other hand, exports of corn from the PRC have decreased significantly from 549,000 MT in 2007 to 200,000 MT in 2010, representing an overall decrease of 63.6%. The diagram below shows the annual volume of imports and exports of corn in the PRC in terms of MT from 2007 to 2010.

Imports and Exports of corn in the PRC



Source: USDA-FAS

INDUSTRY AND REGULATORY OVERVIEW

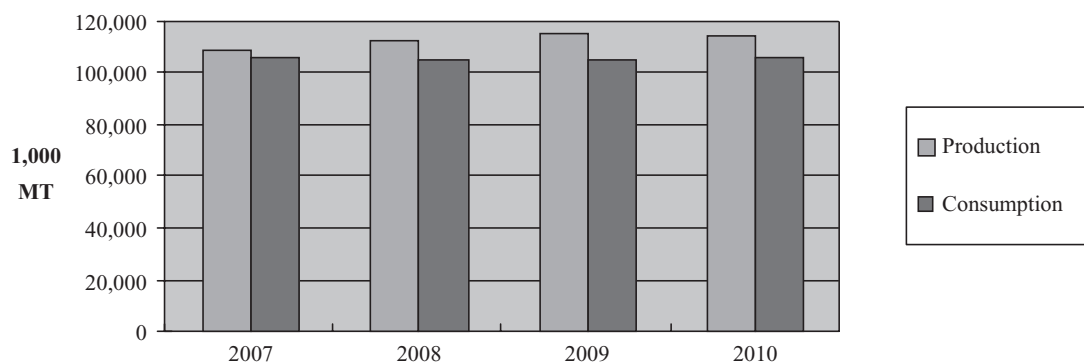
The wheat industry in the PRC

Wheat production and consumption in the PRC

There has been an overall increase from 109,298,000 MT in 2007 to 114,500,000 MT in 2010 in the production of wheat in the PRC, representing an increase of approximately 4.8% and a CAGR of approximately 1.56%. The PRC represented a significant portion of the global wheat supply between 2007 and 2010, which amounted to approximately 16.8%, 16.5%, and 16.9% for the years 2007, 2008, and 2009 respectively and is projected to contribute approximately 17.6% of the global wheat production in 2010.

On the other hand, the consumption of wheat in the PRC has decreased slightly from 106,000,000 MT in 2007 to 105,800,000 MT in 2010, representing a slight decrease of approximately 0.2%. The diagram below shows the annual production and consumption quantity of wheat in the PRC in terms of MT from 2007 to 2010.

Production and consumption of wheat in the PRC



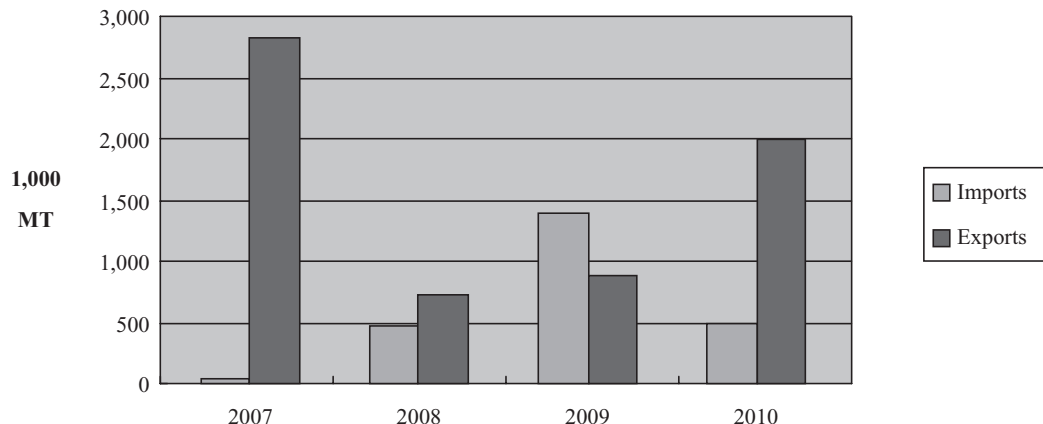
Source: USDA-FAS

Imports and exports of wheat in the PRC

The imports of wheat into the PRC have experienced significant fluctuations between 2007 and 2010, increasing from 50,000 MT in 2007 to 1,394,000 MT in 2009, and then falling back to 500,000 MT in 2010. The exports of wheat from the PRC have also experienced significant fluctuation during the past 3-4 years but in the opposite direction, first decreasing from 2,835,000 MT in 2007 to 723,000 MT in 2008, then decrease to 200,000 MT in 2010. The diagram below shows the annual volume of imports and exports of wheat in the PRC in terms of MT from 2007 to 2010.

INDUSTRY AND REGULATORY OVERVIEW

Imports and exports of wheat in the PRC



Source: USDA-FAS

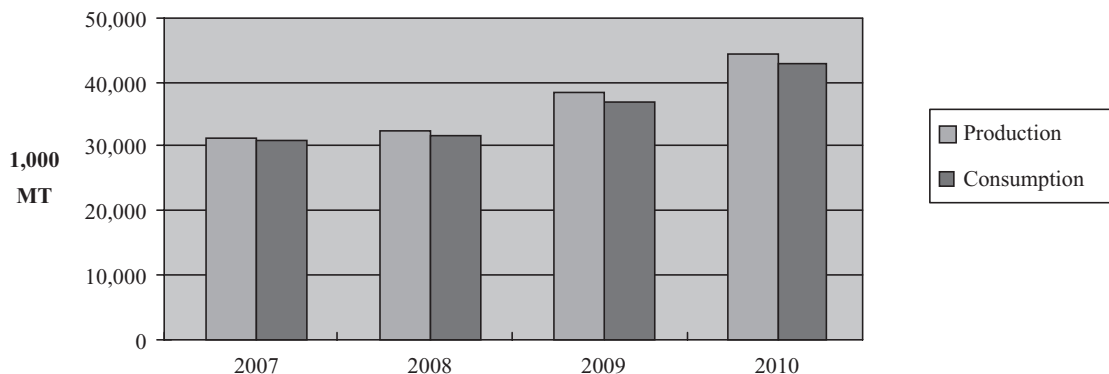
The soya meal industry in the PRC

Soya meal production and consumption in the PRC

The production of soya meal in the PRC has grown rapidly between 2007 and 2010, increasing from 31,280,000 MT in 2007 to 44,160,000 MT in 2010, representing an increase of approximately 41.2% from 2007 to 2010 and a CAGR of approximately 12.2%. The PRC represented a significant portion of the world's soya meal supply between 2007 and 2010, being approximately 19.7%, 21.4%, and 23.5% for the years 2007, 2008, and 2009 respectively and is projected to contribute approximately 25.5% to the global wheat production in 2010.

Similarly, the consumption of soya meal in the PRC has also grown rapidly between 2007 and 2010, increasing from 30,849,000 MT in 2007 to 42,710,000 MT in 2010, representing an increase of approximately 38.4% and a CAGR of approximately 11.5%. The diagram below shows the annual production and consumption quantity of soya meal in the world in terms of MT from 2007 to 2010.

Production and consumption of soya meal in the PRC



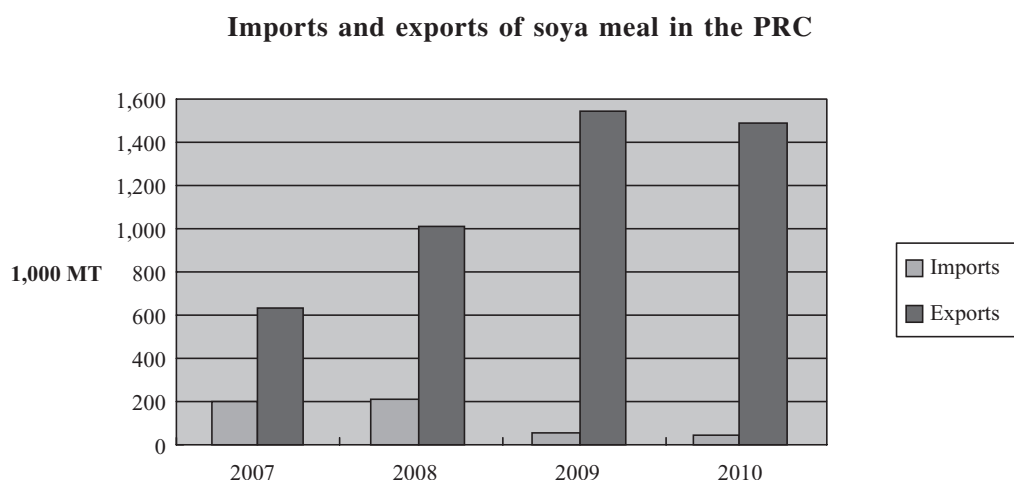
Source: USDA-FAS

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In line with the increasing population and demand for food in the PRC, together with the PRC's economic growth and rising income of households, the consumption of soya meal in the PRC is expected to continue to grow in the future, and production of soya meal in the PRC will also continue to grow to meet the increasing demand.

Imports and exports of soya meal in the PRC

The imports of soya meal into the PRC have fallen significantly during the past 3-4 years, decreasing from 203,000 MT in 2007 to 50,000 MT in 2010, representing a decrease of 75.4%. On the other hand, the exports of soya meal from the PRC have risen significantly between 2007 and 2010, increasing from 634,000 MT in 2007 to 1,500,000 MT in 2010. The diagram below shows the volume of imports and exports of soya meal in the PRC in terms of MT from 2007 to 2010.



Source: USDA-FAS

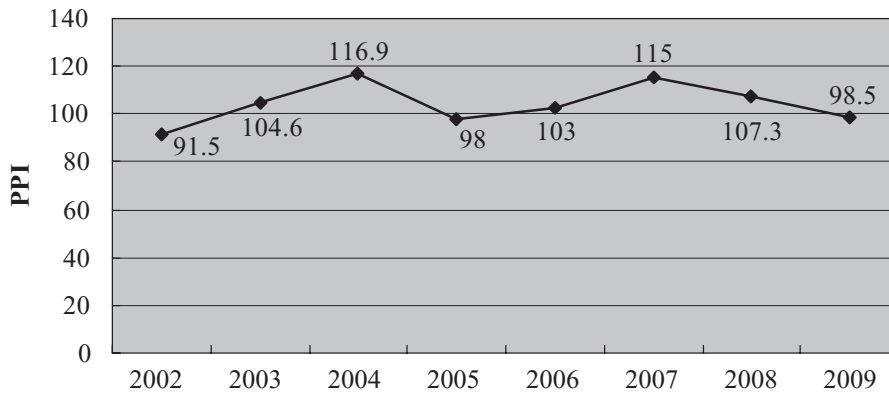
HISTORICAL PRICE FLUCTUATIONS OF CORN, WHEAT AND SOYA MEAL IN THE PRC

Historical price fluctuations of corn

According to the National Bureau of Statistics of the PRC, the prices of corn have been subject to fluctuations from 2002 to 2009, as indicated by the producers' price index ("PPI") (since PPI for the preceding year is always 100, differences from 100 indicate the extent of price fluctuations). The chart below shows the historical PPI of corn in the PRC from 2002 to 2009:

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PPI of corn in the PRC

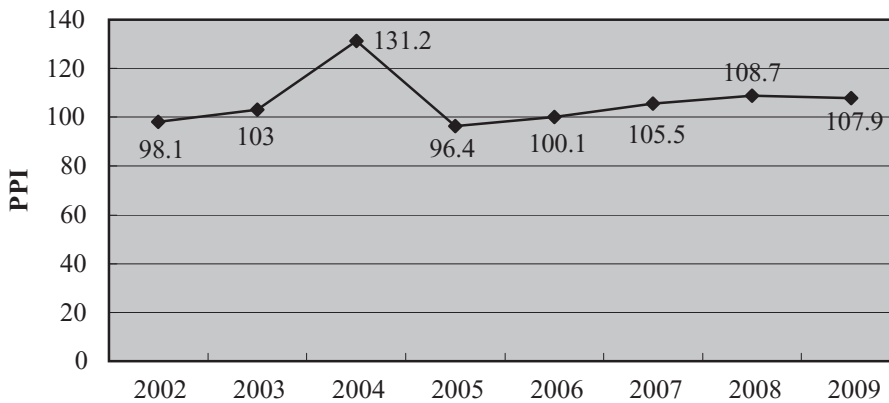


Source: National Bureau of Statistics of the PRC

Historical price fluctuations of wheat

The prices of wheat have been subject to fluctuations from 2002 to 2005 followed by a general rising trend from 2005 to 2009. The chart below shows the historical PPI of wheat in the PRC from 2002 to 2009:

PPI of wheat in the PRC



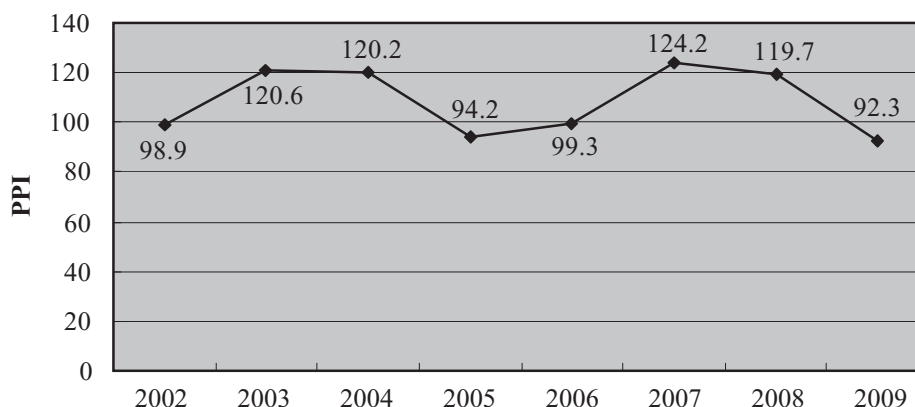
Source: National Bureau of Statistics of the PRC

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Historical price fluctuations of beans

Beans are the main raw materials for producing soya meal and hence, the prices of beans directly affect the prices of soya meal. The prices of beans have experienced significant fluctuations without particular trends from 2002 to 2009. The chart below shows the historical PPI of beans in the PRC from 2002 to 2009:

PPI of beans in the PRC



Source: National Bureau of Statistics of the PRC

Such price fluctuations may be affected by (i) imports and exports levels of beans, especially those with the US, (ii) global economic conditions, (iii) the breeding quality of animals that consume feeds made from beans, such as pigs and chickens, and (iv) weather conditions.

REGULATORY OVERVIEW

A summary of certain major laws and regulations in relation to our business is set forth below. Information contained in this part of this prospectus should not be construed as a comprehensive summary of laws or regulations applicable to us.

The laws regulating the production, distribution and sales of chicken meat, processed foods and feeds in the PRC include, but not limited to, the Food Safety Law of the PRC (中華人民共和國食品安全法), the Law on the Quality and Safety of Agricultural Products (中華人民共和國農產品質量安全法), the Administrative Measures on Breeds of Livestock and Poultry of the PRC (中華人民共和國種畜禽管理條例), the Environmental Protection Law of the PRC (中華人民共和國環境保護法) and other laws and regulations relating to poultry raising, food hygiene and standardization of exports of the PRC. Certain important provisions of the above laws and regulations relating to the chilled and frozen chicken, processed foods and feeds industry are set out below.

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Industry Policy on Foreign Investment

In accordance with the Catalogue of Foreign Investment Industry (2007) (《外商投資產業指導目錄(2007年修訂)》) promulgated jointly by National Development and Reform Commission and Ministry of Commerce on 31 October 2007, foreign investment in storing or processing poultry meat is classified under the “encouraged investment” category.

Pursuant to the SAFE’s Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular No. 75”), issued on 21 October 2005, effective on 1 November 2005, (i) a PRC citizen residing in the PRC (a “PRC Resident”) must register with the local branch of SAFE before he or she establishes or controls an overseas special purpose vehicle (“SPV”) for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC Resident contributes the assets of or his or her equity interests in a domestic enterprise to an overseas SPV, or engages in overseas financing after contributing assets or equity interests to an overseas SPV, such PRC Resident must register his or her interest in the overseas SPV or any changes to his or her interest in the overseas SPV with the local branch of SAFE; and (iii) when the overseas SPV undergoes a material corporate action outside the PRC, such as change in share capital or merger and acquisition, the PRC Resident must, within 30 days after the occurrence of such event, register such change with the local branch of SAFE.

Under SAFE Circular No. 75, failure to comply with the registration procedures may result in penalties, including imposition of restrictions on a PRC subsidiary’s foreign exchange activities and its ability to distribute dividends to the overseas SPV. As advised by our PRC legal advisors, Mr. Lin and Mr. Lin Genghua, both of them are PRC citizens, have completed the registration procedures in accordance with SAFE Circular No. 75.

On 8 August 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, enacted the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (as amended on 22 June 2009) (the “New M&A Rules”), to regulate foreign investment in the PRC domestic enterprises. The New M&A Rules provide that the Ministry of Commerce must be notified in advance of any transaction in which a foreign investor takes control of a the PRC domestic enterprise, and if any of the following situations exists: (i) the transaction involves an important industry in China, (ii) the transaction may affect national “economic security”, or (iii) the PRC domestic enterprise has a well-known trademark or historical Chinese trade name in the PRC. The New M&A Rules contain a provision requiring all overseas SPVs, formed for listing purposes through acquisitions of PRC domestic enterprises and controlled by PRC individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

As advised by our PRC legal advisors, since Sumpo Holdings has completed the reorganization in the PRC and obtained the required approval from the relevant PRC governmental authorities before the implementation of the New M&A Rules on 8 September 2006, the New M&A Rules are not applicable to our Group.

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Food Safety Law of the PRC (中華人民共和國食品安全法)

The Food Safety Law of the PRC (the “Food Safety Law”) was promulgated on 28 February 2009 by the Standing Committee of the National People’s Congress and became effective on 1 June 2009. The Implementation Regulations of the Food Safety Law (中華人民共和國食品安全法實施條例) (the “Implementation Regulations”) was subsequently promulgated on 20 July 2009 and became effective from the date of promulgation.

The Food Safety Law and the Implementation Regulations apply to the production and operation of food, food additives, food related products that include food containers and packaging materials, as well as other relevant products. Under the Food Safety Law, manufacturers who engage in the production of food, food additives and food related products must comply with the applicable food safety standards and must satisfy the inspection and approval procedures with regard to their products before selling the same in the market. In addition, food manufacturers are required to check business permits and product qualification certificates of their suppliers from whom they purchase food materials, additives and related products and to inspect such products to ensure that they conform to the applicable food safety standards. Any violation of the Food Safety Law and its Implementation Regulations may result in legal liabilities, such as warnings, fines, damages, or even criminal liabilities for serious violations.

Law on the Quality and Safety of Agricultural Products

(中華人民共和國農產品質量安全法)

The Law on the Quality and Safety of Agricultural Products (the “Agricultural Products Safety Law”) was promulgated on 29 April 2006 to regulate the quality and safety of agricultural products, maintain public health and promote the development of agricultural industry and economic development in rural areas. Under the Agricultural Products Safety Law, agricultural products include plants, animals, and micro-organisms and their related products.

Enterprises and collectives engaged in the production of agricultural products shall conduct self-inspection or submit to the inspections carried out by inspection and testing institutions on the quality and safety of these agricultural products and maintain records of the agricultural products they manufacture. Any product which fails to meet the quality and safety standards for agricultural products may not be sold.

Packaging and labelling requirements apply to agricultural products which are required to be packaged and labelled before they can be sold, including specifying and stating the name of the product, place of production, identity of producer, date of production, expiry date and product quality grade on the packaging and labels as required. Any additive used in the agricultural products must also be stated.

Any genetically modified agricultural products must be labelled in accordance with the relevant provisions on the administration of the safety of genetically modified agricultural products.

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Any animal, plant, and their products which are required by law to be quarantined shall be attached with quarantine labels and quarantine certificates.

The agricultural products which are offered for sales must meet the relevant quality and safety standards. Producers may use pollution-free product labels and/or agricultural products quality labels subject to the approvals of the relevant authorities.

Provisions on the Administration of the Hygiene Registration of Export Food Production Enterprises (出口食品生產企業衛生註冊登記管理規定)

On 19 April 2002, the General Administration of Quality Supervision, Inspection and Quarantine of the PRC promulgated the Provisions on the Administration of the Hygiene Registration of Export Food Production Enterprises, pursuant to which all enterprises engaging in the production, processing or storage of food for export must obtain hygiene registration certificates, which will be valid for a term of three (3) years.

Administrative Measures of the PRC on Industrial Product Production Licenses (中華人民共和國工業產品生產許可證管理條例)

Promulgated in 2005, the Administrative Measures of the PRC on Industrial Product Production Licenses implements a production licensing system on enterprises that engage in the production of the important industrial products listed in the Catalogue of Industrial Products Subject to Production Licensing (“Licensing Catalogue”). Enterprises that manufacture products listed in the Licensing Catalogue, such as dairy products, meat products, beverages, rice, noodles, edible oil and alcohol, must apply to the provincial-level governmental authorities in charge of industrial product production licenses for a production license. No enterprise may manufacture those products in the Licensing Catalogue without obtaining a production license.

Regulations on the Administration of Feed and Feed Additives of the PRC (飼料和飼料添加劑管理條例)

Regulations on the Administration of Feed and Feed Additives of the PRC, which was promulgated in 1999 and amended in 2001, sets out the requirements and standards for the production, operation and management of feed and feed additives.

According to the Regulations on the Administration of Feed and Feed Additives, the establishment of feed, feed additives manufacturing enterprises, in addition to complying with the law and administrative regulations in the establishment of conditions, should also meet the following requirements:

- plants and equipment, processing and storage facilities shall be suitable for feed production, feed additives;
- full-time technical staff shall be eligible for production of feed and feed additives;
- the enterprises shall have the necessary product quality testing mechanism, inspection staff and testing facilities;

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- the production environment shall meet the national safety and hygiene requirements;
- the pollution control measures shall be in line with the national environmental protection requirements.

Enterprises which satisfy the above requirements, after being examined by the authorities of the State Council's agricultural administrative departments or feed management departments in provinces, autonomous regions, and municipal governments, can apply for business registration.

After being examined by the relevant authorities of agricultural administrative departments of the State Council or feed management departments, the enterprises producing feed additives and pre-mixed feed additives are entitled to get a license issued by the relevant authorities of the State Council.

Administrative Measures on Breeds of Livestock and Poultry of the PRC

(種畜禽管理條例)

The Administrative Measures on Breeds of Livestock and Poultry of the PRC (the "Administrative Measures") was promulgated by the State Council in April 1994 and took effect on 1 July 1994 .

Pursuant to the Administrative Measures, any entity or individual that engages in the production and operation of the breeds of livestock and poultry shall apply for the "License for Production and Operation of Breed Livestock and (種畜禽生產經營許可證)" (the "License") from the competent governmental authority at the county level or above. The administrative authorities of livestock and poultry at the county level are responsible for the issuance of the License unless otherwise specifically provided for by the Administrative Measures.

According to the Administrative Measures, penalties including order to rectify, fines and confiscation of the illegal income and even cancellation of the License will be imposed on the following activities: producing or operating breeds of livestock or poultry without the License, failure to produce and operate breeds of livestock or poultry in accordance with the provided breed, series, generation, year of use; promoting the use of the breeds of livestock or poultry which have not been examined or approved in accordance with the Administrative Measures, sales of breeds of livestock or poultry without "Licence for Qualified Livestock and Poultry" (種畜禽合格證).

Law of Animal Epidemic Prevention of the PRC (中華人民共和國動物防疫法)

The Law of Animal Epidemic Prevention of the PRC came into force on 1 January 1998 and was further amended in August 2007. It has set up a legal framework on quarantine of animal and animal products, epidemic prevention and health protection in the PRC. The veterinary administrative authority under the State Council is the principal authority responsible for animal epidemic prevention.

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According to the Law of Animal Epidemic Prevention,

- Quarantine supervision shall be implemented on animal slaughtering which shall pass quarantine inspection prior to being processed into foods;
- Transport equipment, containers and packaging materials of food must conform to the epidemic prevention conditions stipulated by the veterinary administrative authority under the State Council;
- Any person who engages in the sales and delivery of animal products shall obtain quarantine certification and inspection label for such sales and delivery activities;
- Quarantine certification shall not be transferable, altered or falsified;
- Any entity or individual that engages in the breeding, slaughtering, operation, isolation and transportation of the animals shall immediately report to the local veterinary administrative authority upon discovering infection or suspected infection with diseases by animals and take active measures such as quarantine arrangement to prevent the transmission of the disease.

In respect of enterprises and individuals in violation of the Law of Animal Epidemic Prevention of the PRC, the animal epidemic prevention supervisory authorities shall impose sanctions such as warnings, orders to rectify, penalties, confiscation of illegal gains and unsold animals and animal food depending on individual circumstances. Criminal liabilities may also be imposed in accordance with the laws.

According to the Law of Animal Epidemic Prevention of the PRC, any person operating any premises for the purposes of breeding of animals, including our Group and the Contract Farmers, are required to obtain the Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證) in order to carry out the aforesaid activities. According to the Measures on Animal Epidemic Prevention Qualification Examination (《動物防疫條件審查辦法》), the applicants for the Animal Epidemic Prevention Qualification Certificate shall satisfy the requirements of relevant PRC authorities as to (i) the location (i.e. keeping a certain distance from the residential area, the railway and main transportation network and the source of drinking water etc.) (ii) the setting of the farms, including but not limited to the inclusion of fencing walls, sterilization pools, quarantine facilities, changing and sterilization rooms, (iii) the distance between each animal shed in the same animal breeding farm, (iv) the required facilities, including but not limited to appropriate sterilization facilities, good lighting and ventilation facilities, fencing walls made of appropriate materials suitable for cleansing and sterilization, refrigeration facilities for vaccines, veterinarian clinic facilities, waste and sewage treatment facilities, etc., (v) veterinarian available in the farm and (vi) control system in relation to various aspects, including but not limited to immunity, medication, quarantine declaration and disease reporting, etc.. Any of the aforesaid persons who fails to obtain the Animal Epidemic Prevention Qualification Certificate will be (i) ordered to rectify; and (ii) subject to a penalty of RMB1,000 – RMB10,000 or RMB10,000 – RMB100,000 for serious case. As confirmed by our PRC legal advisors, the Law of Animal Epidemic Prevention of the PRC does not specifically require any person operating any premises for the purpose of

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breeding of animals, including the Contract Farmers, to cease operation if he/she fails to obtain the aforesaid Certificate and the relevant laws do not specify the consequence for failure to comply with the order to rectify.

Measures of Food Safety Management in Circulation Domain of the PRC

(中華人民共和國流通領域食品安全管理辦法)

Measures of Food Safety Management in Circulation Domain of the PRC (the “Measures”), which was promulgated by the Ministry of Commerce on 19 January 2007, and came into effect on 1 May 2007, is one of the laws governing food circulation and food safety in wholesale and retail markets. The Measures set out the requirements that include but are not limited to the following: the markets and dealers shall obtain relevant licenses required by relevant laws and regulations such as business license; the operation environment of food shall comply with the general standard required by food-safety and sanitation laws and regulations.

Tax Law

On 1 January 2008, the Foreign Investment Enterprise and Foreign Enterprise Income Tax Law of the PRC (《中華人民共和國外商投資企業和外國企業所得稅法》) was repealed, and the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), promulgated on 16 March 2007, became effective. Pursuant to the Enterprise Income Tax Law of the PRC, the income tax rate for both domestic enterprises and foreign investment enterprises is 25%.

Pursuant to the Notice on the Implementation of the Enterprise Income Tax Transition Preferential Policy (《國務院關於實施企業所得稅過渡優惠政策的通知》), enacted by the State Council of the PRC on 26 December 2007, enterprises that had enjoyed the preferential policy for full tax exemption during the first two years and 50% tax deduction of the income tax from the third year to fifth year since the first profit-making year, shall continue to enjoy the former preferential policy until the preferential period expired; enterprises that had not enjoyed the aforesaid preferential policy due to their failure to make profit shall enjoy the aforesaid preferential policy from 2008.

Environmental Protection Laws

The PRC government has formulated and implemented various environmental protection laws and regulations, including the Environmental Protection Law (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law (《中華人民共和國水污染防治法》), the Atmospheric Pollution Prevention and Control Law (《中華人民共和國大氣污染防治法》), the Solid Waste Environment Protection and Control Law (《固體廢物污染環境防治法》), the Environmental Noise Pollution Prevention and Control Law (《中華人民共和國環境噪聲污染防治法》) and the Environmental Impact Evaluation Law (《中華人民共和國環境影響評價法》) (collectively, the “**Environmental Laws**”).

Under the Environmental Laws, the construction, expansion and operation of the production facilities are subject to certain government evaluation process, inspection procedures and approvals. The failure to go through such government process or procedures

INDUSTRY AND REGULATORY OVERVIEW

or to obtain such government approvals may result in the manufacturer being liable to fines and penalties imposed by the relevant PRC environmental authorities, including suspension of the production facilities.

The Environmental Laws also impose fees for the discharge of waste substances, permit the imposition of fines and compensation for the improper discharge of waste substances and serious environmental offences. The PRC environmental authorities may, at their discretion, close any facility that fails to comply with orders requiring it to rectify or stop operations causing the environmental damage.

Administrative Measures on Prevention and Cure of Pollution Caused by Breeding of Livestock and Poultry (畜禽養殖污染防治管理辦法)

The Administrative Measures on Prevention and Cure of Pollution Caused by Breeding of Livestock and Poultry (the “Pollution Administrative Measures”) were issued by the State Administration of Environmental Protection (now the Ministry of Environmental Protection of the PRC) and became effective in May 2001. The Pollution Administrative Measures set out the requirements for prevention and cure of the pollution or contaminants caused during the breeding of livestock and poultry.

According to the Pollution Administrative Measures, any construction, rebuilding, expansion of breeding farm are subject to environmental impact assessment and governmental approval in accordance with the environmental protection laws applicable to construction projects. The breeding farm shall report and register with the local environmental protection administrative authorities the situation of discharge of contaminants. Discharge of contaminants shall be strictly in conformity with the pollutants discharge permits.

The breeding farm and those responsible for transportation of the waste residue of livestock and poultry shall take effective measures to prevent the pollution or hazards caused by leakage or disposal of the waste residue in accordance with the Pollution Administrative Measures.

Violation of the Pollution Administrative Measures will be subject to administrative sanctions including order to stop and rectify the violation and penalties.

According to the Pollution Administrative Measures, all breeding farms of livestock and poultry, including the Contract Farms, are required to obtain the Pollutant Discharge Permit (排污許可證). According to the Provisional Administrative Measures on the Pollutant Discharge Permit of the Fujian Province (《福建省排放污染物許可證管理暫行規定》), the applicants for the Pollutant Discharge Permit shall satisfy the following requirements: (i) they should not be located at those regions expressly prohibited by the relevant PRC governmental authorities to discharge any pollutant; (ii) they have to satisfy the industrial technology policy of the relevant authorities; (iii) no incident of serious pollution or environmental disaster has taken place during the previous 2 years; (iv) the pollutants should be discharged in accordance with the standard set by the relevant PRC governmental authorities and the amount of the pollutants discharged should not exceed the limit set by the relevant PRC governmental authorities. According to the Livestock Breeding Farm (Community)

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Environmental Supervision Work Guide (Tentative) (《畜禽養殖場(小區)環境監察工作指南》(試行)) and the Pollutant Discharge Reporting Registration Management Regulation (《排放污染物申報登記管理規定》), any Contract Farmer who is in violation of the aforesaid requirement will be (i) ordered to rectify within a specified period; and (ii) subject to a penalty of RMB300-RMB 3,000. The sanction does not include order to cease operation. According to our PRC legal advisors, the relevant laws do not specify the consequence for failure to comply with the order to rectify.

Labor Law

Enterprises are mainly subject to the following PRC labor laws and regulations, including the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Unemployment Insurance Law (《失業保險條例》), the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time for enterprises in the PRC.

According to the PRC Labor Law and the PRC Labor Contract Law, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Salaries shall not be lower than the local minimum wage. The employers must establish a system for labor safety and sanitation, strictly comply with the national standards, and provide relevant education to its employees. Employers are also required to provide the employees with safe and sanitary working conditions meeting national rules and standards, and carry out regular health examinations of employees engaged in hazardous occupations.

As required under the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, the Interim Regulation on the Collection and Payment of Social Insurance Premiums and the Interim Provisions on Registration of Social Insurance, enterprises are obliged to provide employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance.

Product liabilities

Manufacturers and vendors of defective products in the PRC may incur liability for loss and injury caused by such products. Under the General Principles of the Civil Laws of the PRC (《中華人民共和國民法通則》), which became effective on 1 January 1987, manufacturer or retailer of a defective product which causes property damage or physical injury to any person could be subject to civil liability for such damage or injury.

In 1993, the General Principles of the Civil Laws of the PRC was supplemented by the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (as amended in 2000) and the Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》), which were enacted to protect the legitimate rights and

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interests of end-users and consumers and to strengthen the supervision and control of the quality of products. If products purchased by consumers are of sub-standard quality but not defective, the retailers will be responsible for the repair, exchange, or refund of the purchase price of the sub-standard products and for the compensation to the consumers for their losses (if any). However, in the event that the manufacturers are held liable for the sub-standard products, the retailers are entitled to seek reimbursement from the manufacturers for the compensation paid by the retailers to the consumers. If the products are defective and cause any personal injuries or property damage, the consumer may claim compensation from the manufacturer, distributor or retailer. Retailers or distributors who have already compensated the consumers are entitled to claim reimbursement from the relevant manufacturers.

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We commenced our business in 1998 and was principally engaged in, inter alia, processing of poultry products.

HISTORY AND DEVELOPMENT OF OUR OPERATING SUBSIDIARIES

The history and development of each of our operating subsidiaries (other than the history and development of pork business, which are set out in the paragraph headed “History and Development of Our Discontinued Operations” in this section) are as follows:

Fujian Sumpo

Fujian Sumpo was established as a sino-foreign equity joint venture enterprise on 7 September 1998. Immediately prior to the Track Record Period, Fujian Sumpo was wholly-owned by Sumpo Holdings.

On 5 January 2007, the board of directors of Fujian Sumpo resolved to change its name from “森寶(龍岩)實業有限公司” to “福建森寶食品集團有限公司”.

On 19 July 2007, Sumpo Holdings and Longyan Investment entered into a share transfer agreement, pursuant to which Sumpo Holdings agreed to sell 10% equity interest in Fujian Sumpo to Longyan Investment at a consideration of RMB10,985,632.05. Such consideration was determined with reference to the net assets value of Fujian Sumpo after deducting the retained profits as shown in the auditors’ report of Fujian Sumpo as at 31 December 2006. Fujian Sumpo was thereafter transformed to a sino-foreign joint venture enterprise and owned by Sumpo Holdings and Longyan Investment as to 90% and 10% respectively. As a result of the disposal by Sumpo Holdings of its then 10% equity interest in Fujian Sumpo, our Group recorded a loss on disposal of approximately RMB2,575,000. During the seven months ended 31 July 2007, Fujian Sumpo’s revenue and profit were approximately RMB250.3 million and RMB15.8 million respectively.

Longyan Investment was owned by Mr. Lin Qingrong, Mr. Ke and Mr. Lai Youhui (賴友輝) as to 50%, 30% and 20% respectively. The reason for transferring such interest was to recognize the contribution of the aforesaid parties to our Group and to increase their incentive in promoting the business of our Group. Mr. Lin Qingrong was involved in the business of our Group since the commencement of business of our Group and he was a director of Fujian Sumpo and Xiamen Sumpo Trading during the Track Record Period until January 2010, when he decided to pursue other business. Mr. Lai Youhui was a director of Longyan Baotai during the Track Record Period until November 2009 and as at the Latest Practicable Date, he is still employed by our Group and is responsible for providing chicken feeding techniques services.

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On 1 August 2007, in order to increase the flexibility of our Group in any possible fund raising activity on any stock exchange in the future, the board of directors of Fujian Sumpo resolved to transform Fujian Sumpo from a limited liability company to a joint stock company and the same was approved by the relevant PRC governmental authority on 6 November 2007. As a result of such transformation:

- (1) the name of Fujian Sumpo was changed from “福建森寶食品集團有限公司” to “福建森寶食品集團股份有限公司”; and
- (2) its registered capital was increased to RMB112,500,000 divided into 112,500,000 shares which was owned by Sumpo Holdings and Longyan Investment as to 90% and 10% respectively.

Save as disclosed above, all the past or present shareholders (including the ultimate shareholders) of Fujian Sumpo during the Track Record Period did not and do not have, whether in the past or at present, any relationship with our Group, our shareholders, directors, senior management or any of their respective associates.

Fujian Sumpo had in the past made a number of acquisitions and disposal of equity interests in various companies leading to the present structure under Fujian Sumpo, a brief description of which is set out as follows:

Date	Acquisition/ Disposal	Consideration	Reasons
1 November 2005	Investing in 80% of the registered capital in Longyan Baotai	RMB25,600,000	To increase our scale of operation of our poultry business
8 November 2006	Investing in 50% of the registered capital in Xiamen Sumpo Trading	RMB5,000,000	To increase the corporate efficiency and enhance the division of labour and specialization of production and sales for the poultry business

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Date	Acquisition/ Disposal	Consideration	Reasons
20 February 2007	Disposal of 95% equity interest in Xiamen Sumpo Electronic to Xiamen Sumpo <i>(Note 1)</i>	RMB29,090,863 <i>(Note 2)</i>	Xiamen Sumpo Electronic is principally engaged in the manufacture of electronic equipment which is inconsistent with the business of our Group
12 April 2007	Acquisition of 10% equity interest in Xiamen Sumpo Trading from Mr. Yang and Xiamen Sumpo	RMB1,000,000	To increase its equity interest in Xiamen Sumpo Trading from 50% to 60%
24 May 2007	Acquisition of the remaining 40% equity interest in Xiamen Sumpo Trading from Xiamen Sumpo	RMB4,000,000	To make Xiamen Sumpo Trading a wholly-owned subsidiary of Fujian Sumpo
20 July 2007	Acquisition of the remaining 20% equity interest in Longyan Baotai from Xiamen Sumpo Electronic	RMB7,488,242.63	To make Longyan Baotai a wholly-owned subsidiary of Fujian Sumpo
8 June 2010	Investing in 100% of the registered capital in Fujian Hetai	RMB20,000,000	To expand the scale of operation of our poultry business
14 July 2010	Investing in 32% of the registered capital in Fujian Baojiashun	RMB38,400,000	To expand the scale of operation of our poultry business

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Date	Acquisition/ Disposal	Consideration	Reasons
13 August 2010	Acquisition of the remaining 68% equity interest in Fujian Baojiashun from Fujian Sumhua	RMB81,600,000	To make Fujian Baojiashun a wholly-owned subsidiary of Fujian Sumpo

Notes:

1. No gain or loss was recorded as a result of the said disposal. After the said disposal, our Group ceased to be involved in the business of wholesale of electronic and communications products. During the year ended 31 December 2007, Xiamen Sumpo Electronic's revenue and profit were approximately RMB448.5 million and RMB9.3 million respectively.
2. Pursuant to the equity transfer agreement dated 20 February 2007 entered into between Fujian Sumpo and Xiamen Sumpo, the consideration of RMB19,000,000, which was determined with reference to the amount of investment contributed by Fujian Sumpo. By a supplemental agreement dated 25 July 2007, the parties agreed that the consideration should be adjusted in accordance with the net assets value of Xiamen Sumpo Electronic as at 31 December 2006 and the consideration for the disposal became RMB29,090,863.

Longyan Baotai

Longyan Baotai was established on 1 November 2005 to specialize in the breeding of broilers. Immediately prior to the Track Record Period, Longyan Baotai was owned by Fujian Sumpo and Xiamen Sumpo Electronic as to 80% and 20% respectively. At that time, Xiamen Sumpo Electronic was legally and beneficially owned by Fujian Sumpo, Ms. Fu, Mr. Wu Guo Man and Mr. Zhou Wen Jie as to 95%, 3.125%, 1.25% and 0.625% respectively.

On 20 July 2007, Xiamen Sumpo Electronic and Fujian Sumpo entered into a share transfer agreement, pursuant to which Xiamen Sumpo Electronic agreed to transfer 20% equity interest in Longyan Baotai to Fujian Sumpo at a consideration of RMB7,488,242.63. The consideration was determined with reference to the net assets value of Longyan Baotai as at 30 April 2007 as shown in the PRC auditors' report of Longyan Baotai. After the said transfer, Longyan Baotai became wholly-owned by Fujian Sumpo.

Save as disclosed above, all the past or present shareholders (including the ultimate shareholders) of Longyan Baotai during the Track Record Period did not and do not have, whether in the past or at present, any relationship with our Group, our shareholders, directors, senior management or any of their respective associates.

Xiamen Sumpo Trading

Xiamen Sumpo Trading was established on 19 October 2005. Immediately prior to the Track Record Period, Xiamen Sumpo Trading was owned by Fujian Sumpo, Xiamen Sumpo and Mr. Yang as to 50%, 45% and 5% respectively.

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On 12 April 2007, the shareholders of Xiamen Sumpo Trading agreed to the following transfers of equity interest in Xiamen Sumpo Trading:

Transferor	Transferee	% of equity interest in Xiamen Sumpo Trading to be transferred	Consideration
Mr. Yang	Fujian Sumpo	5%	RMB500,000
Xiamen Sumpo	Fujian Sumhua	40%	RMB4,000,000
Xiamen Sumpo	Fujian Sumpo	5%	RMB500,000

After the aforesaid transfers, Xiamen Sumpo Trading was owned by Fujian Sumpo and Fujian Sumhua as to 60% and 40% respectively.

On 24 May 2007, Fujian Sumhua and Fujian Sumpo entered into a share transfer agreement, pursuant to which Fujian Sumhua agreed to transfer 40% equity interest in Xiamen Sumpo Trading to Fujian Sumpo at a consideration of RMB4,000,000 which was equivalent to 40% of the registered capital of Xiamen Sumpo Trading. After the said transfer, Xiamen Sumpo Trading became wholly-owned by Fujian Sumpo.

Save as disclosed above, all the past or present shareholders (including the ultimate shareholders) of Xiamen Sumpo Trading during the Track Record Period did not and do not have, whether in the past or at present, any relationship with our Group, our shareholders, directors, senior management or any of their respective associates.

Fujian Baojiashun

Fujian Baojiashun was established on 14 July 2010 with a registered capital of RMB120,000,000, which was owned by Fujian Sumpo and Fujian Sumhua as to 32% and 68% respectively. The entire registered capital of Fujian Baojiashun was contributed by (i) Fujian Sumpo by way of cash and (ii) Fujian Sumhua by way of transferring the land-use rights in respect of the land located at Dongcheng Wenyang, Xinluo District, Longyan (龍巖市新羅區東城文洋) with an aggregate site area of approximately 116,606.1 sq. m. and the interest in the buildings erected thereon with an aggregate gross floor area of approximately 17,877.60 sq. m.. Fujian Baojiashun had obtained all the relevant certificates with respect to the land use rights for the purpose of industrial use. The scope of business is the slaughtering and processing of poultry; sales of frozen food products (if related to business which requires approval, such business shall only be commenced after obtaining the approval of the relevant governmental authority).

On 13 August 2010, Fujian Sumpo and Fujian Sumhua entered into a share transfer agreement, pursuant to which Fujian Sumhua agreed to sell its 68% equity interest in Fujian Baojiashun to Fujian Sumpo at a consideration of RMB81,600,000, which was equivalent to the capital contribution made by Fujian Sumhua and was also close to the then market value of the land and building of Fujian Baojiashun. The consideration was settled by way of deducting a portion of the amount due from Fujian Sumhua to our Group. Fujian Baojiashun

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has obtained the new business license reflecting the above change on 16 August 2010. Before the said transfer, Fujian Baojiashun was only an associate of our Group. After the said transfer, Fujian Baojiashun became wholly-owned by Fujian Sumpo. As a result of the said acquisition of 68% equity interest in Fujian Baojiashun by our Group, our Group's shares of assets and liabilities were increased by approximately RMB81,634,000 and RMB50,000 respectively and thus, the net asset value of our Group was increased by approximately RMB81,584,000. No gain or loss was recorded by our Group as a result of the said acquisition. Fujian Baojiashun was acquired by our Group as a vehicle for the operation of the slaughtering and processing facilities of our new production plant to be erected. As at the Latest Practicable Date, Fujian Baojiashun is dormant except for the holding of the said land and building.

Fujian Hetai

Fujian Hetai was established on 8 June 2010 with a registered capital of RMB20,000,000, which is a wholly-owned subsidiary of Fujian Sumpo. The scope of business is the provision of breeding technique consultancy services, and production and sales of commodity chicken breeds and broiler eggs (if related to business which requires approval, such business shall only commence after obtaining the approval of the relevant governmental authority).

HISTORY AND DEVELOPMENT OF OUR DISCONTINUED OPERATIONS

We had historically invested in the pork business since April 2005 in order to diversify our business into the pork business when Fujian Sumhua was established as a PRC enterprise on 18 April 2005 with a registered capital of RMB30,000,000, which was owned by Fujian Sumpo and Xiamen Sumpo as to 60% and 40% respectively. The scope of business of Fujian Sumhua was breeding, procurement and slaughtering of poultry and aquatic products, processing and sales of cooked food products, provision of breeding technique consultancy services. At that time, Fujian Sumhua was controlled by our Group and Xiamen Sumpo.

On 25 November 2005, Sumpo Holdings, the then sole shareholder of Fujian Sumpo, resolved to invest in the Sumpo refrigerated pork project (森寶生豬冷鮮肉項目). With respect to such project, we had commenced preparation works for the operation of pork business, including the construction of various production facilities. We carried out our pork business through Fujian Sumhua and Fujian Sumhui.

On 25 July 2007, Xiamen Sumpo agreed to sell 38% and 2% equity interest in Fujian Sumhua to Fujian Sumpo and Longyan Huizhi Investment Company Limited (龍岩匯智投資有限公司) ("Longyan Huizhi") at a consideration of RMB11,400,000 and RMB600,000 respectively. After the aforesaid share transfers, Fujian Sumhua was owned by Fujian Sumpo and Longyan Huizhi as to 98% and 2% respectively. Longyan Huizhi is wholly owned by Mr. Lin Zhenxu (林鎮旭), an Independent Third Party. No gain or loss was recorded by our Group as a result of the said acquisition of 38% equity interest in Fujian Sumhua. Since then, Fujian Sumhua was controlled by our Group.

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In November 2007, the construction of various production facilities for the pork business was completed. Such production facilities could support the breeding of 8,000 pigs, the slaughtering of 2,000,000 pigs and the production of 11,000 pig breeds each year. The actual operation of the pork business commenced in around July 2008.

Fujian Sumhui was established on 2 March 2009 with a registered capital of RMB10,000,000, which was owned by Fujian Sumpo and Mr. Huang Yong Jian as to 70% and 30% respectively. The scope of business of Fujian Sumhui was slaughtering and processing of poultry and breeder pigs, breeding and sales of commodity day-old chicks (AA), breeding, procurement and sales of broilers and pigs, wholesale of local products and agricultural side products. During the period from the establishment of Fujian Sumhui in April 2009 to the time we disposed of all our equity interest in Fujian Sumhui in December 2009, Fujian Sumhui had been controlled by our Group and Mr. Huang Yong Jian.

On 2 April 2009, Longyan Huizhi and Longyan Baotai entered into a share transfer agreement, pursuant to which Longyan Huizhi agreed to sell, and Longyan Baotai agreed to purchase, 2% equity interest in Fujian Sumhua at a consideration of RMB2,000,000. After the said share transfer, Fujian Sumhua was owned by Fujian Sumpo and Longyan Baotai as to 98% and 2% respectively.

During each of the two years ended 31 December 2009 and the six months ended 30 June 2009, our pork business has incurred a loss of approximately RMB2,716,000, RMB25,598,000 and RMB10,512,000 respectively. The increase in the net losses of our pork business during the Track Record Period was primarily due to the combined effects of a proportionately higher increase in selling and distribution expenses, administrative expenses, finance costs and other operating expenses resulting from the low utilization rate of the production capacity given that the pork operation only commenced in July 2008. Since the size of the pork operation was far from being able to enjoy any economies of scale, the gross profit generated from the pork business could not compensate the expenses incurred to maintain the daily operation of the pork business. For details of the financial information regarding the discontinued operation, please refer to the paragraph headed “Discontinued Operation” under the section headed “Financial Information” and note 11 in Appendix I in this prospectus.

In 2009, we decided to dispose of such business for the following reasons:

1. given that pigs and chickens have different growing periods and require different breeding environment and facilities and different animal feeds with different ingredients and nutritional contents, the pork business and the chicken meat business are two distinct and separate businesses and thus, not much synergy nor economies of scale can be achieved from the two businesses; and
2. by disposing of the pork business, our Group can focus our business on the chicken meat products.

Therefore, we have disposed of our equity interest in Fujian Sumhua and Fujian Sumhui at the consideration of RMB121,000,000 in December 2009, details of which are set out in the paragraph headed “Corporate reorganization” below. After such disposal and until

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May 2010, as a measure for the transitional period, Xiamen Sumpo Trading still purchased some pork from Fujian Sumhua for resale to our customers in order to fulfil our outstanding contractual obligations previously entered into with our customers since Xiamen Sumpo Trading had traded both the chicken meat products and pork products prior to our disposal of pork business. During such transitional period, our Group derived a revenue of approximately RMB8,056,000 and a profit of RMB88,555 from such sales and such revenue and profit have been included in our other revenue and gains under our continuing operations in the accountants' report set out in Appendix I to this prospectus. Our Group has ceased to carry out the trading of pork since May 2010 and the Directors confirm that there will be no similar transaction after Listing.

HISTORY AND PAST SHAREHOLDINGS IN SUMPO HOLDINGS

Sumpo Holdings was incorporated as a limited liability company in the BVI on 5 April 2000 and became an intermediate holding company of our Group since 22 August 2003. Immediately prior to the Track Record Period, Sumpo Holdings was legally and beneficially owned by Mr. Lin and Mr. Lin Genghua as to 50% and 50% respectively.

On 15 July 2007, Mr. Lin and Mr. Ng Leung Ho entered into an equity transfer agreement, pursuant to which Mr. Lin agreed to transfer 15% equity interest in Sumpo Holdings to Mr. Ng Leung Ho at the consideration of HK\$36,000,000. The consideration was determined after taking into account (i) the estimated profit-after-tax of Sumpo Holdings for the year ended 31 December 2007 being not less than HK\$40,000,000 and (ii) the price-earning ratio of 6 times. Mr. Ng Leung Ho has been a friend of Mr. Lin for about 40 years and they had amounts outstanding to each other on personal basis from time to time. Further, Mr. Ng Leung Ho was previously a director of Fujian Sumpo for the period from August 2007 to November 2009. Save as disclosed in this section of this prospectus, Mr. Ng Leung Ho did not and do not have any past or present relationship or dealing with our Group, our shareholders, directors, senior management or any of their respective associates.

On 27 July 2007, Mr. Lin and Mr. Zhang Peng Jie (張鵬杰), a director of Fujian Sumpo for the period from August 2007 to November 2009, entered into an equity transfer agreement, pursuant to which Mr. Lin agreed to transfer 10% equity interest in Sumpo Holdings to Mr. Zhang Peng Jie or his nominee at the consideration of HK\$29,700,000. The consideration was determined after taking into account (i) the estimated profit-after-tax of Sumpo Holdings for the year ended 31 December 2007 being not less than HK\$40,000,000 and (ii) the price-earning ratio of 7.43 times. The difference of the price-earning ratios for Mr. Ng Leung Ho and Mr. Zhang Peng Jie was due to the difference in the bargaining powers of the relevant parties.

As confirmed by Mr. Lin, in order to fulfil his obligation under the equity transfer agreements entered with Mr. Ng Leung Ho and Mr. Zhang Peng Jie as aforesaid and to simplify the transaction flow, instead of directly transferring the shares of Sumpo Holdings to Mr. Ng Leung Ho and Mr. Zhang Peng Jie, Mr. Lin instructed Sumpo Holdings to directly allot and issue 15 and 10 shares respectively to Mr. Ng Leung Ho and Winner Sea Limited (a company nominated by Mr. Zhang Peng Jie to take up the 10% equity interest in Sumpo Holdings) out of the 74 shares originally intended to be allotted and issued by Sumpo Holdings to him. Accordingly, on 18 August 2007, Sumpo Holdings allotted and issued 49,

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24, 15 and 10 shares in Sumpo Holdings to Mr. Lin, Mr. Lin Genghua, Mr. Ng Leung Ho and Winner Sea Limited respectively. Immediately after the allotment, Sumpo Holdings was legally and beneficially owned by Mr. Lin, Mr. Lin Genghua, Mr. Ng Leung Ho and Winner Sea Limited as to 50%, 25%, 15% and 10% respectively.

The registered shareholders of Winner Sea Limited are Mr. Zhang Peng Jie and Ms. Fu Hai Ping (傅海萍). As confirmed by Mr. Lin, to the best of his knowledge, save as disclosed in this section of this prospectus, each of Winner Sea Limited, Mr. Zhang Peng Jie and Ms. Fu Hai Ping did not and do not have any past or present relationship or dealing with our Group, our shareholders, directors, senior management or any of their respective associates.

On 20 May 2008, Mr. Lin Genghua and Success Dragon entered into an equity transfer agreement, pursuant to which Mr. Lin Genghua agreed to transfer 8 shares in Sumpo Holdings to Success Dragon at the consideration of HK\$27,000,000, the details of such transfer are set out under the paragraph headed “Corporate Investors” in this section of this prospectus. Immediately after the said transfer, Sumpo Holdings was legally and beneficially owned by Mr. Lin, Mr. Lin Genghua, Mr. Ng Leung Ho, Winner Sea Limited and Success Dragon as to 50%, 17%, 15%, 10% and 8% respectively.

On 28 April 2009, Mr. Ng Leung Ho transferred his 15% interest in Sumpo Holdings to Mr. Lin at the consideration of HK\$43,650,000, which was determined with reference to the initial investment costs for Mr. Ng Leung Ho plus interests. Immediately after the said transfer, Sumpo Holdings was legally and beneficially owned by Mr. Lin, Mr. Lin Genghua, Winner Sea Limited and Success Dragon as to 65%, 17%, 10% and 8% respectively.

On 11 September 2009, Winner Sea Limited transferred its 10% interest in Sumpo Holdings to Mr. Lin at a consideration of HK\$38,204,545, which was determined with reference to the initial investment costs incurred by Winner Sea Limited plus interest. Immediately after the said transfer, Sumpo Holdings was legally and beneficially owned by Mr. Lin, Mr. Lin Genghua and Success Dragon as to 75%, 17% and 8% respectively.

Subscription of shares in Sumpo Holdings

Immediately before 18 November 2009, Sumpo Holdings was legally and beneficially owned by Mr. Lin, Mr. Lin Genghua and Success Dragon as to 75%, 17% and 8% respectively.

On 18 November 2009, Sumpo Holdings, in proportion to the respective shareholding interests of Mr. Lin, Mr. Lin Genghua and Success Dragon, allotted and issued 3,000 shares, 680 shares and 320 shares at the consideration of US\$3,000, US\$680 and US\$320 to Mr. Lin, Mr. Lin Genghua and Success Dragon respectively. After such issue, the respective shareholding interest of Mr. Lin, Mr. Lin Genghua and Success Dragon in Sumpo Holdings did not change.

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Corporate Investors

On 20 November 2009, in order to raise fund for expansion and growth of our Group, our Group has invited Golden Prince and King & Queen as new investors of our Group. On 5 February 2010, Mr. Lin transferred some of his shares in Sumpo Holdings to Robust China and Success Dragon. The investments by the said corporate investors (including the previous acquisition in Sumpo Holdings made by Success Dragon on 20 May 2008) are summarised as follows:

	Golden Prince <i>(Note 1)</i>	King & Queen <i>(Note 2)</i>	Robust China <i>(Note 3)</i>	Success Dragon <i>(Note 4)</i>	
Date of signing the agreement	20 November 2009 <i>(Note 5)</i>	20 November 2009 <i>(Note 5)</i>	5 February 2010 <i>(Note 5)</i>	20 May 2008 <i>(Note 6)</i>	5 February 2010 <i>(Note 5)</i>
Investment method	subscription of new shares in Sumpo Holdings	subscription of new shares in Sumpo Holdings	acquisition of shares in Sumpo Holdings from Mr. Lin	acquisition of shares in Sumpo Holdings from Mr. Lin Genghua	acquisition of shares in Sumpo Holdings from Mr. Lin
Total consideration	HK\$20,250,000 <i>(Note 7)</i>	HK\$20,250,000 <i>(note 7)</i>	HK\$24,928,000 <i>(Note 8)</i>	HK\$27,000,000 <i>(Note 9)</i>	HK\$5,472,000 <i>(Note 8)</i>
Time of settlement of consideration	8 February 2010	24 November 2009	5 February 2010	6 October 2008	5 February 2010
Number of Shares exchanged immediately after the completion of the Share Offer and the Capitalization Issue	108,000,000	108,000,000	78,720,000	78,720,000	17,280,000
Discount to the mid-point of Offer Price	73.21%	73.21%	54.76%	51.00%	54.76%
Lock-up Period	6 months from the Listing Date	6 months from the Listing Date	6 months from the Listing Date	not subject to any lock up restriction <i>(Note 10)</i>	6 months from the Listing Date
Shareholding in the Company immediately after completion of the Share Offer and the Capitalization Issue	6.75%	6.75%	4.92%	4.92%	1.08%

Note:

- (1) Golden Prince is legally and beneficially wholly owned by Mr. Ng Leung Ho. Mr. Ng Leung Ho had been the legal and beneficial owner of 15% shareholding in Sumpo Holdings for the period from 18 August 2007 to 28 April 2009. He liquidated his investment in Sumpo Holdings in mid-2009 to satisfy his then financial needs. After his financial position had improved, Mr. Ng Leung Ho proceeded to subscribe for shares in Sumpo Holdings through Golden Prince on 20 November 2009 from his own financial resources. All along, Mr. Ng Leung Ho has been optimistic about the prospects of our Group.
- (2) King & Queen is legally and beneficially wholly owned by Mr. Ho Kam Hung, who has been a friend of Mr. Lin for about 10 years. King & Queen subscribed for shares in Sumpo Holdings as an investment, as it was optimistic about the prospects of our Group, in particular in view of the Listing.

HISTORY AND DEVELOPMENT

- (3) Robust China is legally and beneficially owned by Ms. Qian Wei Qing, Ms. Li Qing and Mr. Zhang Shaolin as to approximately 30.02%, 65.82% and 4.16% respectively. These ultimate shareholders are the friends of Mr. Lin. Robust China acquired the shares in Sumpo Holdings for investment as it was optimistic about the prospects of our Group, in particular in view of the Listing.
- (4) Success Dragon is legally and beneficially wholly owned by Mr. Chau Gam Jaak, who has been a friend of Mr. Lin for about 20 years. Success Dragon acquired the shares in Sumpo Holdings as an investment as it was optimistic about the prospects of our Group.
- (5) The key terms of these agreements include:
- all parties shall procure that the Listing will be completed within 18 months of the date of the agreement. In the event that the Listing cannot be completed within the said period, each of Golden Prince and King & Queen shall have the right to request Sumpo Holdings to repurchase all those shares subscribed by it under the subscription agreement whilst each of Robust China and Success Dragon shall have the right to request Mr. Lin to repurchase all those shares purchased by it under the relevant share transfer agreements, and the consideration for such repurchase shall be the acquisition price paid plus interest accrued thereon, such interest to be calculated on a daily basis at the rate of 6% per annum;
 - Mr. Lin gave a profit guarantee that the after-tax profit of Sumpo Holdings for the financial year 2009 would not be less than HK\$47,500,000. The actual after-tax profit obtained by Sumpo Holdings for the financial year 2009 exceeded the profit guarantee given by Mr. Lin;
 - each of Golden Prince, King & Queen, Success Dragon and Robust China agreed to forgo their rights to, in respect of the subscribed shares, any dividend distributed by Sumpo Holdings out of the profits obtained in the financial year 2009; and
 - each of Golden Prince, King & Queen, Success Dragon and Robust China agreed that it will not dispose of or otherwise create any options, rights, interests or encumbrances in respect of the shares of Sumpo Holdings acquired by it or the Shares exchanged for the shares of Sumpo Holdings acquired by it until the expiry of the 6-month period from the Listing Date.
- (6) According to the equity transfer agreement dated 20 May 2008
- upon Success Dragon becoming a shareholder of Sumpo Holdings, Mr. Lin Genghua and Sumpo Holdings shall nominate a nominee of Success Dragon to be a director of Fujian Sumpo. However, Success Dragon has waived such right pursuant to a waiver dated 28 October 2010; and
 - in the event that Fujian Sumpo could not complete its listing exercise by 31 December 2009, Success Dragon would have the right to request Mr. Lin Genghua to repurchase the shares purchased by it. The consideration for such repurchase shall be the consideration paid by it plus interest accrued thereon, such interest to be calculated on a daily basis at the rate of 10% per annum. However, if Success Dragon has not exercised such right before 31 March 2010, it would be deemed to have waived such right.
- (7) The consideration was determined after taking into account (i) the estimated profit-after-tax of Sumpo Holdings for the year ended 31 December 2009 will not be less than HK\$50,000,000 and (ii) the price-to-earning ratio of 4.5 times. Such consideration was used by our Group to cover the expenses incurred in connection with the Share Offer and as general working capital of our Group.
- (8) The consideration was determined with reference to the estimated profit-after-tax of Sumpo Holdings for the year ended 31 December 2009 of not less than HK\$50,000,000 and a price-to-earning ratio of Sumpo Holdings of 7.6 times. Such consideration was paid to Mr. Lin directly for his own use.

HISTORY AND DEVELOPMENT

- (9) The consideration was determined after taking into account (i) the estimated profit-after-tax of Sumpo Holdings for the year ended 31 December 2008 would not be less than HK\$45,000,000 and (ii) the price-earning ratio of 7.5 times. Such consideration was paid to Mr. Lin Genghua directly for his own use.
- (10) As the acquisition by Success Dragon of the 8 shares in Sumpo Holdings took place more than two years before the Listing Date, the 78,720,000 Shares derived therefrom are not subject to any lock up arrangement. To the best knowledge of the Directors as at the Latest Practicable Date, Success Dragon currently has no intention to sell such Shares within the 6 months from the Listing Date.

There are no special rights for the aforesaid investors after the Listing. Each of the aforesaid corporate investors and their ultimate shareholders is an Independent Third Party. Save for the subscription monies received by our Group in respect of subscription of new shares in Sumpo Holdings as mentioned above, there is no other benefit to our Group as a result of their investment.

CORPORATE REORGANIZATION

As part of the Reorganization, a number of issuances and transfers of the relevant equity interest were effected since late 2009 for the purpose of the disposal of our pork business such that the business of our Group would be focused on the production and sales of animal feeds, chicken breeds, chicken meat products and other products incidental thereto.

Disposal of Fujian Sumhua

On 1 December 2009:

- Fujian Sumpo entered into a share transfer agreement with Xiamen Sumpo, pursuant to which Fujian Sumpo agreed to sell its 98% equity interest in Fujian Sumhua to Xiamen Sumpo at a consideration of RMB98,000,000, which shall be paid by Xiamen Sumpo by way of cash in 5 instalments within one year of the date of the share transfer agreement; and
- Longyan Baotai entered into a share transfer agreement with Xiamen Sumpo, pursuant to which Longyan Baotai agreed to sell its 2% equity interest in Fujian Sumhua to Xiamen Sumpo at a consideration of RMB2,000,000, which shall be paid by Xiamen Sumpo by way of cash within one month of the date of the share transfer agreement.

Such consideration was determined with reference to the registered capital of Fujian Sumhua. Registration of the aforesaid share transfers at the relevant PRC governmental authority was completed on 16 December 2009. After the aforesaid transfers, Fujian Sumhua became a wholly-owned subsidiary of Xiamen Sumpo.

During the eleven months ended 30 November 2009, Fujian Sumhua's revenue and loss were approximately RMB520,031,000 and RMB25,598,000 respectively.

HISTORY AND DEVELOPMENT

Disposal of Fujian Sumhui

On 18 December 2009:

- Fujian Sumpo entered into a share transfer agreement with Fujian Sumhua, pursuant to which Fujian Sumpo agreed to sell its 70% equity interest in Fujian Sumhui to Fujian Sumhua at a consideration of RMB21,000,000, which shall be paid by Fujian Sumhua by way of cash on the date of the share transfer agreement; and
- Mr. Huang Yong Jian, the minority shareholder of Fujian Sumhui, entered into a share transfer agreement with Ms. Fu, pursuant to which Mr. Huang Yong Jian agreed to sell his 30% equity interest in Fujian Sumhui to Ms. Fu at a consideration of RMB9,000,000, which shall be paid by Ms. Fu by way of cash on the date of the share transfer agreement.

Such consideration was determined with reference to the amount of the registered capital of Fujian Sumhui. Registration of the aforesaid share transfers at the relevant PRC governmental authority was completed on 30 December 2009. After the aforesaid transfers, Fujian Sumhui was legally and beneficially owned by Fujian Sumhua and Ms. Fu as to 70% and 30% respectively.

No gain or loss was recorded by our Group as a result of the disposal of Fujian Sumhui. During the period from 2 March 2009 (date of incorporation) to 18 December 2009, Fujian Sumhui did not generate any revenue or profit. After the disposal of Fujian Sumhua and Fujian Sumhui, our Group ceased to be involved in the pork business.

Even disregarding the financial effect due to the disposal of 10% equity interest in Fujian Sumpo and the disposal of the equity interest in Xiamen Sumpo Electronic, Fujian Sumhua and Fujian Sumhui during the Track Record Period, our Group could still meet the profit requirement as required under Rule 8.05(1)(a) of the Listing Rules (i.e. our Group could have recorded the profit attributable to shareholders of more than HK\$20,000,000 for the year ended 31 December 2009 and the aggregate profit attributable to shareholders of more than HK\$30,000,000 for the two years ended 31 December 2008).

Incorporation of the Company

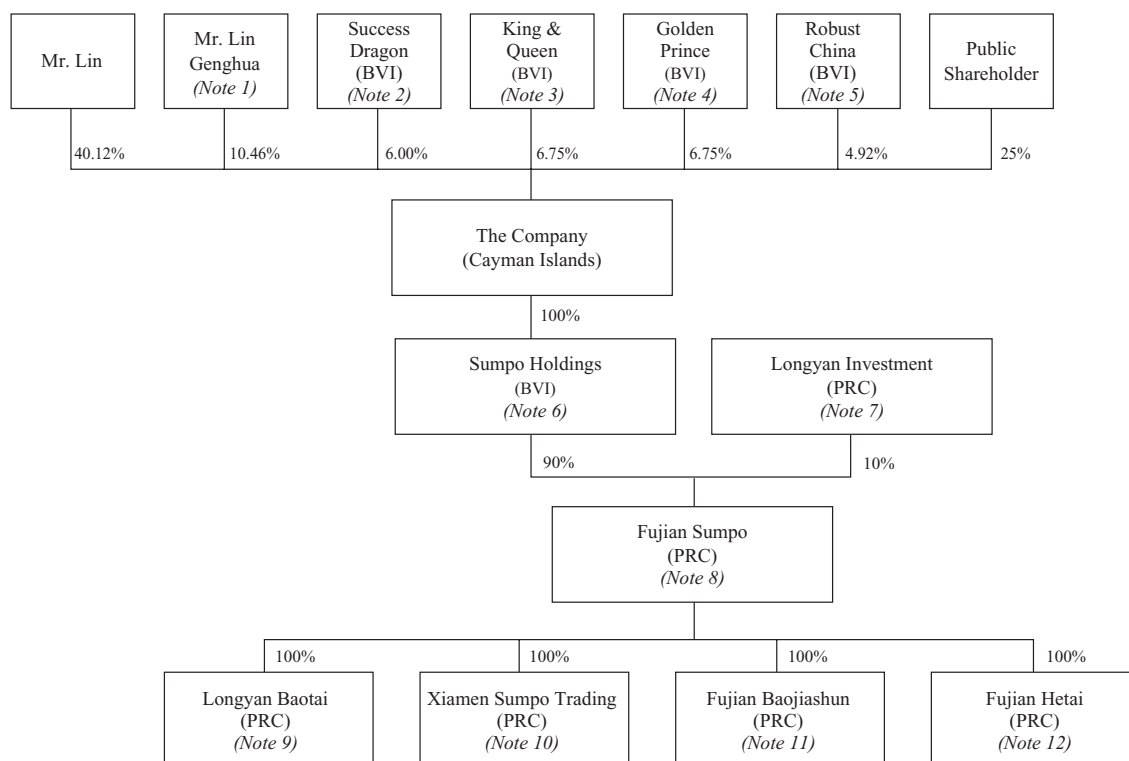
The Company was established in the Cayman Islands on 22 February 2010 with Mr. Lin holding 1 Share. On 17 December 2010, the Company allotted and issued an additional 4,999 Shares all nil-paid to the then shareholders of Sumpo Holdings in proportion to their respective shareholding in Sumpo Holdings. On 20 December 2010, the Company acquired the entire issued share capital of Sumpo Holdings from the existing shareholders of Sumpo Holdings. As consideration for the acquisition of the entire issued share capital of Sumpo Holdings, the Company credited as fully paid at par the 4,999 Shares which were issued to Mr. Lin, Mr. Lin Genghua, Success Dragon, King & Queen, Golden Prince and Robust China nil paid respectively.

HISTORY AND DEVELOPMENT

The Company completed the Reorganization on 20 December 2010 in preparation for listing of the Shares on the Stock Exchange pursuant to which the Company became the ultimate holding company of our Group including but not limited to 90% equity interest in Fujian Sumpo. Details of the Reorganization are set out in the paragraph headed “Corporate Reorganization” in Appendix VI to this prospectus.

GROUP STRUCTURE

The corporate structure and the main business activities of the members of our Group immediately after completion of the Share Offer and the Capitalization Issue are set out below:



Notes:

1. Mr. Lin Genghua is the son of Mr. Lin.
2. Success Dragon is a company incorporated in the BVI with limited liability on 11 April 2008, the sole legal and beneficial owner of which is Mr. Chau Gam Jaak. Out of 96,000,000 Shares held by it, 78,720,000 Shares are not subject to any lock-up arrangement whereas 17,280,000 Shares are subject to the lock-up period of 6 months from the Listing Date.
3. King & Queen is a company incorporated in the BVI with limited liability on 1 July 2009, the sole legal and beneficial owner of which is Mr. Ho Kam Hung. All 108,000,000 Shares held by it are subject to the lock-up period of 6 months from the Listing Date.
4. Golden Prince is a company incorporated in the BVI with limited liability on 22 July 1998, the sole legal and beneficial owner of which is Mr. Ng Leung Ho. All 108,000,000 Shares held by it are subject to the lock-up period of 6 months from the Listing Date.

HISTORY AND DEVELOPMENT

5. Robust China is a company incorporated in the BVI with limited liability on 5 January 2010, which is legally and beneficially owned by Ms. Qian Wei Qing, Ms. Li Qing and Mr. Zhang Shaolin as to approximately 30.02%, 65.82% and 4.16% respectively. All 78,720,000 Shares held by it are subject to the lock-up period of 6 months from the Listing Date.
6. Sumpo Holdings is a company incorporated in the BVI with limited liability on 5 April 2000.
7. Longyan Investment is legally and beneficially owned by Mr. Lin Qingrong (the brother of Mr. Lin), Mr. Ke and Mr. Lai Youhui as to 50%, 30% and 20% respectively.
8. Fujian Sumpo is a sino-foreign joint stock company and was established on 7 September 1998 and the Company indirectly owns its 90% equity interest. The remaining 10% equity interest is owned by Longyan Investment. Fujian Sumpo is not a connected person of the Company within the meaning of the Listing Rules.
9. Longyan Baotai is established in the PRC on 1 November 2005 and a wholly-owned subsidiary of Fujian Sumpo. The Company indirectly owns 90% equity interest in Longyan Baotai.
10. Xiamen Sumpo Trading is established in the PRC on 19 October 2005 and a wholly-owned subsidiary of Fujian Sumpo. The Company indirectly owns 90% equity interest in Xiamen Sumpo Trading.
11. Fujian Baojiashun is established in the PRC on 14 July 2010 and a wholly-owned subsidiary of Fujian Sumpo. The Company indirectly owns 90% equity interest in Fujian Baojiashun.
12. Fujian Hetai is established in the PRC on 8 June 2010 and a wholly-owned subsidiary of Fujian Sumpo. The Company indirectly owns 90% equity interest in Fujian Hetai.

Our Group achieves division of labour through Fujian Sumpo, Longyan Baotai, Xiamen Sumpo Trading, Fujian Hetai and Fujian Baojiashun. Longyan Baotai specializes in breeding of broilers, Fujian Sumpo specializes in production of feeds and slaughtering and processing of our chicken meat products, whilst Xiamen Sumpo Trading specializes in sales of our chicken meat products. Fujian Hetai will specialize in the operation of the breeder farms, broiler breeding farms and hatching facilities for our new production plant with an annual production capacity of 36,000,000 broilers, whilst Fujian Baojiashun will specialize in the operation of the slaughtering and processing facilities of our said new production plant.

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OVERVIEW OF OUR BUSINESS

We are one of the well-known chicken meat products suppliers in the Fujian Province and we sell our chicken meat products under the “森寶 (Sumpo)” brand. According to the China Meat Association (中國肉類協會), which is a non-profit making organization established by social enterprises from all over the PRC engaging in the production, slaughtering, processing and sales of meat and poultry, we ranked 44th out of 90 amongst the Competitive Enterprises of Meat Products Industry in the PRC (中國肉類食品行業強勢企業) in 2008. The assessment was based on the total sales of those enterprises during the year ended 31 December 2007, and with reference to their respective asset values, equipment, sizes of main business, sales, taxes paid, amount of exports, etc. Our Group was granted the awards of, inter alia, Fujian Province Well-known Trademark (福建省著名商標), Gold Award for Agricultural Enterprises in Fujian Province (福建省品牌農業企業金獎), Agricultural Industrialization 2008 – 2009 – Provincial Leading Enterprise (2008-2009年度農業產業化 – 省級重點龍頭企業) and Fujian Famous Brand Product (福建名牌產品). At the national level, our Group was granted the award of, inter alia, Agriculture Industrialization – National Leading Enterprise for Agriculture Industrialization (農業產業化 – 國家重點龍頭企業). We are currently capable of slaughtering and processing up to approximately 18,000,000 broilers per year. We are the supplier of chicken meat to KFC, Dicos and Mckey (which, in aggregate, accounted for approximately 12.3% of our total revenue in 2009) and other retail and quick-service restaurants. As at 31 December 2009, approximately 84% (in terms of percentage of our total revenue) of our customers (including our distributors) are located in the Fujian Province whilst approximately 16% of our customers are mainly located in other cities of the PRC such as Shanghai, Guangxi, Shantou, Shenzhen, Dongguan and Guangzhou, etc. We also sell some of our products through a number of distributors.

We produce our chicken meat products from white-feathered broilers. We have our own production facilities in the Fujian Province. We currently have 3 breeder farms, 1 hatching facility, 5 broiler breeding farms, 1 animal feeds production facility and 1 slaughtering and processing facility. We own the land on which our animal feeds production facility and slaughtering and processing facility are erected while we lease the land on which our breeder farms, hatching facility and broiler breeding farms are located.

Our production starts with the procurement of the Parent Stock Day-old Chicks from a third party supplier. We will breed the Parent Stock Day-old Chicks into breeders in our 3 breeder farms. The breeders will start to lay broiler eggs from approximately the 25th week to the 66th week after their birth. The broiler eggs are then hatched into chicken breeds in our hatching facility, which will take approximately 21 days. The chicken breeds are then delivered to our 5 broiler breeding farms or sold to the Contract Farmers for breeding. We manufacture animal feeds with our own production facilities and (i) deliver the same to our 5 broiler breeding farms and (ii) sell the same to the Contract Farmers. In the breeding of the chicken breeds, the Contract Farmers are required to purchase the animal feeds from our Group. The chicken breeds will grow into broilers within approximately 37 – 45 days. We will collect the grown broilers from our 5 broiler breeding farms and repurchase the grown broilers from the Contract Farmers, all of which will be delivered to our slaughtering and processing facilities for the production of our chicken meat products. During the Track Record Period, approximately 70% of the broilers used in our production are repurchased

BUSINESS

from the Contract Farmers while approximately 30% are grown in our broiler breeding farms. The broilers will be slaughtered, processed and packaged into our chicken meat products and sold to our customers and distributors.

As at 30 June 2010, we had Contract Farming arrangement with approximately 160 Contract Farmers. We enter into contract with each of the Contract Farmers each year so that we can encourage the Contract Farmers to continuously improve their breeding services and meet our requirements. In order to enhance the communication with the Contract Farmers, our Company and the Contract Farmers have established the Longyan Broiler Industry Association (龍岩市肉雞產業協會), which is a non-profit making organization established by entities and individuals engaging in the production, processing and sales of broilers, animal feeds and feeds additives, for dealing with various issues in connection with Contract Farming, such as the adjustment in the pricing mechanism and the quarantine measures, etc.

We are dedicated to ensuring the high standard of safety and quality of (i) the chicken meat products manufactured by us, and (ii) the raw materials for our production of animal feeds, the Parent Stock Day-Old Chicks, the broiler eggs and the chicken meat products procured from our suppliers who are Independent Third Parties. We have obtained (i) ISO14001 (Environment) and ISO22000 (Food Safety) Certificates in January 2006 and (ii) ISO9001 (Quality) Certificate in March 2008.

We have achieved growth in recent years. Our total revenue increased from approximately RMB436.4 million for the year ended 31 December 2007 to approximately RMB569.2 million for the year ended 31 December 2009, representing a CAGR of approximately 14.2%. Our profit attributable to the owners of our Company increased from approximately RMB42.5 million for the year ended 31 December 2007 to approximately RMB57.0 million for the year ended 31 December 2009, representing a CAGR of approximately 15.8%.

Set out below is the revenue of our Group by products during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Revenue										
Chicken meat products	331,446	75.9	362,104	61.6	364,395	64.0	158,164	60.7	201,736	67.3
Animal feeds	72,447	16.6	188,818	32.1	166,260	29.2	83,368	32.0	80,251	26.8
Chicken breeds	32,526	7.5	36,821	6.3	38,587	6.8	19,127	7.3	17,672	5.9
Total	436,419	100.0	587,743	100.0	569,242	100.0	260,659	100.0	299,659	100.0

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BUSINESS MILESTONES

The following table summarizes various milestones for the evolution of our Group into the present scale of operation:

Time	Event
October 1999	We started to construct: <ul style="list-style-type: none">● our own hatching facility, which was capable of hatching 5,000,000 chicken breeds per year; and● our own slaughtering and processing facility, which was capable of slaughtering and processing up to 6,000,000 broilers per year.
2000	We established our first broiler breeding farm.
July 2000	We established our first breeder farm.
2001	We established another two broiler breeding farms, after that we had an aggregate of three broiler breeding farms.
June 2003	We established another two breeder farms and since then, we have an aggregate of three breeder farms.
August 2003	We installed equipment in our hatching facility and since then, the annual hatching capacity of our hatching facility has been increased to 20,000,000 chicken breeds per year.
2004	After a series of expansion, our slaughtering and processing facility was capable of slaughtering and processing up to 10,500,000 broilers per year from 2004 onwards.
2005	We have further expanded our slaughtering and processing facility and its annual slaughtering and processing capacity was increased to 15,000,000 broilers from 2005 onwards.
21 June 2007	We entered into asset transfer agreement with Longyan Baoshun Poultry Technology Company Limited (“Longyan Baoshun”), pursuant to which Longyan Baoshun agreed to sell, and we agreed to acquire, the animal feeds production facilities of Longyan Baoshun with an annual production capacity of 180,000 tonnes. After completion of such acquisition, we had our own animal feeds production facilities.
2008	After making certain improvement to the slaughtering and processing facility, we have been able to slaughter and process up to 18,000,000 broilers per year from 2008 onwards.

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Time	Event
April 2008	We established two more broiler breeding farms and since then, we have an aggregate of five broilers breeding farms.

PRODUCTION

Production Facilities

We have our own production facilities, which are located in Longyan, Fujian. We currently have 3 breeder farms, 1 hatching facility, 5 broiler breeding farms, 1 animal feeds production facility and 1 slaughtering and processing facility. We are currently capable of (i) breeding (through our broiler breeding farms and the Contract Farmers) approximately 16,500,000 broilers per year and (ii) slaughtering and processing approximately 18,000,000 broilers per year.

As disclosed in the section headed “Future Plans and Use of Proceeds” of this prospectus, our Group intends to construct a new slaughtering and processing plant and establish new breeders farms, hatching facilities and new broiler breeding farms.

The table below sets out our total production capacities before and after the construction of new facilities, the sources of fund for the construction of the new facilities and other relevant information:

Existing facilities	Production capacity of existing facilities per year as at 30 June 2010 (approximate)	Utilization rate as at 30 June 2010	New facilities	Total production capacity per year after expansion (including existing facilities) (approximate)	Expected completion date	Estimated capital expenditure (RMB million) (approximate)	Sources of fund (approximate)
1 slaughtering and processing plant	18,000,000 broilers	93.4%	1 new slaughtering and processing plant	54,000,000 broilers	End of 2011	250.67	Internal resources and debt financing
3 breeder farms	210,000 sets <i>(Note)</i>	80.3%	10 new breeder farms	615,000 sets	First half of 2011 (3 new breeder farms) By 2012 (7 new breeder farms)	98	Proceeds from the Share Offer
1 hatching facility	20,000,000 chicken breeds	91.2%	1 new hatching facility	58,900,000 chicken breeds	First half of 2011	17	Proceeds from the Share Offer

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Existing facilities	Production capacity of existing facilities per year as at 30 June 2010 (approximate)	Utilization rate as at 30 June 2010	New facilities	Total production capacity per year after expansion (including existing facilities) (approximate)	Expected completion date	Estimated capital expenditure (RMB million) (approximate)	Sources of fund (approximate)
5 broiler breeding farms	5,500,000 broilers	100%	10 new broiler breeding farms	15,500,000 broilers	End of 2011 (5 new broiler breeding farms)	140	Proceeds from the Share Offer (as to RMB112 million);
					End of 2012 (5 new broiler breeding farms)		Internal resources and debt financing (as to RMB28 million)

Note: Each female breeder that has been matched with a male breeder for fertilization constitutes one set of breeders. Hence, the number of female breeders is equal to the number of the sets of breeders. For the year ended 31 December 2009, the overall proportion of male breeders and female breeders was approximately 1:8.67.

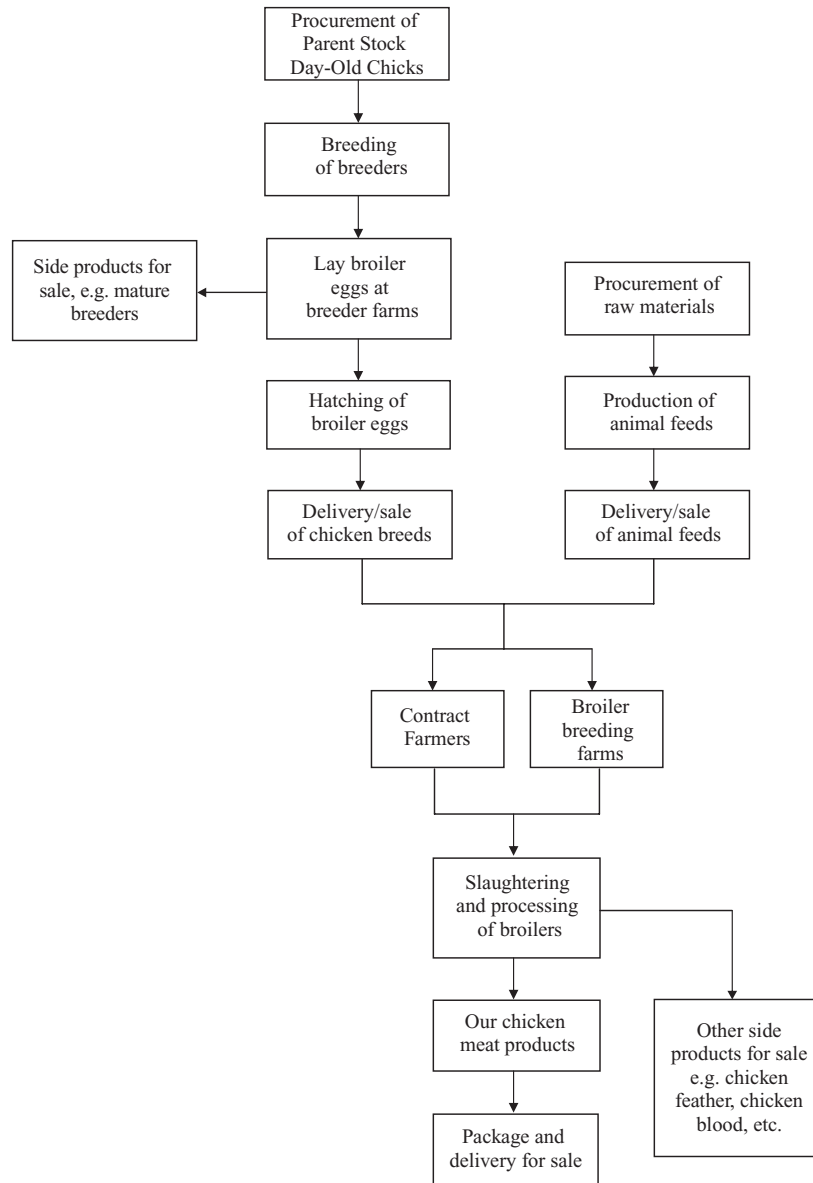
We own the buildings where our animal feeds production facility, slaughtering and processing facility and head office are located and the relevant land on which such buildings are erected and we have obtained the relevant land-use rights certificates and building titles certificates.

We do not own the land on which our breeder farms, hatching facility and broiler breeding farms are located. We enter into lease agreements with the relevant lessors, most of which are village committees or government institutions.

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Production Process

Our production process is set out as follows:



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Procurement of Parent Stock Day-Old Chicks and breeder farms

Our production process starts with our purchase of Parent Stock Day-Old Chicks from Beijing Arbor Acres Poultry Breeding Co., Ltd., an Independent Third Party (the “DOC Supplier”). According to the information published on the website of the DOC Supplier, it is a breeding company in the PRC that produces Arbor Acre Parent Stock broiler breeders. Since its establishment in 1988, the DOC Supplier has been continuously importing grandparent stock breeders to produce and market Arbor Acre Plus (AA+) Parent Stock Day-Old Chicks for sale. Our Group chooses to procure the Parent Stock Day-Old Chicks from the DOC Supplier because the vaccines and quality of the Parent Stock Day-Old Chicks and the number of Parent Stock Day-Old Chicks per batch supplied by the DOC Supplier satisfy the requirements of our Group.

The main terms of the supply contract between our Group and the DOC Supplier are set out below:

- the DOC Supplier shall supply such number of quality AA+ Parent Stock Day-Old Chicks during such period as specified in the contract;
- the Parent Stock Day-Old Chicks shall be vaccinated;
- the DOC Supplier shall deliver the relevant certificates to our Group, including the avian influenza free certificate, the quarantine certificate and the quality poultry certificate;
- the DOC Supplier shall deliver the Parent Stock Day-Old Chicks to the breeder farms of our Group; and
- our Group shall pay a portion of the purchase price on or before a specified date as set out in the contract before the delivery of the Parent Stock Day-Old Chicks and the remaining balance shall be paid by our Group within one month after our Group has inspected and accepted the delivery of the Parent Stock Day-Old Chicks.

By procuring the Parent Stock Day-Old Chicks solely from the DOC Supplier, we can lower the transportation cost as compared with purchasing the same from the US directly and ensure the quality of our chicken meat products is consistent as far as possible. Nonetheless, there are a number of other suppliers in the PRC from which we may procure such Parent Stock Day-Old Chicks of comparable quality. Some of these suppliers are also located in Beijing with competitive breeding capacities on grandparent stock breeders and Parent Stock Day-Old Chicks. Therefore, the Directors are of the view that our business and production will not be adversely affected in the event that the DOC Supplier ceases to supply the Parent Stock Day-Old Chicks to us.

The costs for procuring the Parent Stock Day-Old Chicks from the DOC Supplier for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were approximately RMB1.6 million, RMB4.7 million, RMB2.7 million and

BUSINESS

RMB1.4 million respectively, representing 0.5%, 1.0%, 0.5% and 0.5% of our costs of sales during the same period respectively. The unit cost of the Parent Stock Day-Old Chicks ranged from RMB14 per piece to RMB35 per piece during the Track Record Period.

The Parent Stock Day-Old Chicks will be delivered to our breeder farms in the Fujian Province according to our timetable. The Parent Stock Day-Old Chicks will then be grown in our breeder farms for the purpose of laying broiler eggs. As at 30 June 2010, we have 3 breeder farms, which can accommodate up to approximately 210,000 sets of Parent Stock Day-Old Chicks.

We have installed automated feeding facilities in the breeder farms. The Parent Stock Day-Old Chicks will be grown into breeders in our breeder farms and start to lay broiler eggs from approximately the 25th week to the 66th week after their birth. For each 66-week cycle, each set of the Parent Stock Day-Old Chicks procured by us can, on average, lay approximately 167 broiler eggs which satisfy the quality requirements of our Group.

In order to ensure that our Parent Stock Day-Old Chicks are not infected by epidemics or other diseases or viruses, strict hygiene measures are implemented in our breeder farms. Only specific staff are allowed to enter into the breeder farms and other people who want to enter into the breeder farms are required to undergo comprehensive quarantine procedures including, inter alia, staying in the premises specified by our Group for a certain number of days before entering into the breeder farm. All the transportation vehicles entering and exiting the breeder farms are also required to undergo specific sterilization procedures.

After the 66th week, those mature breeders will be sold and will not be used for the production of our chicken meat products. The revenue derived from the sales of such grown breeders for each of the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010 were approximately RMB1.4 million, RMB2.8 million, RMB3.7 million and RMB1.0 million respectively. These revenues were recorded as “other revenue and gains” in the statements of financial position of our Group generated from the sales of our side products and do not form part of the revenue of our main business.

During each of the two years ended 31 December 2008, we have procured some of the broiler eggs from other third party suppliers which satisfy the quality requirements of our Group, representing approximately 15% and 3% of the total quantity of the broiler eggs used for our production during the same period respectively. Our Group has ceased procuring broiler eggs from third party suppliers since 2009.

Hatching

After the mature breeders grown from Parent Stock Day-Old Chicks lay the broiler eggs, we collect and deliver the same to our hatching facility. We select those broiler eggs that can satisfy our quality requirements.

We have our own hatching facility, which is capable of hatching 20,000,000 broiler eggs each year. Broiler eggs are incubated in machines and we carefully monitor and maintain the optimum temperature and humidity throughout the entire hatching process. It

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generally takes approximately 21 days for broiler eggs to be hatched. Hatched chicken breeds are inspected, selected, vaccinated and then delivered to either our broiler breeding farms or the Contract Farmers.

Broiler breeding farms and Contract Farmers

The hatched chicken breeds will be delivered to our broiler breeding farms or the Contract Farmers. As at 30 June 2010, we had:

- (1) 5 broiler breeding farms, which can grow an aggregate of approximately 5,500,000 broilers per year; and
- (2) engaged approximately 160 Contract Farmers, which can grow an aggregate of approximately 11,000,000 chicken breeds per year.

After such chicken breeds are grown up into white-feathered broilers, they will be used to make our chicken meat products. It usually takes approximately 37 – 45 days to breed a chicken breed to a broiler ready for slaughtering. The table below shows the approximate percentage of the sources of our broilers delivered for slaughtering and processing during the Track Record Period:

	Year ended 31 December		Six months ended 30	
	2007	2008	2009	June 2010
Broiler breeding farms	26.9%	28.8%	30.8%	32.6%
Contract Farmers	73.1%	71.2%	69.2%	67.4%

Broiler breeding farms

We have 5 broiler breeding farms, on which a number of broiler sheds are erected and can accommodate an aggregate of not less than 1,000,000 chicken breeds each cycle. Each broiler breeding farm can undergo 5.5 cycles each year and accordingly, the broiler breeding farms can breed in aggregate not less than 5,500,000 broilers per year.

We have specific requirement on the population density of broilers in each broiler shed in order to ensure the even distribution of broilers in the broiler shed. The average population density of broiler in each broiler shed is 9.5 heads per square metre. To the best knowledge of our PRC legal advisors, there are no legal requirements in the PRC on the density of the broilers in the broiler shed.

We have installed automated feeding facilities in the broiler sheds of the broiler breeding farms. We carefully monitor and maintain the optimum temperature and humidity throughout the breeding process.

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In order to ensure that our broilers are not infected by epidemics or other diseases or viruses, strict hygiene measures are implemented in our broiler breeding farms, including:

- specific staff are delegated with the tasks of managing specific sheds in the broiler breeding farms and are required to live in their responsible sheds;
- we apply vaccines obtained by us from authorized manufacturers in the PRC to the broilers, which help to prevent newcastle disease, infectious bronchitis, avian influenza and infectious bursal disease;
- other people who want to enter into the sheds are required to undergo certain hygiene procedure and all the transportation vehicles entering and exiting the broiler breeding farms are also required to undergo specific sterilization procedure;
- our broiler breeding farms are located in areas which are far away from human activities and establishments, providing the optimum environment for the breeding of our broilers. The distance between the farmlands of our broiler breeding farms shall be no less than 500 metres; and
- we adopt an “all-in-all-out” policy, which means that we will deliver all chicken breeds into one shed at the same time and collect all broilers in one shed for slaughtering at the same time. This enables us to easily trace the source of broilers in the event that any epidemics or other diseases break out among those broilers.

After a shed in the broiler breeding farms is vacated, it will be sterilized before another batch of chicken breeds are moved in for breeding.

Contract Farmers

Apart from breeding the chicken breeds in our own broiler breeding farms, we also delegate the breeding tasks to the Contract Farmers.

The table below shows the number of the Contract Farmers engaged by us as at 1 January 2007, 1 January 2008, 1 January 2009, 1 January 2010 and 30 June 2010 respectively and the change in the number of the Contract Farmers during these periods:

Date	Number of Contract Farmers	Change in the number of Contract Farmers (Note)
1 January 2007	177	N/A
1 January 2008	172	-5
1 January 2009	170	-2
1 January 2010	173	+3
30 June 2010	166	-7

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Note: Change in the number of the Contract Farmers is determined by comparing with the number of the immediately preceding period as set out in the table. The decrease in the number of the Contract Farmers was due to, inter alia, expiry of the relevant contracts with some of the Contract Farmers. We have never terminated any of our contracts with our Contract Farmers before their expiry dates.

As at 30 June 2010, we have contractual relationships with approximately 160 Contract Farmers. All the Contract Farmers who provide contract farming services to us are individuals acting in their personal capacities. The breeding capacities of the Contract Farmers range from approximately 4,500 broilers to approximately 48,000 broilers per cycle. The Contract Farmers are not allowed to provide farming services to other parties during the term of their contracts with us.

In the opinion of the Reporting Accountants, although there is lack of freedom of choice on the part of the Contract Farmers, the whole arrangement of selling hatched chicken breeds to the Contract Farmers and repurchasing the broilers thereafter is accounted for as separate purchases and sales transactions as (i) the risks and rewards of hatched chicken breeds are transferred to the Contract Farmers upon delivery and sales of chicken breeds; and (ii) the risks and rewards of the broilers are transferred to our Group upon repurchasing the broilers from the Contract Farmers and our Group's receipt of the same. Since the risks and rewards have been transferred upon delivery of chicken breeds and receipt of broilers, the Sponsor concurred with the view of the Reporting Accountants.

The term of the contracts between our Group and the Contact Farmers is for one year, subject to renewal upon expiry should our Group consider appropriate. We have maintained good relationships with the Contract Farmers over the years and have contractual relationship of more than 5 years with most of the Contract Farmers.

Major terms of the contracts with the Contract Farmers

The major terms of the contracts entered into between our Group and the Contract Farmers are as follows:

- the Contract Farmers shall purchase all chicken breeds and animal feeds from us at the agreed prices as specified in the contracts subject to adjustments determined by us, and are prohibited from purchasing any animal feeds, chicken breeds, other ingredients, medicine, vaccines or equipments from other third parties. In the event that the Contract Farmers are found to be in contravention of this requirement, we may refuse to repurchase the broilers from them;
- if the Contract Farmers identify any defect in the quality of the chicken breeds during the course of breeding, and such defect is due to the fault of the Contract Farmers, the Contract Farmers will be liable for the same. In the event that any chicken breeds are lost due to any reason beyond the control of our Group and the Contract Farmers, our Group will not be liable for such losses. The Contract Farmers shall decide themselves as to whether they should purchase insurance in this regard;

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- we will repurchase from the Contract Farmers, and the Contract Farmers shall be obliged to sell to us, all broilers which satisfy our requirements at the agreed prices, subject to adjustments. We categorize the broilers according to their weights measured by sampling and different repurchase prices will apply to broilers of different weight groups, with the highest prices for broilers with weight within a specific range and lower prices for broilers with weight above or below the said range. The repurchase price will then be calculated with reference to the number of broilers delivered to our Group by the Contract Farmers. We may adjust the prices with reference to the market circumstances and ensure that the Contract Farmers will have certain amount of profit for each broiler sold to our Group;
- the Contract Farmers are prohibited to sell the broilers grown from the chicken breeds supplied by us to any customers other than our Group. If the Contract Farmers are found to be in breach of this restriction, they are liable to pay us penalties as specified in the contract as compensation;
- we may unilaterally terminate the contracts in the following circumstances:
 1. the Contract Farmers are found to have purchased any animal feeds, chicken breeds, other ingredients, medicine, vaccines or machinery from other third parties; and
 2. the Contract Farmers engage in any activities that will severely affect the production of our business;
- in the event that more than 1% of the chicken breeds delivered to a Contract Farm died within one week after delivery, we may proceed to investigate on the cause of death. If such death arises due to the fault of our Group, we will be liable for the losses; and
- if either party is in breach of any of the terms of the contract, the other party may terminate the contract and the defaulting party must compensate the non-defaulting party for any loss arising from the breach.

Compliance of our Group's quality requirements

In order to ensure that the operations of the Contract Farmers meet our Group's quality requirements, we have adopted the following preventive measures:

- before entering into contract with a potential Contract Farmer, we will first inspect the surrounding environment of the farmland where the Contract Farm is going to operate. If the farmland satisfies our requirements, we will delegate our staff to liaise with the potential Contract Farmer on the installation of the relevant breeding facilities and other ancillary facilities. We will also conduct site visit to assess the internal environment, management system and raw material

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management of the relevant farmland. If the farmland and the relevant facilities satisfy our requirements, we will enter into contract with the potential Contract Farmer;

- after entering into contracts with the Contract Farmers, we require the Contract Farmers to sterilize the Contract Farms every week, and the sterilization materials used by them must be changed frequently;
- waste materials generated from the production of broilers and the waste materials of the staff shall be disposed of in a centralized system to prevent environmental pollution;
- dead broilers must be buried or burnt and the locations for burial of dead broilers should be far away from the Contract Farms;
- we require the Contract Farmers to carry out the following procedures:
 1. observe by eye the state of consciousness of the broilers and the distribution of the broilers within the broiler sheds daily;
 2. listen to the broilers' breathing sounds at night;
 3. observe by eye the shape and colour of the excreta of the broilers;
 4. observe by eye the growth of the broilers' feathers and muscles;
 5. observe by eye the broilers' diet habits;
 6. record the type and quantity of animal feeds and volume of water consumed by the broilers daily;
 7. record the usage and dosage of medicine and vaccines applied to the broilers daily;
 8. record the weight of the broilers twice a week;
 9. record any special circumstances;
- we require the Contract Farmers to report the above observations to us from time to time;
- we will conduct sample test on the broilers supplied by the Contract Farmers. The broilers are not allowed to be slaughtered before the test is conducted;
- we will conduct annual review on the Contract Farmers and in the event that any of the Contract Farmers cannot pass our annual review, they will be removed from our list of Contract Farmers;

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- we will conduct medicine test on the broilers supplied by the Contract Farmers when we repurchase the broilers from them. In the event that any of the Contract Farms is discovered for 2 times to have used excessive amount of medicine, we will cease using the Contract Farming services from such Contract Farm; and
- for those Contract Farmers who are determined by our Group to be highly risky (e.g. when there is any infection of animal disease found in their Contract Farms), we will (i) delegate our staff to liaise and communicate with them in order to ensure that they comply with our requirements and (ii) increase the number of site visits to those Contract Farms. In the event that such Contract Farmer is still in violation of our requirements, we will remove him from our list of Contract Farmers.

Prevention measures on animal diseases

In order to minimize the risks that our Group's broilers are infected by animal diseases, the following measures are required to be adopted by the Contract Farmers:

- the Contract Farmers are required to use the medicines and vaccines provided by our Group;
- all transportation vehicles and staff going into the Contract Farms are required to undergo sterilization procedure;
- no trees and other plantations with heights of more than 2 metres are allowed in the farmland;
- all grass within a certain area around the broilers sheds shall be removed;
- all waste materials shall not be accumulated in the farmland;
- no wild bird shall be allowed to stay in any buildings erected on the farmland;
- the Contract Farms shall implement pest control measures;
- each of the Contract Farmers is required to record the death rate and the feeds, vaccines and medicines applied to the broilers every day and to submit such records to our Group upon delivery of the grown broilers to our Group;
- our staff will contact the Contract Farmers by phone at regular intervals in order to update the growth status of the broilers and identify any Contract Farms at which site visits are required;
- in the event that more than 1% of the chicken breeds delivered to the Contract Farm die within one week after delivery, we will proceed to investigate the causes of such death;

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- before our Group collects the broilers from a Contract Farmer, the relevant Contract Farmer shall be required to provide the certificate issued by the relevant PRC governmental authority responsible for quarantine, certifying that the relevant batch of broilers pass the quarantine requirements;
- all lorries and baskets for the purpose of transporting the broilers from the Contract Farms to our slaughtering and processing facilities are required to be sterilized from time to time; and
- we have the right to refuse to repurchase those broilers which are infected by diseases or injured.

Emergency measures

We have implemented comprehensive emergency procedures to deal with the outbreak of animal diseases in those broilers raised by the Contract Farmers. If the daily death rate of broilers exceeds 0.3% such that there is possibility of an outbreak of infectious diseases (other than newcastle disease and avian influenza), it will be categorized as a level two outbreak and the Contract Farmers are required to inform us of the same by phone as soon as possible. Our staff and veterinarian team will attend the relevant Contract Farm to assess the situation. If they determine that there is an outbreak of animal diseases, they will formulate the appropriate measures to deal with the situation, such as (i) quarantine of those broilers which have been infected or are suspected of having been infected from those healthy broilers and imposing restrictions against the movement of people and vehicles in the quarantine area, (ii) closure of the relevant broiler shed or farm in accordance with the regulations of the relevant governmental authority, (iii) sterilization of all objects, broiler shed and the ground with specific sterilizing agent, (iv) vaccination of those healthy broilers, and (v) if the circumstances require the mass killing of broilers under the relevant PRC laws and regulations, proceeding with the mass killing of broilers under the supervision of the officials from the relevant PRC governmental authority and recording the details of the same. If the daily death rate of broilers exceeds 0.5% or there is any suspicious case of newcastle disease or avian influenza, it will be categorized as a level one outbreak whereupon we will report the same to the relevant local governmental authority within 24 hours after being notified of the same.

As at the Latest Practicable Date, our Group had 9 veterinarians who have passed the national veterinarian qualification examination of the PRC. Those veterinarians or our technical staff are required to conduct site visits to each Contract Farmer 4 times during each growing cycle of the broilers.

The Directors have confirmed that there has been no infection case found in the broilers bred by our Group and the Contract Farmers during the outbreak of avian influenza in 2004 and 2005 and during the Track Record Period.

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Hygiene requirements

To satisfy our Group's hygiene requirements, we have further implemented the following measures to ensure the hygienic conditions of the Contract Farms:

- all facilities and equipment must be cleansed and sterilized before and after use;
- staff's clothes must be sterilized everyday;
- the walls and floors of the broiler sheds must be easy to wash; and
- the premises must be sterilized with special sterilizing materials.

In terms of licensing and other legal requirements in connection with the Contract Farmers, please refer to the sub-paragraph headed "Licensing" of the paragraph headed "Quality Assurance" under this section.

The Directors have confirmed that, during the Track Record Period:

- none of the Contract Farmers has been found to be in violation of the contracts entered into with our Group; and
- save for the Contract Farming arrangements as disclosed in this prospectus, the Contract Farmers do not have any relationship or dealing with our Group, our substantial Shareholders, Directors, senior management or any of their respective associates and are Independent Third Parties.

Our PRC legal advisors have confirmed that the contracts entered into between our Group and the Contract Farmers as well as the Contract Farming arrangement do not contravene any mandatory provisions of the PRC laws and regulations.

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Animal feeds production

Our broiler breeding farms and the Contract Farmers are required to use the animal feeds manufactured by our animal feeds production facility.

We have our own animal feeds production facility. Our animal feeds production facility occupy a site area of approximately 22,000 sq. m. with a gross floor area of approximately 10,000 sq. m.. We have an aggregate annual animal feeds production capacity of 180,000 tonnes and the details of animal feeds sold during the Track Record Period are as follows:

	Year ended 31 December			Six months ended
	2007	2008	2009	30 June 2010
	(Tonnes)	(Tonnes)	(Tonnes)	(Tonnes)
Chicken feeds	26,287	52,042	55,661	26,918
Pig feeds	1,961	8,881	6,546	3,422
Other feeds	2,008	5,521	2,247	Nil

We procure the raw materials of our animal feeds, including corn, wheat and soya meal from Independent Third Parties. After processing, all animal feeds and other necessary ingredients are then mixed in the required ratio. Lastly, our animal feeds will be delivered to the Contract Farmers while the same will be delivered directly to our breeder farms and broiler breeding farms by lorries specialized for delivery of animal feeds.

During the Track Record Period, our Group also sold animal feeds to Longyan Baoxing. We will cease selling animal feeds to Longyan Baoxing immediately upon Listing.

As the chicken feeds consumed by our chicken breeds are different from other animal feeds that were consumed by other animals such as yellow-feathered chicken or ducks, we also sold other animal feeds to Mr. Huang Youcai (黃悠財) for a total amount of approximately RMB14.89 million during the period between 6 January 2009 and 30 June 2009. Mr. Huang was the general manager of Longyan Baoshun Poultry Technology Company Limited (a company beneficially wholly-owned by Mr. Lin and a 38.26% shareholder of Xiamen Sumpo) during the period between April 2007 and January 2009. He subsequently resigned and commenced his own animal feeds business in early 2009. The Directors confirmed that the transactions between our Group and Mr. Huang were made on normal commercial terms and in the interests of our Group and our Shareholders as a whole.

To ensure the quality of our animal feeds, the whole production process of our animal feeds is controlled by a computerized central control system and we have quality control team to conduct random test on the animal feeds.

To improve the quality of our animal feeds, we conducted research and development on the composition and ingredients of our animal feeds, which aimed to enhance the economic efficiency in our production process. Please also refer to the paragraph headed “Research and Development” of this section.

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Slaughtering and processing

After the chicken breeds in our broiler breeding farms and the Contract Farms are grown up into white-feathered broilers, we will collect the broilers and deliver the same to our slaughtering and processing facility. We have our own slaughtering and processing facility which can slaughter and process up to 18,000,000 broilers per year. Our existing production facilities commenced operation in February 2000, occupying a site area of approximately 19,500 sq. m. and a gross floor area of approximately 9,800 sq.m..

In our slaughtering and processing facility, the broilers will be slaughtered, de-feathered, cleansed and cut into different parts to make different chicken meat products, including but not limited to, chicken wings, chicken breast, chicken legs etc. Please refer to the paragraph headed “Products” of this section for the details of our products.

After the chickens are cut into different parts, they will be weighted, frozen and packaged. We have our own refrigeration facilities which can store up to 1,000 tonnes of chicken meat products. Our products will then be delivered to our customers by refrigerated lorries of our Group or logistics companies. We enter into logistics services contracts with logistics companies to transport our chicken meat products for us at designated route and agreed fee as specified in the contracts.

In order to ensure that our chicken meat products are not contaminated, strict hygiene measures are implemented in our slaughtering and processing facilities, including:

- all our transportation vehicles are required to undergo sterilization procedure after one batch of broilers have been delivered to our slaughtering and processing facilities and vacated from the vehicles. Such vehicles will only proceed to collect and transport another batch of broilers after undergoing the said sterilization procedure;
- the movement of our staff inside the slaughtering and processing facilities is restricted. In particular, our staff in the slaughtering section are not allowed to enter into our processing section;
- all staff and other people entering into our processing section are required to undergo comprehensive hygiene procedures, including cleansing of hands and wearing of sterilized uniforms provided by our Group; and
- the indoor temperature of our processing facility is relatively low.

During the Track Record Period, we also procured certain chicken meat products from third party suppliers which satisfy our internal control requirements for sale to our customers. For details of our internal control requirements on third party suppliers of chicken meat products, please refer to the sub-paragraph headed “Licensing” of the paragraph headed “Quality Assurance” of this section. For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the amount of chicken meat products procured by our Group from third party suppliers was approximately

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RMB24.0 million, RMB18.2 million, RMB9.2 million and RMB8.8 million respectively, representing approximately 7.2%, 3.7%, 2.0% and 3.9% of our total costs of purchases during the same period respectively.

PRODUCTS

Our main products include:

- (1) chicken meat products which are marketed under our brand name “Sumpo (森寶)”. We process most parts of the broilers into different types of chicken meat products, including, inter alia, whole frozen chicken, chicken wings, chicken breast, chicken legs etc. We also put different flavourings and seasonings into some of our chicken meat products;
- (2) chicken breeds to be sold to the Contract Farmers for the purpose of breeding into white-feathered broilers; and
- (3) animal feeds to be sold to (i) the Contract Farmers for the purpose of feeding the broilers and (ii) other third parties.

The following table sets out a breakdown of our revenue by product categories during the Track Record Period:

	Year ended 31 December				Six months ended 30 June					
	2007		2008		2009		2009		2010	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Revenue										
Chicken meat products	331,446	75.9	362,104	61.6	364,395	64.0	158,164	60.7	201,736	67.3
Animal feeds	72,447	16.6	188,818	32.1	166,260	29.2	83,368	32.0	80,251	26.8
Chicken breed	32,526	7.5	36,821	6.3	38,587	6.8	19,127	7.3	17,672	5.9
Total	436,419	100.0	587,743	100.0	569,242	100.0	260,659	100.0	299,659	100.0

We also produce other side products during our production process, including (i) mature breeders, (ii) chicken feather, (iii) chicken droppings, (iv) broiler eggs which do not satisfy our production requirements, (v) chicken blood and (vi) unused chicken organs.

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SALES AND CUSTOMERS

During the Track Record Period, our revenue was derived from our sales of chicken meat products, chicken breeds and animal feeds. We have established a broad customer base for our chicken meat products, including fast food shops chains such as KFC and Dicos. We also sell our products to our distributors. During the Track Record Period, our top 5 customers consist of (i) individual and corporate distributors who/which are engaged in the business of sales of frozen food products, and (ii) direct customers, which include a fast food chain, a large food processing enterprise and an individual engaging in the production and sales of animal feeds.

For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our sales to our five largest customers represented approximately 26.5%, 23.6%, 22.0% and 21.6% of our total revenue respectively. As at the Latest Practicable Date, our five largest customers (save for Mr. Huang Youcai (黃悠財)) had around 4 to 10 years of business relationship with our Group.

Direct sales of chicken meat products to our customers

As at the Latest Practicable Date, we have around 300 customers of chicken meat products while we have over 230 customers of chicken meat products during the Track Record Period. We sell most of our chicken meat products directly to our direct customers, including but not limited to fast food shops chains, restaurants etc. We also supply chicken meat products to Fujian Sumhua and Xiamen Oporto Catering Management Company Limited, details of which are set out in the paragraph headed “Continuing Connected Transactions in which Waivers are Granted” of the section headed “Connected Transactions” of this prospectus. For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, approximately 77.5%, 77.1%, 78.8% and 80.9% of our revenue were derived from our sales of chicken meat products by way of direct sales to our customers respectively.

We usually enter into supply contract with our customers, the major terms of which are as follows:

- in usual case, the term of the supply contracts shall be less than 1 year;
- the price and quantity of products to be supplied by our Group shall be negotiated between the relevant parties to the supply contract from time to time and there is no minimum purchase quantities;
- the products to be supplied by our Group must comply with the relevant PRC laws and standards regarding the quality, health and safety of food products, and we are required to provide the relevant permits and certificates as specified in the supply contract;
- the packaging of our products must include certain information, including but not limited to the name of the product, production date and expiry date of the product, storage methods etc.;

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- the customer has the right to reject our products or is entitled to a refund of the selling price in the event that our products do not meet their requirements;
- in the event that our Group is in breach of any term of the supply contract:
 1. we shall be required to pay damages to the customer, the amount of which is equivalent to certain percentage of the selling price of the products as stipulated in the supply contract to the customer, or compensate the customer for all their loss suffered as a result of such breach;
 2. in some of the supply contracts, the relevant customer may unilaterally terminate the contract if our products continuously fail to meet the requirements of the customer or if our products lead to quality issues and the customer is claimed by a third party; and
- in some of the supply contracts, either party may terminate the same by giving prior written notice of a specified period to the other party.

We have a specialized team responsible for providing these customers with customized services.

Sales of chicken meat products to distributors

Another sales channel of our chicken meat products is sales to distributors. Such distributors operate independently of our Group. For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, approximately 22.5%, 22.9%, 21.2% and 19.1% of our revenue derived from our sales of chicken meat products were by way of sales to distributors respectively. As at the Latest Practicable Date, we have cooperation with 6 distributors, all of which are Independent Third Parties located in the Fujian Province.

The table below shows the number of distributors engaged by us as at 1 January 2007, 1 January 2008, 1 January 2009, 1 January 2010 and 30 June 2010 respectively and the change in the number of our distributors during these periods:

Date	Number of distributors	Change in the number of distributors (Note)
1 January 2007	5	N/A
1 January 2008	5	Nil
1 January 2009	6	+1
1 January 2010	6	Nil
30 June 2010	6	Nil

Note: Change in the number of distributors is determined by comparing with the number of the immediately preceding period as set out in the table.

During the period between 1 January 2007 and 30 June 2010, our Group has not unilaterally terminated any of our contracts with our distributors before their expiry dates.

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The table below shows the respective years of relationship with our Group, principal business activities, sales regions and other information of the existing distributors being engaged by our Group as at the Latest Practicable Date:

Distributor	Years of relationship with our Group	Principal business activities	Designated Sales Regions	Date and duration of the distributorship agreement	Minimum monthly sales required (tonnes)
1	10	Sales of frozen chicken meat, duck meat, pork, shrimps and seafood products	Zhangzhou district	1 January 2010; 1 year	120
2	10	Sales of frozen poultry meat products and aquatic products	Xiamen district	1 January 2010; 1 year	220
3	10	Sales of frozen food products	Quanzhou district	1 January 2010; 1 year	180
4	10	Sales of frozen chicken meat, duck meat, pork, shrimps and seafood products	Quanzhou district	1 January 2010; 1 year	250
5	3	Sales of frozen chicken meat, duck meat and pork products	Xiamen district	3 January 2010; 1 year	Not specified in agreement
6	7	Pre-packaged and individually packaged food products, frozen food products	Longyan district	25 July 2009; 2 years	800

Our distributors are only allowed to sell our products through specific sales channels in those areas as specified in the distributorship agreements. According to the terms of the distributorship agreements, we may also sell our chicken meat products by way of direct sales in those regions covered by the distributors. We engage distributors to sell our products because they are able to reach those end-customers within their respective designated sales regions that we do not have access of. Our staff are required to conduct regular visits or interviews with the distributors not less than once every month so as to facilitate our Group to obtain their overall customer profiles. Under normal circumstances, the distributors will have to sell our chicken meat products at higher prices than the prices

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at which we sell our chicken meat products to the distributors in order to gain profits from their trading activities. In light of the aforesaid, the Directors believe that it is highly unlikely that there is any overlap of customers between our Group and the distributors.

Any interested party may submit an application to our Group to become one of our distributors. After receipt of the application, we will conduct a survey on the market and conduct review on the experiences, credit, business and investment capability of the applicant. If the applicant passes our assessment, our Group will proceed to enter into distributorship agreement with the applicant and the applicant will then become one of our distributors.

Terms of distributorship agreement

We enter into non-exclusive distributorship agreements with our distributors, the term of which is usually 1 to 2 years, and the main terms of which are generally as follows:

- our Group authorizes the distributors to act as principals in their sales of our chicken meat products to their end customers. The distributors shall sell the products of our Group within the area as specified in the distributorship agreements and are not allowed to sell the products outside such area;
- (for most of the distributorship agreements) the distributors shall be required to achieve a minimum monthly sales amount as specified in the distributorship agreement. In the event that any distributor fails to achieve the required minimum monthly sales amount for 3 consecutive months, our Group shall be entitled to terminate the distributorship agreement;
- the relationship between the distributors and our Group does not constitute an employment relationship or joint venture or any other investment relationship;
- our Group shall determine the wholesale and retail pricing policy of our products from time to time;
- the distributors shall comply with the pricing policy of our Group and they are not allowed to deliberately reduce the selling price of our chicken meat products which will result in unfair competition with other distributors;
- the distributors are required to ensure the image and brand of our chicken meat products and are not allowed to do any act which will affect the image and brand of our Group's products. The distributors are also required to facilitate and implement all marketing and promotional activities of our Group. In the event that any of our distributors has done any act which has a negative impact on the image of our Group, we are entitled to terminate the relevant distributorship agreements;
- the distributors may refuse to accept the products of our Group if our products do not comply with the food safety regulations in the PRC or do not satisfy the standards required by the distributors;

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- our staff will conduct regular visits or interviews from time to time with the distributors to understand the current market situations in order to formulate our sales strategy and monitor their inventory levels;
- the distributors are not allowed to deliberately accumulate inventory;
- if we discover that any of our distributors deliberately accumulates inventory or is in breach of any term of the relevant distributorship agreement, we may consider (i) downgrading them whereupon they will have to purchase our products at a less favourable price, or (ii) even terminating our relationship with them; and
- either party may terminate the contract of distributorship by giving 45 days' prior written notice to the other party. Written agreement shall be made if both parties agree to terminate the contract. If the party receiving notice of termination intends to object, it must do so within 10 days, otherwise its silence will constitute consent to the termination.

There is no restriction under the distributorship agreements prohibiting the distributors to sell the products of other suppliers. There is no provision regarding product liabilities in the distributorship agreement.

To the best knowledge of the Directors, the customers of the distributors comprise of retail shops in the market for individual consumers, catering service providers, etc.. We recognize our sales once our products have been sold to the distributors and all titles and risks in connection with such products will also be passed to the distributors. After the distributors have acknowledged receipt of those products, they will not be entitled to any recourse from our Group if they fail to sell our products to the end customers thereafter.

We have not implemented any sales rebate or incentive policies for the distributors.

In the event that excessive medicines or micro-organisms are found in our chicken meat products, the distributors may return the products to our Group. Losses will be recorded by our Group for sales return.

Management on distributors

In order to promote our products, to ensure compliance with the terms of the distributorship agreements and to manage the operation of our distributors, we have, as at the Latest Practicable Date, appointed 6 sales officers to (i) conduct interviews from time to time with the distributors to collect their feedback; (ii) observe the sales performance of our products so as to understand the market situations; and (iii) conduct on-site checking on the respective selling prices of our products at randomly selected outlets of their customers, including the retail shops, to ensure compliance with our pricing policy.

In addition, in order to ensure the stable supply of our products in the market, our distributors are not allowed to deliberately accumulate inventory. Although we do not have access to the sales and stock records of our distributors, in order to ensure that there will not be any deliberate accumulation of inventory at our distributor level, our sales officers

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will conduct (i) on-site checking at the randomly selected outlets of their customers and (ii) visits or interviews with the distributors not less than once every month in order to understand their sales performance and evaluate their inventory levels. If any of our distributors is found to be deliberately accumulating inventory or is in breach of any term of the relevant distributorship agreement, we may consider selling our chicken meat products at a less favourable price to them or even terminating our relationship with the relevant distributors.

Given that (i) our chicken meat products are perishable in nature, (ii) the distributors are required to pay the purchase price of the chicken meat products supplied to them by our Group within a specified period as determined by our Group and (iii) the distributors bear all the risks in connection with such chicken meat products after our delivery of the same to them, the Directors are of the view that the risk that the sales of our chicken meat products at the distributor level cannot truly reflect the market demands is minimal.

Sales to our largest distributor represented approximately 4.8%, 4.3%, 3.6% and 3.0% of our total revenue and sales to our five largest distributors represented approximately 17.1%, 14.1%, 11.9% and 11.9% of our total revenue during each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively.

The Directors have confirmed that all the distributors engaged by our Group during the Track Record Period:

- are Independent Third Parties; and
- have not breached any terms of the distributorship agreements.

Sales of chicken breeds to the Contract Farmers

As mentioned in the sub-paragraph headed “Production Process” under the paragraph headed “Production” of this section, we enter into contracts with the Contract Farmers, who are required to purchase all chicken breeds from us at agreed prices as specified in the contracts. For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, approximately 7.5%, 6.3%, 6.8% and 5.9% of our revenue was derived from our sales of chicken breeds to the Contract Farmers respectively.

Sales of animal feeds to the Contract Farmers and other parties

Pursuant to our contracts with the Contract Farmers, the Contract Farmers are required to purchase all animal feeds from us at agreed prices as specified in the contracts. We also sell some of our animal feeds to Longyan Baoxing for the operation of its pork business, which will cease upon Listing.

For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, approximately 16.6%, 32.1%, 29.2% and 26.8% of our revenue was derived from our sales of animal feeds respectively.

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For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010:

- (i) the amounts of sales of animal feeds attributable to Contract Farmers were approximately RMB62,226,000, RMB149,531,000, RMB145,417,000 and RMB69,985,000 respectively, representing approximately 85.9%, 79.2%, 87.5% and 87.2% of our total sales of animal feeds respectively; and
- (ii) the amounts of sales of animal feeds attributable to other parties were approximately RMB10,221,000, RMB39,287,000, RMB20,843,000 and RMB10,266,000 respectively, representing approximately 14.1%, 20.8%, 12.5% and 12.8% of our total sales of animal feeds respectively.

Sales of side products

We sell our side products, including (i) mature breeders, (ii) chicken feather, (iii) chicken droppings, (iv) broiler eggs which do not satisfy our production requirements, (v) chicken blood and (vi) unused chicken organs, to our customers by way of direct sales.

We also sell some of our side products to Fujian Sumhua, details of which are set out in the paragraph headed “Continuing Connected Transactions in which Waivers are Granted” of the section headed “Connected Transactions” of this prospectus.

Customers

For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our sales to our five largest customers represented approximately 26.5%, 23.6%, 22.0% and 21.6% of our total revenue respectively while our sales to the largest customer represented approximately 8.9%, 7.9%, 8.1% and 8.9% of our total revenue respectively. As at Latest Practicable Date, our five largest customers (save for Mr. Huang Youcai (黃悠財)) had around 4 to 10 years of business relationship with our Group.

None of our Directors, their respective associates or Shareholders who own more than 5% of the issued share capital of our Company (immediately following the completion of the Share Offer and taking no account of any Shares which may be taken up under the Over-allotment Option) has any interest in any of the five largest customers of our Group during the Track Record Period.

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The table below summarizes the revenue and the customer profiles of each type of our products during the Track Record Period:

	Revenue for the year ended 31 December 2007 <i>(RMB'000)</i>	Revenue for the year ended 31 December 2008 <i>(RMB'000)</i>	Revenue for the year ended 31 December 2009 <i>(RMB'000)</i>	Revenue for the 6 months ended 30 June 2010 <i>(RMB'000)</i>	Customer profiles
Chicken meat products					
Direct sales	257,021	279,257	287,017	163,165	<ul style="list-style-type: none"> ● Quick service restaurants ● Retail shops in the market for individual consumers ● Catering service providers ● Xiamen Oporto ● Fujian Sumhua
Sales to distributors	74,425	82,847	77,378	38,571	
Animal feeds					
Direct sales	72,447	188,818	166,260	80,251	<ul style="list-style-type: none"> ● Contract Farmers ● Longyan Baoxing ● Other third parties
Chicken breeds					
Direct sales	32,526	36,821	38,587	17,672	Contract Farmers

Pricing of our products

Our Group's products are not subject to any price control or regulations by the PRC governmental authorities. We determine the price of our products with reference to the market circumstances or our business strategy to be adopted from time to time.

The prices of our chicken meat products in the direct sales to our customers are determined through negotiations with our customers with reference to the amount of purchases, the cost of production and the market circumstances. We also formulate pricing policy which shall be followed by the distributors.

The prices of our chicken breeds are determined with reference to their grades and the market circumstances. The grades of the chicken breeds are categorized in accordance to the respective time of hatching of the chicken breeds.

The prices of our animal feeds are determined with reference to the cost of raw materials, the processing costs, the packaging costs and the usual profit margin in the industry.

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The prices of our side products are determined with reference to the market circumstances and the tender price.

During the Track Record Period, the prices of our Group's chicken meat products were not universally the same among our customers. We may also consider offering discounts to our customers in order to encourage them to purchase our products in bulk or settle their purchase prices earlier.

Payment method

Arrangement with the Contract Farmers

According to the contract entered into between our Group and the Contract Farmers:

- when a Contract Farmer has confirmed the number of chicken breeds he is going to order, the Contract Farmer shall pay certain amount of deposit for each chicken breed (the "Deposit");
- the Contract Farmer shall fully pay the price in advance for the chicken breeds and the relevant vaccines before delivery of chicken breeds (the "Advance Payment");
- upon repurchase of the broilers from the Contract Farmers, we may either pay the repurchase price to the Contract Farmers directly, or if the Contract Farmers intend to order the next batch of chicken breeds, we may set off the Advance Payment for the next batch of chicken breeds and vaccines to be delivered to the Contract Farmers from the repurchase price payable by our Group;
- the Contract Farmers may request for deferred payment of the purchase price for the animal feeds, provided that:
 - (1) the Contract Farmer requesting for deferred payment shall provide the guarantee from those persons specified in the contract; and
 - (2) upon our repurchase of the broilers from the Contract Farmer, we will first deduct the amount equivalent to the deferred payment payable by the Contract Farmer from the repurchase price of the broilers payable by us to the Contract Farmer and then pay the difference to the Contract Farmer.

Arrangement with our customers

During the Track Record Period, our Group's sales, all of which were denominated in RMB, to:

- our key customers were settled by telegraphic transfer; and
- the distributors were settled by banker's draft, telegraphic transfer or cheque.

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Our Group has not implemented any hedging policies against currency risks. Our Group recognizes sales upon sales of our products to the customers.

Credit Policy

For some of our customers, we will deliver our products to them upon receipt of the relevant purchase price. We also offer a credit period between 15 – 70 days to some of our customers including distributors with reference to their business reputation, financial capability, capital sufficiency etc..

We will proceed to demand our debtors with balances that are overdue to settle their outstanding invoices. When our Group considers that recovery is remote, the amount considered irrecoverable will be written off.

By adopting such credit policy, our account receivables are minimal. For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the trade receivables turnover days of our Group were approximately 19 days, 13 days, 22 days and 22 days respectively. Our Group adopted a policy to make provision for impairment of trade receivables when there is objective evidence that our Group will not be able to collect all amounts due according to the original terms of receivables. For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, provisions for impairment of trade receivables of approximately nil, RMB325,000, nil and nil were charged to our Group's combined statements of comprehensive income respectively, representing approximately nil, 0.1%, nil and nil of our Group's respective turnover.

Sales returns

We conduct checks and supervision on each stage of the production lines in order to ensure that the quality and safety of our products comply with our internal requirements and the requirements under the relevant PRC laws, regulations and rules. Our Group also adopts a no recourse sales policy.

If we receive any complaint from any of our customers regarding any defects in the products, we will assess the complaint of each customer/consumer on a case-by-case basis and formulate the appropriate solution to such complaint. If we are responsible for the defects in the products and consider that repurchase of the products from the customer is an appropriate way to address the complaint of the customer, we will proceed to do so and refund the relevant purchase price to the customer. We have not encountered any sales returns during the Track Record Period.

PURCHASES AND SUPPLIERS

During the Track Record Period, we procure the following for the production of our chicken meat products:

- raw materials for the production of our animal feeds, including corn, wheat and soya meal, from government warehouse and other third party suppliers;

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- Parent Stock Day-old Chicks from a sole third party supplier; and
- live broilers from the Contract Farmers.

During the Track Record Period, we also procured some of the broiler eggs and chicken meat products from our suppliers.

For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the costs of raw materials for the production of our animal feeds (including corn, wheat and soya meal) accounted for approximately 40.0%, 51.5%, 50.8% and 49.6% of our total costs of purchases respectively while the costs of the Parent Stock Day-Old Chicks accounted for approximately 0.5%, 0.9%, 0.6% and 0.6% of our total costs of purchases respectively.

During the Track Record Period, our Group's 5 largest suppliers consist of suppliers of broiler eggs, chicken meat products and raw materials for the production of animal feeds, which consist of a hatching farm operated by an individual, private corporations and government warehouse. As at the Latest Practicable Date, the shortest term of relationship which we have had with our top 5 suppliers is less than one year, whilst the longest one is approximately 3 years.

For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our purchases from the five largest suppliers represented approximately 15.0%, 19.1%, 38.7% and 40.8% of our total purchases respectively while our purchases from the largest supplier represented approximately 7.1%, 8.9%, 18.5% and 13.3% of our total purchases respectively.

During the Track Record Period, all of our Group's domestic purchases were settled in RMB. Some suppliers required us to pay full amount or a deposit equivalent to 5% – 10% of the our total purchase and they will deliver the raw materials upon payment of the remaining balance. Some suppliers offered our Group with credit terms of around 15 days to three months.

None of our Directors, their respective associates or Shareholders who own more than 5% of the issued share capital of our Company (immediately following the completion of the Share Offer and taking no account of any Shares which may be taken up under the Over-allotment Option) has any interest in any of the five largest suppliers of our Group during the Track Record Period.

Inventory control

The inventories of our Group mainly consist of chicken meat products, broiler eggs, animal feeds and their raw materials which mainly include corn, wheat and soya meal. As at 30 June 2010, inventories of the continuing operations of our Group totalled approximately RMB35.9 million. For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the inventory turnover period of the continuing operations of our Group was approximately 34 days, 32 days, 32 days and 28 days respectively.

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Our production planning department will approve the annual production plan. With reference to the annual production plan, we will compile the annual purchase plan. We will also compile quarterly purchase plan, monthly purchase plan and weekly purchase plan. The amount of purchase for each type of raw materials is generally determined based on the production plan of our Group. In order to maintain a continuous production cycle, our Group maintains at least a week's inventory of raw materials.

It is our Group's policy to keep around one month's inventory level, subject to review by the management from time to time.

As an inventory control policy for our finished products (i.e. chicken meat products), we will make provision for impairment against our inventories on an annual basis if the costs of our chicken meat products as inventories are greater than the recoverable amount of the same.

Our Group has a warehouse in our animal feeds production facility. During the Track Record Period, our Group carried out inventory checks from time to time.

QUALITY ASSURANCE

The Directors believe that high quality and standards are crucial to our Group's success.

We have a quality control team consisting of 11 members as at the Latest Practicable Date and some of them have received tertiary education in, inter alia, biology, food science and livestock veterinarian, and have had experiences in food examination and research. They are responsible for the quality assurance of our products, including the formulation of quality standard and quality control. Our Group's products have undergone internal production control and quality assurance control and rigorous testing. We are dedicated to ensuring the high standard of safety and quality of (i) the chicken meat products manufactured by us, and (ii) the raw materials for our production of animal feeds, the Parent Stock Day-Old Chicks, the broiler eggs and the chicken meat products procured from our suppliers who are Independent Third Parties. We have obtained (i) ISO14001 (Environment) and ISO22000 (Food Safety) Certificates in January 2006 and (ii) ISO9001 (Quality) Certificate in March 2008.

Our Group has adopted a stringent quality and management control system which oversees the entire production process in order to ensure the quality of our products are up to standards.

Our Group has adopted the following quality control system to ensure the quality of our products:

Selection of Suppliers

Suppliers of our Group include, inter alia, suppliers of raw materials for our production of animal feeds, Parent Stock Day-old Chicks, broiler eggs and chicken meat products (collectively, the "Procurement Materials") are chosen based on the supplier's ability to achieve timely and quality supplies to our Group.

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Purchase of Procurement Materials

Upon receipt of the notice of our purchase department, our quality control team will proceed to examine the Procurement Materials and provide their results of examination in respect of the same. All substandard Procurement Materials which do not satisfy with our production requirements will be returned to the suppliers.

In order to ensure that all our staff comply with our internal requirements on the procurement of Procurement Materials from third party suppliers, we have implemented the following major internal control measures:

- our staff responsible for procurement will assess and choose the appropriate suppliers. In normal circumstances, they should approach at least two or more potential suppliers before making a choice. The suppliers must possess the relevant certificates issued by the PRC governmental authority;
- our staff responsible for quality control will check the materials procured by our purchase department in order to ensure that such materials comply with the relevant quality requirements of our Group;
- our Group requires potential suppliers of raw materials for our production of animal feeds to provide relevant quality certificates and requests for samples of such raw materials to be supplied to ensure that the materials satisfy our requirements;
- our sales department will record the complaints received from our customers. Such complaints shall then be forwarded to our purchase department for investigation and our purchase department is required to report the result of investigation to our sales department;
- the staff in our purchase department will communicate from time to time on the quality and punctuality of the supplies. If any problem arises, record shall be made for the purpose of annual assessment;
- our purchase department will organize annual assessment on the suppliers, and members of the assessment committee shall comprise representatives from the technical control department, the quality control department, the purchase department and the financial department; and
- specific staff will be assigned with the task of compilation and maintenance of the records of the suppliers. No other staff shall be allowed to amend the records without the permission of the head of our purchase department.

Selection of the Contract Farmers

The farmers will submit their application to our Group for breeding broilers as our Contract Farmers, setting out the location and area of their farmlands, the proposed number of broilers for their breeding and the distance between their farmlands and our production

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facilities. Upon receipt of such application, our technical staff will assess as to whether the farmland of the Contract Farmer is suitable for breeding of broilers, such as the water supply, the electricity facilities and the accessibility of the farmland concerned.

Selection Criteria of the Contract Farmers

In order to ensure that the Contract Farmers will be able to satisfy the requirements of our Group, we have adopted the following selection criteria to select our Contract Farmers:

- (i) the farmland has to be situated at a location which is far away from railway, main transportation network, area with frequent traffic and residential area, but must be easily accessible. The distance between the farmlands of the Contract Farmers shall be no less than 500 metres;
- (ii) the landscape is required to be flat with low humidity;
- (iii) there should be sufficient clean water supply and electricity supply to the farmland;
- (iv) the soils on which the broilers sheds are erected must be of suitable quality;
- (v) the broilers sheds should be equipped with proper feeding system, drainage system and ventilation;
- (vi) we have specific requirements on (aa) the dimension and the direction of the broilers sheds and (bb) the distances between each of the broilers sheds;
- (vii) each of the Contract Farmers is required to arrange two other Contract Farmers or two other individuals with stable income and assets to act as his guarantors to guarantee the due performance of his obligations;
- (viii) the Contract Farmers must be law-abiding citizens; and
- (ix) we have no specific requirement on the relevant experience of the Contract Farmers, but we provide technical support to the Contract Farmers from time to time.

Controls on the Contract Farmers

In order to ensure the quality of broilers supplied by the Contract Farmers, the contracts entered into between the Contract Farmers and us require that: (1) the Contract Farmers must collect the animal feeds from our animal feeds production facility; (2) the Contract Farmers are prohibited from adding any additional ingredients to the animal feeds; (3) if the Contract Farmers identify any defects in the quality of the chicken breeds during the course of breeding, they must report the same to us; (4) all medicines, vaccines and equipment required to be used by the Contract Farmers for breeding chicken breeds must be procured by us and the Contract Farmers are not allowed to procure medicines and vaccines supplied by other parties; (5) the Contract Farmers are required to record the number of dead broilers and the medicines used every day and confirm that they have used the medicines in compliance with the requirements of our Group; and (6) the Contract Farmers

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must purchase all animal feeds from us at the prices specified in the contracts and are prohibited from purchasing any animal feeds and other ingredients from the market. We will also provide technical consultancy services to the Contract Farmers free of charge and inspect the facilities of the Contract Farmers.

Production process

During each stage of our production process, our quality control team conducts checking through our central control system to ensure that our semi-finished products comply with the required standards of our Group. We will also conduct sample checks on the animal feeds manufactured by our Group.

Quality control

Our quality control team conducts, which include but not limited to: (i) checking the live broilers before slaughtering; (ii) checking the internal organs and other tissues of the broilers after slaughtering to detect any potential defects; (iii) randomly examining the quality of the products such as their shapes, weights, quantity, packaging and labelling; and (iv) inspecting the refrigeration facilities and reviewing the inventory management in our chicken meat products warehouses on a monthly basis to ensure that there will not be any degradation of product quality during storage.

Hygiene standards control

To ensure high standards of hygiene of our chicken meat products, our quality control team conducts checks and inspections of our production facilities from time to time to ensure compliance with our internal hygiene requirements. Other areas of inspection relating to hygiene control include checking: (i) the water supply and draining systems; (ii) the cleansing and sterilization process of the machineries; (iii) the equipment and tools in our production premises; (iv) our pest control and staff clothing; (v) the personal hygiene of our staff; and (vi) the vehicles used for delivery of our products to ensure appropriate refrigeration facilities are in place to keep the freshness and quality of our chicken meat products.

Furthermore, the segregation of our production premises is strategically designed so that cross-infection or contamination can be minimised.

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In order to ensure that the bacteria levels do not exceed the permitted standards under the Fresh and Frozen Poultry Product National Standards of the PRC (《鮮、凍肉雞產品中華人民共和國國家標準》) (the “National Standard”), we conduct bacteria tests on, inter alia, the following at regular intervals according to the internal standards implemented by our Group:

Item tested	Frequency of bacteria test	Requirement under our internal standard
Frozen chicken meat products	Once per month	Less than 5×10^4 colony-forming units per gram (<i>Note 1</i>)
Production facilities (e.g. the table for cutting chicken meat)	Once per week	Less than 8×10^2 colony-forming units per square centimeter (<i>Note 3</i>)
Water used in our production (e.g. tap water)	Once per week	Less than 100 colony-forming units per millilitre (<i>Note 2</i>)
Air in our production premises	Once per week	Less than 9 colony-forming units found in a sterilized containers being put in the premise for 5 minutes (<i>Note 3</i>)

Notes:

1. According to the National Standard, the bacteria level of frozen chicken meat products is 5×10^5 colony-forming units per gram.
2. According to the relevant national standards of the PRC on drinking water quality, the limit of bacteria level of drinking water is 100 colony-forming units per millilitre.
3. To the Directors’ best knowledge, there are no specific national standards on the bacteria level in this regard.

The Directors confirm that none of our chicken meat products have been found to have exceeded the bacteria level permitted under the National Standard or our internal standard during the Track Record Period. We do not sell chicken meat products that have been found to have exceeded the bacteria level under the National Standard.

We also conduct tests on the quality and ingredients for every batch of raw materials for the production of animal feeds we purchase. The Directors further confirm that all our raw materials for the production of animal feeds purchased during the Track Record Period satisfied the requirements of our quality tests. It is our Group’s policy to return any raw materials of animal feeds that do not meet our requirements.

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Our production staff will record and evaluate the complaints from our customers on the quality of our chicken meat products at regular intervals in order to assess the quality of our chicken meat products.

Licensing

We have implemented comprehensive internal control measures on licensing which are required to be complied with by our staff.

Third party suppliers of broiler eggs, Parent Stock Day-Old Chicks and chicken meat products

We require our third party suppliers of broiler eggs to produce the Poultry Breeders Production Operation Permit (種畜禽生產經營許可證) and the Poultry Breeders Quarantine Qualification Certificate (種畜檢疫合格證) as specified in our contracts with such suppliers. Since 2009, we have ceased procuring broiler eggs from any third party suppliers due to improvement of fertilization rate of our broiler eggs. If we decide to do so again in the future, we will procure the same from those third party suppliers which possess the licences and permits required by us.

We require our supplier of Parent Stock Day-Old Chicks to produce the Certificate of No Avian Influenza (無禽流感證書), the Place of Production Quarantine Certificate (產地檢疫證) and the Poultry Breeders Qualification Certificate (種畜合格證), all as specified in our contracts with such supplier.

We also require our third party suppliers of chicken meat products to produce the County Border Exit Animal Quarantine Certificate (出縣境動物檢疫證), the Vehicles Sterilization Certificate (車輛消毒證) and the Place of Production Quarantine Certificate (產地檢疫證) as specified in our contracts with such suppliers.

Distributors

We require our distributors to produce to us the relevant permit required for their business before we enter into contracts with them.

According to the relevant PRC laws and regulations, it is prohibited to produce, sell and process the animal products which are infected by animal diseases. Both our Group and the third party suppliers shall apply for and obtain the quarantine certificates and marks before selling the animal products. As confirmed by our Directors, all the animal products sold by our Group have passed the quarantine tests. However, our Group could not rule out the possibility that these products may be infected by animal diseases after they are sold to the customers. As advised by our PRC legal advisors, neither our Group nor the third party suppliers will bear any consumer claims or legal responsibilities should the products be infected by animal diseases, provided that such products have passed the quarantine tests pursuant to the relevant PRC laws and regulations. We have not experienced any claims from the customers of our products due to any infection of animal diseases during the Track Record Period.

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Our Directors confirm that all the existing major third party suppliers of raw materials (i.e. corn, wheat and soya meal), Parent Stock Day-Old Chicks and chicken meat products and all the distributors engaged by our Group as at the Latest Practicable Date possess all the licences and permits as required by our Group.

Contract Farmers

As confirmed by our PRC legal advisors, in order to carry out Contract Farming, the Contract Farmers are required to obtain the Pollutant Discharge Permit (排污許可證) and the Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證) according to the Administrative Measures on Prevention and Cure of Pollution Caused by Breeding of Livestock and Poultry (畜禽養殖污染防治管理辦法) and the Law of Animal Epidemic Prevention of the PRC (中華人民共和國動物防疫法) respectively. As at 30 June 2010, we have Contract Farming arrangement with approximately 160 Contract Farmers but none of them has obtained the said permit and certificate as at the Latest Practicable Date.

According to the Provisional Administrative Measures on the Pollutant Discharge Permit of the Fujian Province (《福建省排放污染物許可證管理暫行規定》), the applicants for the Pollutant Discharge Permit shall satisfy the following requirements: (i) their farmland should not be located at those regions expressly prohibited by the relevant PRC governmental authorities to discharge any pollutant; (ii) they have to satisfy the industrial technology policy of the relevant authorities; (iii) no incident of serious pollution or environmental disaster has taken place during the previous 2 years and (iv) the pollutants should be discharged in accordance with the standard set by the relevant PRC governmental authorities and the amount of the pollutants discharged should not exceed the limit set by the relevant PRC governmental authorities. According to the Measures on Animal Epidemic Prevention Qualification Examination (《動物防疫條件審查辦法》), the applicants for the Animal Epidemic Prevention Qualification Certificate shall satisfy the relevant PRC authorities as to the location and the setting of the farms and have to possess the required facilities, staff and control system as required.

As advised by our PRC legal advisors and confirmed by the relevant local governmental authorities, in the event that the Contract Farmers fail to obtain the said permit and certificate, they will normally be ordered to rectify and pay fines ranging from RMB300 to RMB3,000 and RMB1,000 to RMB10,000 respectively but will not be required to cease their breeding activities. According to our PRC legal advisors, the relevant laws do not specify the consequence for failure to comply with the order to rectify.

Taking into account the time required for the preparation works, it normally takes 3 months to obtain such permit and certificate. The total cost involved in obtaining such permit and certificate is estimated to be within the range of RMB18,000 to RMB40,000 for each Contract Farmer. To the best of knowledge of our Directors, given that the relevant local governmental authorities have not strictly enforced such requirements and in view of the efforts and costs to be involved in obtaining such permit and certificate, it is uncommon for the contract farmers in the same region (including our Contract Farmers) to take the initiative to apply for such permit and certificate.

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We have obtained written confirmations from (i) the Environmental Protection Bureau of Xinluo District, Longyan City (龍岩市新羅區環境保護局) and the Animal Husbandry, Veterinarian and Aquatic Products Bureau of Xinluo District, Longyan City (龍岩市新羅區畜牧獸醫水產局) on 1 November 2010 confirming that the Contract Farmers in Longyan have not been penalized for failure to obtain the Pollutant Discharge Permit (排污許可證) and the Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證) and they will not require the Contract Farmers of Longyan to cease operation or supplying broilers; and (ii) the Environmental Protection Bureau of Shanghang County (上杭縣環境保護局) and the Animal Husbandry, Veterinarian and Aquatic Products Bureau of Shanghang County (上杭縣畜牧獸醫水產局) on 1 and 8 November 2010 respectively confirming that the Contract Farmers of Shanghang County have not been penalized for violation of relevant laws, regulations and rules on environmental protection and pollutant discharge and failure to obtain the Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證). The Directors are not aware of any of the Contract Farmers having been penalized for not having obtained the relevant permit and certificate during the Track Record Period and up to the Latest Practicable Date.

The geographical area governed by the governmental authorities of Xinluo District and Shanghang County as mentioned in (i) and (ii) above cover approximately 60% and 30% of the Contract Farmers respectively. Our PRC legal advisors have confirmed that the aforesaid governmental authorities have the authority to issue such confirmations, which are unlikely to be revoked by other governmental authorities of higher hierarchy.

We have also placed emphasis on the selection criteria of our Contract Farmers and our internal control measures, which include, but not limited to, (1) conducting annual reviews on the Contract Farmers, (2) conducting medicine tests when necessary in order to check as to whether excessive medicines have been applied to the broilers and weighing the broilers on a sampling basis upon the receipt of every batch of broilers from the Contract Farmers on the broilers supplied by the Contract Farmers, and (3) conducting site visits from time to time to update the growth status of the broilers. During the Track Record Period, no major quality issue has been found from the broilers supplied by the Contract Farmers and we are satisfied with the quality of the same. The Directors confirm that our Group has performed the aforesaid reviews, medicine tests and site visits on the Contract Farmers on a regular basis and all the Contract Farmers have satisfied our requirements. In addition, we have been closely monitoring the progress and status of enforcing the relevant rules and regulations by the relevant PRC governmental authorities and would require our Contract Farmers to apply for the necessary permit and certificate within a specified period if and when the relevant PRC governmental authorities decide to enforce such rules and regulations.

In order to rectify the failure of the Contract Farmers in obtaining the said permit and certificate, we will endeavour to assist all the Contract Farmers to apply for such permit and certificate in the long run. Our target is to have at least 70% to 75% of our Contract Farmers to have obtained such permit and certificate by 31 December 2012. We have undertaken to the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters that we will require the Contract Farmers to satisfy all the relevant requirements for obtaining the said certificate and permit before our renewal of any contracts with the Contract Farmers. The Directors are of the view that, even if some Contract Farmers are

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unable to satisfy the requirements for obtaining the said certificate and permit and thus cannot continue to provide contract farming services to us, we will still be able to find alternative Contract Farmers who can satisfy such requirements to provide contract farming services to us. Among those Contract Farmers, our aim is that not less than 30% of the Contract Farmers will have obtained such permit and certificate during the period between 1 January 2011 and 31 December 2011 and an additional of not less than 40% to 45% of our Contract Farmers will have obtained such permit and certificate during the period between 1 January 2012 and 31 December 2012. We will also endeavour to assist the remaining of our Contract Farmers to obtain the said permit and certificate or to meet the requirements for obtaining the same. However, if any of the Contract Farmers fails to obtain the said permit and/or certificate within the aforesaid timeframe, we will cease to engage it to provide Contract Farming services to us and will replace such Contract Farmer(s) with new farmer(s) who has/have obtained the required permit and certificate in order to ensure the stability of our supply of broilers. We will disclose the progress of the application of the said permit and certificate by the Contract Farmers and the renewal of the same in our interim and annual reports after Listing.

To ensure that the Contract Farmers will be able obtain such permit and certificate if required to do so, Mr. Lin has given an irrevocable undertaking under the Underwriting Agreement in favour of the Company, pursuant to which Mr. Lin has personally undertaken to settle the costs to be involved in obtaining such permit and certificate first in the event that the Contract Farmers cannot afford such costs. Based on the maximum number of Contract Farmers during the Track Record Period (i.e. 177), the maximum estimated costs involved in obtaining such permit and certificate possibly to be borne by Mr. Lin under the undertaking will be approximately RMB7.1 million. Further, Mr. Lin has also undertaken to the Company to settle any fines imposed by the PRC governmental authorities on the Contract Farmers for failing to obtain such permit and certificate if such Contract Farmers are unable to pay the fines. Based on the maximum number of the Contract Farmers during the Track Record Period (i.e. 177) and the maximum fine of RMB13,000 per Contract Farmer arising from such failure, the maximum amount of the said fines is estimated to be approximately RMB2.3 million.

Based on the above, the Directors are of the view that our operation will not be adversely affected even if the aforesaid requirements are strictly enforced by the relevant PRC governmental authorities. Nonetheless, our Directors would like to emphasize that our Group and the Contract Farmers are separate legal entities and we have no obligation to verify or be responsible for the legal and regulatory compliance of the Contract Farmers. The Contract Farmers shall assume the legal liabilities for any violation of laws and regulations on their own. Our PRC legal advisors have also confirmed that, should there be any violation of laws and regulations by the Contract Farmers, our Group is entitled to claim for damages suffered by the Group.

As advised by the Sponsor's PRC legal advisors, since (i) the relevant PRC laws and regulations do not stipulate a quota for the permit and certificate, every Contract Farmer may apply for the same and (ii) given the criteria for obtaining the permit and certificate are generally objective known standard, fulfillment of such criteria does not subject to any governmental approval and it is up to the Contract Farmers to demonstrate fulfillment, there should not be any legal impediment hindering the Contract Farmer's application of such permit and certificate if the Contract Farmers are asked to do so. In view of the aforesaid, the Sponsor is of the view that there should not be any legal impediment for the Contract

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Farmers to apply for such permit and certificate if they are asked to do so. In any event, even if any of the Contract Farmers fails to obtain such permit and certificate when requested, the Sponsor believes that it should not cause any interruption to our Group's operation, since, as advised by our PRC legal advisors, the consequence for the failure to obtain for such permit and certificate is normally limited to order for rectification and imposition of fines only, which Mr. Lin has already personally undertaken to settle the same if the relevant Contract Farmer is unable to pay the fines.

The Sponsor noted that none of the Contract Farmers has obtained the required Pollutant Discharge Permit (排污許可證) and the Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證) as at the Latest Practicable Date. Nonetheless, having considered:

- the policy as currently adopted by the relevant PRC governmental authorities in the relevant region of not strictly enforcing against the Contract Farmers the relevant rules and regulations;
- the Group's emphasis on its internal control measures to ensure the quality of the broilers supplied by the Contract Farmers and the fact that no major quality issue has been found in the broilers supplied by the Contract Farmers during the Track Record Period;
- the fact that the Contract Farmers and the Group are separate legal entities and the Group has no obligation to verify or be responsible for the legal and regulatory compliance of the Contract Farmers;
- the fact that the Group has taken appropriate actions to consult its PRC legal advisors as to the feasibility of the Contract Farmers to obtain the required permit and certificate;
- the confirmations obtained from some of the relevant PRC governmental authorities showing the remote possibility of the Contract Farmers being penalized because of their failure to obtain such permit and certificate; and
- the concrete plan of the Group to assist the Contract Farmers to obtain such permit and certificate during the forthcoming two years,

the Sponsor is of the view that (1) the Directors are serious in regulatory compliance matters by having taken appropriate actions and sought advice and confirmations from its PRC legal advisors and the relevant PRC governmental authorities to ensure the Group's operation is in compliance with the relevant rules and regulations; and (2) the Group's internal control measures are effective to ensure the quality of supplies from the Contract Farmers notwithstanding the absence of the aforesaid licences.

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PRODUCT LIABILITY

Our Group adopts a no recourse sales policy. Once our products have been sold and delivered to our customers (including both direct customers and distributors), all risks and liabilities in connection with such chicken meat products are transferred to our customers, who/which shall not be entitled to any recourse from our Group. Upon claims from our customers, our Group will consider recalling our products if the same are found to have excessive remains of medicine, microorganisms or the texture of which is unsatisfactory.

According to the Product Quality Law of the PRC (中華人民共和國產品質量法) (as amended in 2000) and the Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法), if products purchased by consumers are of sub-standard quality but not defective, the retailers will be responsible for the repair, exchange, or refund of the purchase price of the sub-standard products and for the compensation to the consumers for their losses (if any). However, in the event that the manufacturers are held liable for the sub-standard products, the retailers are entitled to seek reimbursement from the manufacturers for the compensation paid by the retailers to the consumers. If the products are defective and cause any personal injuries or property damage, the consumer may claim compensation from the manufacturer, distributor or retailer. Retailers or distributors who have already compensated the consumers are entitled to claim reimbursement from the relevant manufacturers.

During the Track Record Period, we have obtained all the necessary licences and permits required for our business operations and we have not encountered any difficulties in the renewal of the same. Our bacteria tests on our chicken meat products have complied with the Fresh and Frozen Poultry Product National Standards of the PRC (《鮮、凍肉雞產品中華人民共和國國家標準》) and we procured our raw materials, Parent Stock Day Old Chicks and frozen chicken meat products from third party suppliers which have obtained the necessary licences and permits. Furthermore, we have not received any product liability claims from our customers or the consumers during the Track Record Period. In light of the aforesaid, the Directors believe that our chicken meat products sold during the Track Record Period have complied with the Food Safety Law of the PRC (中華人民共和國食品安全法) which is applicable to our chicken meat products.

In order to minimize the possibility of any product liability claims from any of our customers and distributors, we have implemented the quality assurance and internal control measures, including, inter alia, hygiene requirements on our Contract Farmers and broiler breeding farms, requirements on our third party suppliers to obtain and produce to us the relevant licences and permits, details of which are set out in the paragraphs headed “Production” and “Quality assurance” of this section respectively.

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COMPETITION

The chicken meat production industry is capital-intensive in nature, which requires vast area of land for breeding of chicken breeds and broilers and comprehensive production facilities for the slaughtering and processing of chicken meat products. Significant amount of resources have to be put on food safety and hygiene.

In southern China, there are only a small number of large-size chicken meat producers. We consider that Fujian Sunner Development Co., Ltd (福建聖農發展股份有限公司), which is a company listed on the Shenzhen Stock Exchange and based in the Fujian Province, and Wens Food Group (溫氏食品集團) which is based in Guangdong, are our major competitors. According to the 2009 China Poultry Breeding and Meat and Egg Products Production Report (2009年中國畜禽養殖和肉類蛋品生產報告) published by the China Egg Net (中國禽蛋門戶網), the total production quantity of poultry meat for the year ended 31 December 2009 was approximately 16.0 million tonnes. According to the information as revealed from the China Egg Net, the China Egg Net is a website organized by the China Meat Association and authorized by the relevant PRC governmental authority. The production quantity of chicken meat of our Group for the year ended 31 December 2009 was approximately 34,000 tonnes, hence it can be estimated that our chicken meat products represented approximately 0.21% of the market share of the poultry meat market in the PRC. Our ability to compete against our competitors depends on, to a significant extent, our capability to build up and maintain the confidence of the consumers to our products and expand our markets to other area of the PRC. For details of our competitive strength, please refer to the paragraph headed “Competitive Strengths” of this section.

Our competitors, whether local or foreign, may have more and better financial resources, experiences and market reputation as compared to ours. Nevertheless, we believe that the Listing would enhance our financial resources and strengthen our market position and allow us to compete with local and foreign competitors.

RESEARCH AND DEVELOPMENT

We are committed to high-quality products and are dedicated to research and development.

Our research and development team comprises 19 staff. We conduct research on, inter alia, the composition and ingredients of our feeds, the efficiency in the breeding of our broilers, the control of epidemics and the production process of our chicken meat products. Our research and development expenses incurred during each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were approximately RMB0.9 million, RMB1.5 million, RMB1.6 million and RMB1.0 million respectively.

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We also had cooperation arrangements with other institutions, such as government institutions and commercial institutions, including:

- cooperation with the local government to jointly conduct research on feed composition and efficiency, processing of ancillary products of broilers, determination of the genders of the chicken breeds, epidemic prevention and control, design of broilers sheds and design of biological sewage filtering system; and
- cooperation with commercial institutions in the improvement of our information management system.

We now have cooperation arrangement with universities on the establishment of the Postdoctoral Scientific Research Station (博士後科研工作站) for the postgraduates of universities, which will be completed in 2012.

The intellectual property rights in (i) the research results in respect of our Postdoctoral Scientific Research Station shall be jointly owned by our Group and the relevant universities we are cooperating with; (ii) the research results in respect of our cooperation with the local government shall be solely owned by our Group or as determined by the relevant national and provincial laws, and (iii) the research results in respect of our cooperation with the commercial institution shall either be jointly owned by our Group and the relevant commercial institution or solely owned by our Group, depending on the terms of our contract with the relevant commercial institution.

Some of the aforesaid projects have been completed, the research results of which have been applied as part of our production process and the Directors confirm that the revenue generated solely from such research results is difficult to be quantified.

COMPETITIVE STRENGTHS

Our vertically integrated operation enables us to achieve economies of scale

Our production process is highly vertically integrated. We have our breeder farms, animal feeds production facility, hatching facility, broiler breeding farms and slaughtering and processing facility. In this regard, we are able to operate independently with minimal reliance on third party suppliers and exposure to fluctuation in the costs of various factors of production. Such operation also enables us to manage our production process in an efficient manner and achieve economies of scale, which in turn maintain our price competitiveness of our chicken meat products in the market.

Our production base is situated at a strategic location which is benefited by the economic policies of the PRC government

Our production base is located in Longyan, a city in the Fujian Province. Longyan is located in a transportation hub well connected by highway and railway to other important cities of the PRC, including but not limited to Shanghai, Xiamen, Guangzhou and Shenzhen. Such location of our production base enables us to reach other market easily and efficiently.

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As at 31 December 2009, approximately 84% (in terms of percentage of our total revenue) of our customers (including our distributors) were located in the Fujian Province, the PRC, whilst approximately 16% of our customers were mainly located in other cities of the PRC such as Shanghai, Guangxi, Shantou, Shenzhen, Dongguan and Guangzhou, etc.. We plan to further expand our customers network to other cities of the PRC in the future.

Fujian is benefited by the economic policy of the PRC government. According to the 《關於支持福建省加快建設海峽西岸經濟區的若干意見》 (Certain Opinion regarding support of the Fujian Province in enhancing the establishment of the economic zone on the west shore of the Taiwan Strait) promulgated by the State Council on 6 May 2009, the State Council is determined to further enhance the economic development of the Fujian Province. Such policy will definitely benefit the business development of our Group.

In order to capture such opportunities, the local government of Longyan is also implementing certain policies such as awarding government grants to breeder farms and granting tax benefits, details of which are set out in the sub-paragraph headed “Level of PRC income tax and preferential tax treatment” under the paragraph headed “Factors affecting financial condition and results of operations of our Group” of the section headed “Financial Information” of this prospectus, to strengthen its existing industries, including the chicken meat processing industry currently carried out by our Group. Our Company is confident that such government policy will enhance the business of our Group.

We have established a comprehensive food safety and hygiene system and quality control system

The safety and hygiene of our chicken meat products are crucial to the success of our Group. If we sell contaminated products to the public, the confidence of the consumers on our products will be seriously affected, which will in turn adversely affect our business. We have established a comprehensive food safety and hygiene system and quality control system in order to guarantee the quality of our chicken meat products. We are dedicated to ensuring the high standard of safety and quality of (i) the chicken meat products manufactured by us, and (ii) the raw materials for our production of animal feeds, the Parent Stock Day-Old Chicks, the broiler eggs and the chicken meat products procured from our suppliers who are Independent Third Parties. We have obtained (i) ISO14001 (Environment) and ISO22000 (Food Safety) Certificates in January 2006 and (ii) ISO9001 (Quality) Certificate in March 2008. For further details about our food safety and hygiene system and quality control system, please refer to the paragraph headed “Quality Assurance” of this section.

We also have our own production facilities for our animal feeds. We use our own animal feeds for the breeding of our broilers and all Contract Farmers are also required to use our animal feeds for feeding the broilers and are prohibited to use animal feeds procured from third parties.

We have also implemented strict hygiene measures on our breeder farms, broiler breeding farms and slaughtering and processing facility. All our broilers are grown in sheds which only specific staff are allowed to have access to and all staff who entered such site are required to undergo comprehensive hygiene procedure before entering such site.

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Such hygiene measures require significant costs and may not be able to be implemented by small-size producers selling similar products. By implementing such comprehensive hygiene procedures, the safety and hygiene of our chicken meat products can be guaranteed and the consumers will be confident with our products.

We have a well-recognized brand name

We market and sell our chicken meat products under our brand name “Sumpo (森寶)”. Our brand name “Sumpo (森寶)” was accredited as China Top Brand Agricultural Product (中國名牌農產品) by the Ministry of Agriculture of the PRC and Fujian Province Well-known Trademark (福建省著名商標) by Fujian Provincial Well-Known Trademarks Recognition Committee. We are now in the course of applying for “China Well-known Trade Mark (中國馳名商標)”. We also have certain trade marks, details of which are set out in the paragraph headed “Intellectual Property Rights” of this section.

In addition to the aforesaid, we have also obtained a number of other awards, which demonstrate the market recognition of our brand name, including the “National Leading Enterprise for Agriculture Industrialization (農業產業化—國家重點龍頭企業)”, “Fujian Top Brand Product (福建名牌產品)”, “China Brand in Meat Industry with Significant Influence (中國肉類產業影響力品牌)”, “Gold Award for Agricultural Enterprises in Fujian Province (福建省品牌農業企業金獎)” etc. Details of such awards are set out in the paragraph headed “Awards and Certificates” of this section.

We believe that our brand name provides us with a foundation to further strengthen our business development and market share.

We have established a stable customer base and a network of distributors

We commenced our business in 1998 and we have established a stable customer base during the past 13 years. We are the supplier of chicken meat to KFC, Dicos and Mckey and other retail and quick-service restaurants. Due to the large amount of chicken meat products demanded by these customers and the consistency requirements of such products, it is difficult for producers with smaller production capacities to compete with our Group in attracting the orders from these customers. We have also established a network of distributors, which help us to sell our chicken meat products to the end-customers. As at 31 December 2009, approximately 84% (in terms of percentage of our total revenue) of our customers (including our distributors) were located in the Fujian Province, the PRC, whilst approximately 16% of our customers were located in other cities of the PRC such as Shanghai, Guangxi, Shantou, Shenzhen, Dongguan and Guangzhou, etc. The designated regions covered by our distributors are Zhangzhou, Xiamen, Quanzhou and Longyan, all of which are located in the Fujian Province.

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BUSINESS STRATEGIES

Continuing to increase market coverage

We are determined to continue to increase our market share. In order to increase our market coverage, we believe that increasing the supply of chicken meat products and maximizing sales will play a key role in our future expansion. We have purchased the land use rights of a piece of land adjacent to our existing production base for the purpose of constructing another production base for our Group with a production capacity of slaughtering and processing approximately 36,000,000 broilers each year by 2011. The increase in our production capacity will help our Group to meet the increase in the demand for our products. Our Group is now in the course of preparing for the application of all the necessary approvals and permits. Save for the aforesaid, we have no other major milestones achieved as far as the new slaughtering and processing plant is concerned.

Apart from increasing our production capacity, we will aim specifically at maximizing our sales and profitability. We will focus on maintaining a close relationship with our customers with a view of boosting our growth and consolidating our position in the market.

Enhancing marketing and distribution and exploring new opportunities

We plan to enhance our marketing efforts and sales network and expand our market coverage to other parts of the PRC, including, inter alia, Guangxi, Chongqing, Sichuan, Hunan, Hubei and Zhejiang. We also plan to explore new business opportunities in the future by increasing our cooperation with other reputable production enterprises in the PRC. We will continue to solidify our relationships with our distributors in marketing our products and brands. In addition, we also plan to develop different seasoned chicken meat products to meet our customers' demands. With respect to our major customers, including KFC, Dicos and Mckey, we will continue to strengthen our customer services by providing more customized services, such as establishing an efficient distribution network for the delivery of our chicken meat products to our customers with fast food chains in the southern part of the PRC and improving the tastes of our chicken meat products, to satisfy their particular needs. As at the Latest Practicable Date, we did not have any concrete timetable for the proposed expansion. However, we will endeavour to carry out our plans after Listing.

Enhancing our brand image and recognition

We believe that brand names and image are among the key factors in consumers' purchasing decision. We will continue to build our brand names and image. High level of hygiene and sanitation are important to the safety of our chicken meat products. We implement strict and comprehensive measures at our chicken meat production facilities to reinforce occupational health protection and the hygiene at the production site. All our staff are required to wear uniform and undergo a comprehensive cleansing and sterilisation process before entering into the production site. There is strict temperature control at the production site throughout the entire production process to maintain the freshness of the chicken meat. Movements of our staff between different areas of the production sites are restricted in order to avoid cross-contamination.

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LICENCES AND PERMITS

Our Group is required to obtain the following licences and permits to carry out our business and operation:

- Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證);
- National Industrial Products Production Permit (全國工業產品生產許可證);
- Animal Feeds Production Enterprise – Inspection Eligibility Certificate (飼料生產企業審查合格證);
- Additives Mixed Animal Feeds Production Permits (添加劑預混合飼料生產許可證);
- Export Food Products Enterprise – Filing Certificate (出口食品生產企業備案證明);
- Animal Feeds Production Enterprise – Consumable Animal (Pig) Feeds for Export – Registration Certificate (出口食用動物(豬)飼用飼料生產企業登記備案證);
- Food Products Circulation Permit (食品流通許可證);
- Poultry Breeders Production and Operation Permit (種畜禽生產經營許可證); and
- Pollutant Discharge Permit (排放污染物許可證).

As advised by our PRC legal advisors, as at the Latest Practicable Date, our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations and all of them are in force. We will renew our licenses and permits before their respective expiry dates. Our Group has not experienced any refusal of renewal of the licenses necessary for our operations during the Track Record Period.

AWARDS AND CERTIFICATES

After years of development, our products and operations have accomplished a number of milestones and we have obtained a number of awards and certificates, a summary of which is set out below:

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Awards/Certificates	Award/Issuing Organization	Date of Issue	Expiry Date
Agriculture Industrialization – National Leading Enterprise for Agriculture Industrialization (農業產業化 – 國家重點龍頭企業)	● Ministry of Agriculture of the PRC	September 2004	December 2005
	● National Reform and Development Commission	April 2007	December 2008
	● Ministry of Finance of the PRC	May 2008	December 2009
	● Ministry of Commerce of the PRC	March 2010	June 2012
	● The People's Bank of China		
	● State Administration of Taxation		
	● China Securities Regulatory Commission		
● All China Federation of Supply and Marketing Cooperatives			
First Group of Model Enterprise for Recycling Economy (福建省第一批循環經濟示範企業)	Fujian Provincial Economic and Trade Commission	July 2005	
Top 100 Key Industrial Enterprises in Fujian Province (福建省百家重點企工業企業)	Fujian Provincial Economic and Trade Commission	August 2005 March 2009	2005-2007 2009-2011
National Food Safety – 100 Best Technologically Advanced Entity (全國食品安全百佳先進單位)	● China Food Security Annual Conference Organizing Committee	24 September 2005	2005-2006
Technological Innovative Organization in Agricultural Products Processing (農產品加工企業技術創新機構)	Ministry of Agriculture of the PRC	December 2005	N/A
National New Rural Development – Top 100 Model Enterprises (全國新農村建設 – 百強示範企業)	● Township Enterprises Bureau, Ministry of Agriculture of the PRC ● China Township Enterprises Association	2006	N/A
Fujian Base with Agricultural Products and Broilers without public hazard (福建無公害農產品肉雞基地)	Agriculture Bureau of Fujian	June 2006	June 2009

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Awards/Certificates	Award/Issuing Organization	Date of Issue	Expiry Date
Fujian Province Well-Known Trademark (福建省著名商標)	Fujian Provincial Well-Known Trademarks Recognition Committee	6 September 2006 December 2009	5 September 2009 December 2012
Model Entity for Corporate Culture Establishment in Fujian Province (福建省企業文化建設示範單位)	<ul style="list-style-type: none"> ● Publicity Department of Fujian Provincial Committee of Chinese Communist Party ● Ideology and Political Education and Research Society for Fujian ● Fujian Provincial Enterprises Culture Association 	December 2006	N/A
Provincial Enterprise Technology Centre (省級企業技術中心)	<ul style="list-style-type: none"> ● Fujian Provincial Economic and Trade Commission ● Fujian Provincial Department of Science & Technology ● Fujian Provincial Department of Finance ● Fujian Provincial Office, State Administration of Taxation ● Fujian Local Taxation Bureau ● Fuzhou Customs District of the PRC ● Xiamen Customs District of the PRC 	December 2006	
National Model Enterprise for Processing and Export of Agricultural Products (全國農產品加工出口示範企業)	Ministry of Agriculture of the PRC	December 2006	
Products without public hazard (無公害產品)	Agricultural Products Quality Safety Centre of Ministry of Agriculture of the PRC	February 2007	
Enterprise with contractual compliance and credibility of Fujian Province 2005 – 2006 (2005 – 2006 年度福建省守合同重信用企業)	Administration for Industry & Commerce of Fujian	April 2007	N/A
Gold Award for Agricultural Enterprises in Fujian Province (福建省品牌農業企業金獎)	Fujian Provincial People's Government	November 2007	November 2010

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Awards/Certificates	Award/Issuing Organization	Date of Issue	Expiry Date
Enterprise on Processing of Agricultural Side Products of Fujian Province – Top 50 Enterprise on National Market Coverage (2006年度福建農副產品加工業企業 – 國內市場佔有率50強)	<ul style="list-style-type: none"> ● Assessment Committee on Market Coverage of Fujian Enterprises ● Enterprise Information Centre of Fujian Province 	September 2007	
China Top Brand Agricultural Product (中國名牌農產品)	Ministry of Agriculture of the PRC	4 February 2008	February 2011
Enterprise with advanced quality management of Fujian Province 2007 (2007年福建省質量管理先進企業)	Fujian Provincial Bureau of Quality and Technical Supervision	March 2008	March 2009
Competitive Enterprise in the Meat Industry of the PRC (中國肉類食品行業強勢企業)	China Meat Association	May 2008	May 2011
Postdoctoral Programme Research Station (博士後科研工作站)	<ul style="list-style-type: none"> ● Ministry of Human Resources and Social Security of the PRC ● Management Committee for Postdoctoral Programme 	June 2008	
Agricultural Industrialization 2008-2009 – Provincial Leading Enterprise (2008-2009年度農業產業化 – 省級重點龍頭企業)	Working Steering Committee on Agricultural Industrialization of Fujian Province	September 2008	
Model Enterprise for Food Safety (食品安全示範單位)	Organizing Committee for China Food Security Annual Conference	20 September 2008	September 2008 to September 2009
Fujian Famous Brand Product (福建名牌產品)	Fujian Provincial People's Government	August 2008 January 2010	August 2011 January 2013
Enterprise with contractual compliance and credibility of Fujian Province 2007 – 2008 (2007 – 2008年度福建省守合同重信用企業)	Administration for Industry & Commerce of Fujian	December 2008	N/A

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Awards/Certificates	Award/Issuing Organization	Date of Issue	Expiry Date
China Brand in Meat Industry with Significant Influence (中國肉類產業影響力品牌)	China Meat Association	September 2009	September 2012
Innovative Enterprise of Fujian Province (福建省創新型企業)	<ul style="list-style-type: none"> ● Fujian Provincial Department of Science & Technology ● Fujian Provincial Economic and Trade Commission ● State-owned Assets Supervision and Administration Commission of Fujian Provincial Government ● Fujian Labour Union 	September 2009	

ENVIRONMENTAL PROTECTION

We are subject to the PRC national and local environmental laws and regulations, including but not limited to “Environmental Protection Law of the PRC”, “The Law on the Prevention and Treatment of Water Pollution of the PRC” and “The Law for the Prevention and Treatment of Air Pollution of the PRC”. In particular, there are environmental regulations concerning the treatment of waste water produced by our slaughtering and processing facility and we are subject to annual inspection by the regulatory authorities for compliance with these laws and regulations. We have not received any notice of non-compliance with any such laws or regulations since we commenced operation in 1998.

As our Group and the Contract Farmers are separate legal entities, our Group has no obligation to supervise the Contract Farms and is not liable for any legal and regulatory non-compliance of the Contract Farmers. The Contract Farmers shall be liable themselves for any non-compliance with the relevant laws and regulations.

Our operation produces waste water of approximately 280,000 tonnes per year, and emits ashes and sulphur dioxide as well as other waste materials including used packing materials and chicken parts.

We have installed waste water disposal system in our slaughtering and processing facility in compliance with the relevant laws and regulations in the PRC. The waste water system can filter our waste water so as to reduce the level of pollution before disposal of the same. It is also linked to the designated water disposal network of the local government and is disposed of centrally so that it will not cause pollution arising from random disposal. Our turbines are also installed with filtering equipment to reduce the ashes to be emitted to the atmosphere. Other waste materials are collected by our Group and transported by the environmental authority of the local government to the landfill.

The expenses relating to the environmental matters incurred by the Group (including the costs of compliance with applicable rules and regulations) for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 amounted to approximately RMB1.93 million, RMB0.70 million, RMB1.20 million and RMB0.39 million respectively. The Directors expect that the cost of compliance with applicable rules

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and regulations for the six months ending 31 December 2010 and the year ending 31 December 2011 will be approximately RMB0.78 million and RMB10 million respectively. The expected cost of RMB10 million to be incurred by our Group during the year ending 31 December 2011 will be used for setting up the new environmental protection facilities at the new slaughtering and processing plant with a production capacity of 36,000,000 broilers per year and with new breeder farms, new hatching facility and new broiler breeding farms, details of which are set out in the section headed “Future Plans and Use of Proceeds” of this prospectus. The said expected costs will be utilized in the following manner: (i) approximately RMB2.66 million for the acquisition of various equipment for environmental protection, (ii) approximately RMB4.40 million for the construction of various sterilization and filtering facilities, (iii) approximately RMB1.05 million for sewage treatment, (iv) approximately RMB245,000 for sewage disposal and rubbish transportation fees, (v) approximately RMB1.05 million for purchasing the chemicals to be used in the sewage treatment facilities, and (vi) approximately RMB0.6 million for other related expenses.

As at the Latest Practicable Date, we had not encountered any non-compliance issue in respect of any applicable laws and regulations on environmental protection or any complaints from our customers or the public in respect of environmental protection issues.

Our Directors are of the view that there are no environmental protection laws and regulations which may affect our production in any material respect. Our PRC legal advisors confirmed that our existing production activities and products are in compliance with the applicable environmental protection laws and regulations in the PRC. With respect to those new environmental protection facilities to be installed at the new production plant of our Group, they are required to pass the environmental protection facilities inspection and acceptance to be conducted by the relevant PRC governmental authority before production can be commenced.

PRODUCTION SAFETY

Our customers do not impose any requirements with respect to production safety measures. As at the Latest Practicable Date, we have not been adjudged by the relevant PRC governmental authority for any non-compliance with any production safety requirements under the PRC laws and regulations or received any complaints from our customers or the public in relation to the production safety of our Group.

Our Directors are also of the view that the production safety measures currently adopted are in line with the market practice of the industries in which our Group is engaged in.

INSURANCE

We maintain integrated insurance coverage on our properties and fixed assets, production facilities and equipment against property damage. We also provide social security insurance in accordance with the relevant laws and regulations of the PRC. Since most of our products are not sold to end-customers and our products require further processing

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before the same can be consumed by individual consumers, we do not maintain any product liability insurance. The Directors believe that this is in line with the general practice of our Group's industry in the PRC.

Our Directors are of the view that we have maintained sufficient insurance coverage for our business and operations.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, there was no litigation or arbitration pending or threatened against our Group or any of our Directors which could have a material adverse effect on our Group's financial condition or results of operations.

PROPERTIES

Our head office and production facilities are located at No. 688 Deng Gao Dong Lu, Xinluo District, Longyan, Fujian, the PRC. Our breeder farms, hatching facilities and broiler breeding farms are situated in various locations in Longyan, Fujian Province.

Owned Properties

Our Animal Feeds Production Plant and our Slaughtering and Processing Plant

With respect to our animal feeds production plant and our slaughtering and processing plant, we have obtained the land use rights certificates in respect of 2 parcels of land located at Xinluo District with site area of approximately 22,000 sq.m. and 19,500 sq.m. respectively.

Our animal feeds production plant and our slaughtering and processing plant comprise several buildings and ancillary structures. We have obtained the building ownership certificates in respect of those buildings and ancillary structures.

Our Office and Dormitory Buildings

With respect to our office building, we have obtained the land use rights certificates in respect of the two parcels of land located at Xinluo District with an aggregate site area of approximately 117,000 sq. m. We have also obtained building ownership certificates in respect of those buildings and ancillary structures with a total gross floor area of approximately 18,000 sq.m..

We have also leased out a portion of some of those buildings situated at Xinluo District with a total gross floor area of approximately 3,600 sq.m. to Fujian Sumhua, details of which are set out in the paragraph headed "Exempt Continuing Connected Transactions" of the section headed "Connected Transactions" of this prospectus.

The lease agreement of the said premises has not been registered with the relevant PRC governmental authority. However, as advised by our PRC legal advisors, the non-registration of a lease in the PRC will not affect the legality and validity of the lease.

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Our Investment Property

We own a parcel of land located at Xinluo District with a gross floor area of approximately 543.78 sq.m. and have obtained the state-owned land use rights certificate and the relevant building ownership certificates in respect of the same.

The investment property is currently leased to an Independent Third Party. Our Group holds and leases such investment property because our Group invested in another company in the PRC in the past. That company returned the investment of our Group by way of transferring the ownership in the investment property which was subject to a lease at the material time.

Leased Properties





We do not own the land on which our breeder farms, hatching facility and broiler breeding farms are located.

As at the Latest Practicable Date, we leased various parcels of farmlands with an aggregate area of approximately 821,000 sq.m., from various Independent Third Parties.

We have also leased a unit from Xiamen Sumpo which is being used as offices of our Group. Since Xiamen Sumpo is the associate of Mr. Lin, the lease agreement under the aforesaid lease arrangement will constitute continuing connected transaction of our Group upon Listing under the Listing Rules. Please refer to the paragraph headed “Exempt Continuing Connected Transactions” of the section headed “Connected Transactions” of this prospectus for further details.


Details of the aforesaid properties owned and leased by our Group are set out in Appendix IV to this Prospectus.

INTELLECTUAL PROPERTY RIGHTS

During the Track Record Period, our chicken meat products were sold under the trademarks of , ,  and . Those trademarks have a valid period of ten years commencing from the last quarter of year 2000 and will expire in late 2010. These trademarks are important to our Group and therefore applications have been made to the relevant authority for the renewal of the trademarks in the PRC for classes 29 and 31 on 17 August 2010, which were still pending approval from the relevant authority as at the Latest Practicable Date. According to the opinion of our PRC legal advisors, there is no legal impediment for the renewal of the aforesaid trademarks in the PRC upon their expiry in late 2010. Some of those trademarks were originally owned by Xiamen Sumpo and other owners and Fujian Sumpo is one of the joint owners of other trademarks under classes 29 and 31. All the said trademarks under classes 29 and 31 are in the process of being transferred to Fujian Sumpo at nil consideration. The applications for the transfers have already been submitted to the relevant authority. For the details, please refer to the paragraph headed “Intellectual Property” in Appendix VI to this prospectus. These trademarks are solely used for our Group’s business under classes 29 and 31. Class 29 relates to meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams,

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compotes; eggs, milk and milk products; edible oils and fats, whilst class 31 relates to agricultural, horticultural and forestry products and grains not included in other classes; live animals; fresh fruits and vegetables; seeds, natural plants and flowers; foodstuffs for animals; malt.

The Controlling Shareholders have undertaken not to use these trademarks in any business within the scope of classes 29 and 31, including the pork business. Therefore, the risk of the Controlling Shareholders causing any adverse effect on our Group's goodwill or reputation in relation to our Group's products is minimal. However, they may use such trademarks for the business and products outside classes 29 and 31 and register such trademarks outside classes 29 and 31. To the best knowledge of the Directors, the Controlling Shareholders have registered some of the said trademarks outside classes 29 and 31 in the PRC but have not used the said trademarks in any products as at the Latest Practicable Date. As our Group is not the owner of such trademarks outside classes 29 and 31, the Controlling Shareholders' use of such trademarks outside classes 29 and 31 will not constitute continuing connected transactions of our Group under the Listing Rules. Given that our Group has no control over how the Controlling Shareholders use the trademarks in classes other than 29 and 31, in order to protect our Group's interest, the Controlling Shareholders have agreed to indemnify our Group for any loss or damages suffered by our Group as a result of the Controlling Shareholders' continuous use of the said trademarks. For details of the said undertaking and indemnity given by the Controlling Shareholders, please refer to the paragraph headed "Non-Competition Undertakings" under the section headed "Relationship with the Controlling Shareholders" of this prospectus. Further, our Company (i) has successfully registered such trademarks under classes 29 and 31 in Hong Kong and (ii) has applied to register the trademark of  under classes 29 and 31 in Hong Kong.

Further details of our intellectual property rights are set out in the paragraph headed "Intellectual Property" in Appendix VI to this prospectus.

REGULATORY COMPLIANCE

As advised by our PRC legal advisors, as at the Latest Practicable Date, our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations and all of them are in force. We have never failed in the regular inspections of the PRC regulatory authority nor experienced any refusal of the renewal application of our business licence and other licences necessary for our operations. Our PRC legal advisors have also confirmed that our Group has not contravened the applicable PRC laws and regulations in all material aspects.

Please refer to the section headed "Industry and Regulatory Overview" of this prospectus for the relevant laws and regulations applicable to our Group's business and operation in the PRC.

CONNECTED TRANSACTIONS

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Lease Agreement with Xiamen Sumpo

Transaction Details

On 1 January 2010, Xiamen Sumpo, as lessor, entered into a lease agreement (the “Lease Agreement (Xiamen)”) with Xiamen Sumpo Trading, as lessee, for a term of 3 years commencing from 1 January 2010 in respect of an office premise located at Room A, 1st floor, Sumpo Building, No. 48-50 Huarong Road, Huli District, Xiamen (廈門市湖里區華榮路48-50號森寶大廈一樓A室) with a gross floor area of approximately 180 sq.m. as office at a quarterly rental of RMB13,500. The rental payable to Xiamen Sumpo was determined on an arm’s length basis.

The Valuer has confirmed that the rental payment under the Lease Agreement (Xiamen) is within the range of the prevailing market rate.

The Directors (including the independent non-executive Directors) are of the view that the Lease Agreement (Xiamen) has been entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of the Lease Agreement (Xiamen) are fair and reasonable and in the interests of the Shareholders as a whole.

Connectedness

Mr. Lin, the Chairman and an executive Director, owns approximately 58.29% equity interest in Xiamen Sumpo. As such, Xiamen Sumpo is an associate of Mr. Lin and is thus a Connected Person of the Company under the Listing Rules. Accordingly, the Lease Agreement (Xiamen) will constitute a continuing connected transaction of the Company upon Listing under the Listing Rules.

Proposed Annual Caps and Historical Amounts

The aggregate amount and annual cap of rental payable by Xiamen Sumpo Trading per year shall be RMB54,000. The said rental payment is determined with reference to the prevailing market rate. For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the aggregate amount of rental paid to Xiamen Sumpo for the said office premise were RMB72,000, RMB60,000, RMB24,000 and RMB27,000 respectively.

Since each of the percentage ratios (other than the profit ratio), where applicable, calculated by reference to the Listing Rules, for the Lease Agreement (Xiamen) on an annual basis is less than 0.1%, the Lease Agreement (Xiamen) is exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Rule 14A.33(3) of the Listing Rules.

CONNECTED TRANSACTIONS

Lease Agreement with Fujian Sumhua

Transaction Details

On 13 August 2010, Fujian Baojiashun, as lessor, entered into a lease agreement (the “Lease Agreement (Longyan)”) with Fujian Sumhua, as lessee, for a term of 2 years in respect of the Longyan Land Properties at an aggregate monthly rental of RMB20,757, which is payable by Fujian Sumhua quarterly. The rental payable to Fujian Baojiashun was determined on an arm’s length basis.

Fujian Baojiashun acquired from Fujian Sumhua at a consideration of approximately RMB81 million or its equivalent in other currency the land use rights of a parcel of land with an area of 116,606.1 sq. m. adjacent to our existing production base on 12 August 2010 where our new slaughtering and processing plant will be erected. The Directors confirm that an undeveloped portion of the land parcel with an area of approximately 63,000 sq. m. has been reserved for the development of the new slaughtering and processing plant. There are already certain developments erected with a total gross floor area of 17,877.6 sq. m. on a portion of such parcel of land, including the Longyan Land Properties. Before Fujian Baojiashun acquired the said land use rights from Fujian Sumhua, the Longyan Land Properties have already been used by Fujian Sumhua as office and dormitory. Since our Group still has sufficient space to use without the Longyan Land Properties and Fujian Sumhua would like to continue to use the Longyan Land Properties by paying rental to Fujian Baojiashun at the prevailing market rate, we have decided to enter into the Lease Agreement (Longyan). Such arrangement also enables our Group to generate rental income. The Valuer has confirmed that the rental payment under the Lease Agreement (Longyan) is within the range of the prevailing market rate.

The Directors (including the independent non-executive Directors) and the Sponsor are of the view that the Lease Agreement (Longyan) has been entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of the Lease Agreement (Longyan) are fair and reasonable and in the interests of the Shareholders as a whole.

Connectedness

Fujian Sumhua is wholly-owned by Xiamen Sumpo and Mr. Lin, an executive Director, owns approximately 58.29% equity interest in Xiamen Sumpo. As such, Fujian Sumhua is an associate of Mr. Lin and is thus a connected person of the Company under the Listing Rules. Accordingly, the Lease Agreement (Longyan) will constitute a continuing connected transaction of the Company under the Listing Rules.

Proposed Annual Caps and Historical Amounts

The aggregate amount of rental payable by Fujian Sumhua per year shall be RMB249,084. The said rental payment is determined with reference to the prevailing market rate. No such lease had been entered into with Fujian Sumhua prior to 2010 and therefore, there is no historical amount of rental paid for this transaction.

CONNECTED TRANSACTIONS

Since each of the percentage ratios (other than the profit ratio), where applicable, calculated by reference to the Listing Rules, for the Lease Agreement (Longyan) on an annual basis is less than 0.1%, the Lease Agreement (Longyan) is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS IN WHICH WAIVERS ARE GRANTED

Supply Agreements in respect of Agricultural Side Products

Transaction Details

Fujian Sumpo (as supplier) and Fujian Sumhua (as purchaser) entered into two supply agreements in respect of agricultural side products (each of them have been amended by the supplemental deeds dated 15 December 2010) (collectively, the "Supplemented Supply Agreements (Side Products)") on 3 June 2010 pursuant to which Fujian Sumpo has agreed to supply to Fujian Sumhua:

- (i) all chicken blood produced during the slaughtering process at a price of RMB0.001 per head of broiler slaughtered for the purpose of the production of blood powder, provided that Fujian Sumpo may make appropriate adjustment to the price with reference to the market price of blood powder; and
- (ii) all chicken feathers produced during the slaughtering process at a price of RMB0.05 per head of broiler slaughtered for the purpose of the production of feather powder, provided that Fujian Sumpo may make appropriate adjustment to the price with reference to the market price of feather powder.

The selling prices of chicken blood and chicken feathers were determined based on market prices, which were not less favourable than those available from or offered by Independent Third Parties.

Pursuant to the terms of the Supplemented Supply Agreements (Side Products), Fujian Sumpo shall have the absolute discretion to sell the chicken blood and chicken feather to any other parties.

To the best knowledge of the Directors, Fujian Sumhua will mix such chicken blood with pig blood to make blood powder and use chicken feathers to make feather powder.

The Supplemented Supply Agreements (Side Products) shall be for a term of 3 years and shall have been commenced from 1 January 2010 (i.e. it will expire on 31 December 2012) and may be renewable upon expiry by way of agreement between the parties.

The Directors (including independent non-executive Directors) are of the view that (i) the Supplemented Supply Agreements (Side Products) have been entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of the Supplemented Supply Agreements (Side Products) are fair and reasonable and

CONNECTED TRANSACTIONS

in the interests of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Supplemented Supply Agreements (Side Products) are fair and reasonable and are in the interest of our Shareholders as a whole.

Connectedness

As already mentioned above, Fujian Sumhua is an associate of Mr. Lin and is thus a Connected Person of the Company under the Listing Rules. Accordingly, the Supplemented Supply Agreements (Side Products) will constitute continuing connected transactions of the Company upon Listing under the Listing Rules.

Historical Amounts

For each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, the aggregate amount of the purchase price paid by Fujian Sumhua for the purchase of the agricultural side products were RMB620,965.32, RMB776,257.48 and RMB379,554.77 respectively.

Proposed Annual Caps

The approximate aggregate amount of purchase price payable by Fujian Sumhua per year will not exceed RMB918,000, RMB1,836,000 and RMB2,754,000 for the years ending 31 December 2010, 31 December 2011 and 31 December 2012 respectively. The increase in the annual caps from the year ending 31 December 2010 to the year ending 31 December 2012 is determined with reference to the historical amounts paid by Fujian Sumhua and the increase in our production capacity after completion of our expansion plan, the details of which are set out in the section “Future Plans and Use of Proceeds” of this prospectus.

The Directors estimate that the number of broilers produced by us will be increased from 18,000,000 in 2010 to 54,000,000 by the end of 2011 and therefore, the amount of side products will increase accordingly.

Since the relevant percentage ratios (other than the profit ratio), where applicable, calculated by reference to the Listing Rules, for the Supplemented Supply Agreements (Side Products) on an annual basis is more than 0.1% but less than 5%, the Supplemented Supply Agreements (Side Products) are subject to the reporting, annual review and announcement requirements but exempt from independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Stock Exchange has granted a waiver from strict compliance with the announcement requirement.

Supply Agreement in respect of chicken meat products

Transaction Details

On 31 May 2010, our Group, as supplier, entered into a supply agreement (as amended by a supplemental deed dated 15 December 2010) in respect of chicken meat products (the “Supply Agreement (Oporto)”) with Xiamen Oporto Catering Management Co. Limited (“Xiamen Oporto”), pursuant to which our Group has agreed to supply to Xiamen Oporto,

CONNECTED TRANSACTIONS

and Xiamen Oporto has agreed to purchase from our Group, the chicken meat products manufactured by our Group. Xiamen Oporto shall issue tentative purchase orders for the forthcoming month on or before the 25th day of each month and our Group shall have the absolute discretion to decide as to whether to accept such purchase order. The selling price of the products shall be determined with reference to the prevailing market price and the agreed unit price in the last transaction immediately before the relevant transaction, provided that appropriate adjustment to the selling prices shall be made if the production costs change.

The Supply Agreement (Oporto) shall be for a term of 3 years and shall have been commenced from 1 January 2010 (i.e. it will expire on 31 December 2012) and may be renewable upon expiry by way of agreement between the parties.

The Directors (including independent non-executive Directors) are of the view that (i) the Supply Agreement (Oporto) have been entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of the Supply Agreement (Oporto) are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Supply Agreement (Oporto) are fair and reasonable and are in the interest of our Shareholders as a whole.

To the best knowledge of the Directors, Xiamen Oporto operates the business of fast food restaurants and the chicken meat supplied by us will be used by Xiamen Oporto for processing into various fast food products.

Connectedness

Xiamen Oporto is owned by Mr. Lin Genghua (a substantial Shareholder of the Company and the son of Mr. Lin), Mr. Jin Huafeng and Mr. Hu Song as to 70%, 15% and 15% respectively and is thus a Connected Person of the Company under the Listing Rules. Accordingly, the Supply Agreement (Oporto) will constitute a continuing connected transaction of the Company upon Listing under the Listing Rules. Each of Mr. Jin Huafeng and Mr. Hu Song is an Independent Third Party.

Proposed Annual Caps

The approximate aggregate amount of purchase price payable by Xiamen Oporto per year will not exceed RMB561,000, RMB2,123,000 and RMB5,291,000 for the years ending 31 December 2010, 31 December 2011 and 31 December 2012 respectively. The increase in the annual cap from RMB561,000 for the year ending 31 December 2010 to RMB5,291,000 for the year ending 31 December 2012 is due to the expected continuing expansion of the business of Xiamen Oporto and the increase in the number of fast food chain stores operated by it, which commenced its business in 2010. To the best knowledge of the Directors, Xiamen Oporto plans to increase the number of fast food restaurants from 2 as at the Latest Practicable Date to about 5 by the end of 2011 and 9 by the end of 2012. It is estimated that the purchase price payable by each restaurant which is operating throughout the whole year is in the range of RMB490,000 to RMB730,000. No similar transactions have been carried

CONNECTED TRANSACTIONS

out with Xiamen Oporto prior to 2010 and the aggregate amount of the purchase price paid by Xiamen Oporto for the purchase of the chicken meat product was RMB170,470.50 during the six months ended 30 June 2010.

Since the relevant percentage ratios (other than the profit ratio), where applicable, calculated by reference to the Listing Rules, for the Supply Agreement (Oporto) on an annual basis are more than 0.1% but less than 5%, the Supply Agreement (Oporto) is subject to the reporting, annual review and announcement but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Stock Exchange has granted a waiver from strict compliance with the announcement requirement.

Supply Agreement in respect of frozen chicken meat products

Transaction Details

On 16 May 2010, our Group, as supplier, entered into a supply agreement (as amended by a supplemental deed dated 15 December 2010) in respect of frozen chicken meat products (the "Supply Agreement (Frozen Chicken)") with Fujian Sumhua, pursuant to which our Group has agreed to supply to Fujian Sumhua and Fujian Sumhua has agreed to purchase from our Group, frozen chicken meat products. Fujian Sumhua shall issue purchase orders to our Group from time to time and our Group shall have the absolute discretion to decide as to whether to accept such purchase orders or not. The selling prices of the frozen chicken meat products shall be determined with reference to the prevailing market prices.

The Supply Agreement (Frozen Chicken) shall be for a term of 3 years and shall have been commenced from 1 January 2010 (i.e. it will expire on 31 December 2012) and may be renewable upon expiry by way of agreement between the parties.

To the best knowledge of the Directors, the frozen chicken meat will be used by Fujian Sumhua for manufacturing sausages, the ingredients of which include, among other things, pork and chicken meat.

The Directors (including the independent non-executive Directors) are of the view that (i) the Supply Agreement (Frozen Chicken) has been entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of the Supply Agreement (Frozen Chicken) are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Supply Agreement (Frozen Chicken) are fair and reasonable and are in the interest of our Shareholders as a whole.

Historical Amounts

For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the aggregate amount of the purchase price paid by Fujian Sumhua for the purchase of the frozen chicken meat products was nil, RMB41,163.45, RMB1,769,097.72 and RMB693,555.34 respectively.

CONNECTED TRANSACTIONS

Connectedness

As already mentioned above, Fujian Sumhua is a connected person of the Company under the Listing Rules. Accordingly, the Supply Agreement (Frozen Chicken) will constitute a continuing connected transaction of the Company upon Listing under the Listing Rules.

Proposed Annual Caps

The approximate aggregate amount of purchase price payable by Fujian Sumhua per year will not exceed RMB1,430,000, RMB1,770,000 and RMB2,810,000 for the years ending 31 December 2010, 31 December 2011 and 31 December 2012 respectively. The increase in the annual cap from 2010 to 2012 is determined with reference to the historical amounts paid by Fujian Sumhua and the expected continuing expansion of Fujian Sumhua's sausage manufacturing business. To the best knowledge of the Directors, Fujian Sumhua's expected annual consumption of chicken meat for manufacturing the sausage is expected to increase from about 140 tonnes in 2010 to about 250 tonnes in 2012.

Since the relevant percentage ratios (other than the profit ratio), where applicable, calculated by reference to the Listing Rules, for the Supply Agreement (Frozen Chicken) on an annual basis are more than 0.1% but less than 5%, the Supply Agreement (Frozen Chicken) is subject to the reporting, annual review and announcement but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Stock Exchange has granted a waiver from strict compliance with the announcement requirement.

As the nature of the Supplemented Supply Agreements (Side Products), the Supply Agreement (Oporto) and the Supply Agreement (Frozen Chicken) are similar, the Stock Exchange may aggregate such transactions and treat them as if they were one transaction under Rule 14A.25 of the Listing Rules. However, even if these transactions are aggregated, the relevant percentage ratios (other than the profit ratio), where applicable, calculated by reference to the Listing Rule will still fall within the 5% threshold in Rule 14A.34 of the Listing Rules and therefore, the aforesaid transactions are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements set out in Rules 14A.37 and 14A.40 of the Listing Rules but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

The Sponsor is of the view that (i) the non-exempt continuing connected transactions described above have been entered into in our ordinary and usual course of business on normal commercial terms, are fair and reasonable and are in the interests of our Shareholders as a whole; and (ii) the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and are in the interests of our Shareholders as a whole.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Immediately upon completion of the Share Offer and the Capitalization Issue, Mr. Lin and Mr. Lin Genghua (the son of Mr. Lin) will together hold an aggregate of 50.58% of the entire issued share capital of the Company (without taking into account the Shares, if any, to be allotted and issued pursuant to the Share Option Scheme and the Over-allotment Option).

Each of Mr. Lin and Mr. Lin Genghua is interested in a number of companies which have been excluded from our Group (collectively the “Excluded Business Group”). The principal activities of some of the companies within the Excluded Business Group are summarized as follows:

Name of company	Principal activities	Mr. Lin’s effective interest	Mr. Lin Genghua’s effective interest
Fujian Sumhua (<i>Note 1</i>)	Slaughtering and processing of livestock, production and sales of pork products	58.29%	28.29%
Longyan Baoxing (<i>Note 2</i>)	Breeding and sales of crossbreed pigs and commodity pig breeds	58.29%	28.29%
Fujian Sumhui (<i>Note 3</i>)	Sales of commodity pig breeds	40.8%	19.80%
Guangzhou Gengsen Food Trading Company Limited (廣州耿森食品貿易有限公司) (<i>Note 4</i>)	Wholesale of pork related food products	58.29%	28.29%
Xiamen Ronghecheng Food Company Limited (廈門容和盛食品有限公司) (<i>Note 5</i>)	Wholesale and retail of fresh pork and pork related pre-packaged foods	58.29%	28.29%
Xiamen Sumpo (<i>Note 6</i>)	Trading of electronic products (<i>Note 7</i>)	58.29%	28.29%

Notes:

1. Fujian Sumhua is wholly-owned by Xiamen Sumpo.
2. Longyan Baoxing is wholly-owned by Fujian Sumhua.
3. Fujian Sumhui is 70% owned by Fujian Sumhua.
4. Guangzhou Gengsen Food Trading Company Limited is a wholly-owned subsidiary of Fujian Sumhua.
5. Xiamen Ronghecheng Food Company Limited is a wholly-owned subsidiary of Fujian Sumhua.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

6. The registered shareholders of Xiamen Sumpo are as follows:
- | | |
|--|--------|
| • Mr. Lin | 20.03% |
| • Ms. Fu | 13.42% |
| • Mr. Lin Genghua | 1.02% |
| • Long Yan Baoshun Poultry Technology Company Limited (a company wholly-owned by Mr. Lin through Vastcosmos Investments Limited) | 38.26% |
| • Winston Wine Pty Ltd (a company wholly-owned by Mr. Lin Genghua) | 27.27% |
7. Ximen Sumpo is also the holding company of certain companies, including Fujian Sumhua and Xiamen Sumpo Electronic (which is engaged in the manufacture of electronic equipment).

Other than the above companies, the Excluded Business Group also includes some other companies which are not engaged in food production industry, such as the companies engaged in the business of investment holding, manufacture of electronic products and importation of wine.

None of the companies within the Excluded Business Group carries out the chicken business. Although some of the companies within the Excluded Business Group are engaged in pork related business, due to the very different texture and taste between chicken meat and pork which cater for different appetites of different people, the Directors are of the view that pork and chicken products will not easily substitute each other and accordingly, the business of such companies does not necessarily compete with that of our Group. Furthermore, the breeding environment, the production facilities and process, the sales and distribution channels, the sales team and the target customers of our products are distinctly different from those related to pork business. Hence, such companies are not considered to be in competition with the Group.

Further, the Excluded Business Group also includes Xiamen Sumpo, Longyan Baoshun Poultry Technology Company Limited (龍岩寶順畜禽科技有限公司) and Xiamen Winston Trading Limited (廈門威士頓貿易有限公司) whose business licences allow them to carry out the activities such as the wholesale of refrigerated food products, the research and development of broiler breeding technology and the sales of packaged products. However, as at the Latest Practicable Date, these companies have not carried out the aforesaid business and have no intention to carry out such business in the future and therefore we are of the view that these companies are not in competition with our Group.

Independence of management, financing and operation

Our Directors consider that our Group will be able to be operationally and financially independent from the Controlling Shareholders and their respective associates.

Financial independence:

Our Group has an independent financial system and makes financial decisions according to its own business needs. All the guarantees provided by the Controlling Shareholders and/or their respective associates for the benefit of our Group have been released. All amounts due from the Controlling Shareholders and/or their respective associates to our Group have been settled as at the Latest Practicable Date. Therefore, there is no financial dependence by our Group on the Controlling Shareholders or any of their respective associates.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Operational independence:

Our Group has an independent work force to carry out procurement, production, sales and marketing and has not shared its operation team with the Controlling Shareholders and its respective associates. Our Group has independent access to our suppliers and customers. Our Group has also implemented internal controls to facilitate the effective operations of our business. Other than those transactions disclosed under the paragraphs headed “Exempt Continuing Connected Transactions” and “Continuing Connected Transactions in which Waivers are Granted” of the section headed “Connected Transactions” of this prospectus which are not material to our Group, there is no business transaction between our Group on the one hand, and the Controlling Shareholders and their respective associates on the other hand. The Directors consider that our Group’s operations do not rely on the Controlling Shareholders or any of their respective associates.

Management independence:

Save for Mr. Lin, the Board comprises two other executive Directors and four independent non-executive Directors, which will function independently from the associates of Mr. Lin. Save for his various positions in our Group as mentioned in the sub-paragraph headed “Executive Directors” under the paragraph headed “Directors” under the section headed “Directors, Senior Management and Staff” of this prospectus, Mr. Lin has also held certain positions in other companies outside our Group in which he or Mr. Lin Genghua is interested, such as being the chairman of Xiamen Sumpo. Save for Mr. Lin and Mr. Wu Shiming, no Director or member of the senior management team will serve any executive or management role in Xiamen Sumpo. Mr. Lin intends to spend not less than 60% of his working time on our Group after Listing. Each Director is aware of his fiduciary duties as a director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions.

Our independent non-executive Directors are experienced in different areas and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board will be made only after due consideration of independent and impartial opinions. The Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions. Further, the Board acts collectively by majority decisions in accordance with the Articles of Association and the laws, and no single Director is supposed to have any decision-making power unless otherwise authorized by the Board.

In addition, our Group has adopted certain corporate governance measures for conflict situation in order to safeguard the interests of our Shareholders as a whole, the details of which are set out in the paragraph headed “Corporate Governance” below.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Having considered the above factors, the Directors are satisfied that they are able to perform their roles in our Company independently, and the Directors are of the view that our Group is capable of managing the business independently from Mr. Lin and his associates after the Share Offer.

Delineation of business

Before the Reorganization, Fujian Sumpo beneficially owned:

- (a) the entire registered capital of each of Longyan Baotai, Xiamen Sumpo Trading, Fujian Baojiashun and Fujian Hetai, which remain the wholly-owned subsidiaries of Fujian Sumpo after Reorganization and form part of our Group; and
- (b) the entire registered capital of each of Fujian Sumhua and Longyan Baoxing, 80% equity interest in Fujian Senhong and 70% equity interest in Fujian Sumhui (collectively, the “Excluded Companies”).

Pursuant to the Reorganization, Fujian Sumpo has disposed of all of its interest in the Excluded Companies.

Other than the Excluded Companies, Mr. Lin and Mr. Lin Genghua are also interested in a number of other companies within the Excluded Business Group which have engaged in business with our Group that will constitute continuing connected transactions of our Group upon Listing, including:

- Fujian Sumhua, whose principal activities are slaughtering and processing of livestocks, production and sales of pork products, has purchased from our Group (i) chicken blood and chicken feather to produce blood powder and feather powder respectively, and (ii) chicken meat to manufacture sausages; and
- Xiamen Oporto, whose principal activities are operating the business of fast food restaurants, has purchased chicken meat from our Group for its business.

Notwithstanding that there are certain continuing connected transactions between the Group and some companies within the Excluded Business Group, there is clear delineation of business between our Group and the Excluded Business. We are simply a supplier of chicken blood and chicken feather or chicken meat products to the Excluded Business Group and the reason for such continuing connected transactions with the Excluded Business Group is that either the products are of no use to our business or we do not carry out the business which the Excluded Business Group is engaged in, such as operating fast food restaurants and manufacturing sausage.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, save for Mr. Lin, Mr. Wu Shiming, Mr. Zhang Xiangyang and Mr. Ke, there is no overlap of any other directors or members of the senior management team between our Group and those of the companies in the Excluded Business Group. Set out below is a table summarizing the positions held by our Directors and senior management in our Company and the Excluded Business Group as at the Latest Practicable Date:

Name	Major Roles in our Group	Major Roles in Excluded Business Group	Expected Time Allocated to our Group after Listing
Mr. Lin	executive Director, chief executive officer and the chairman of our Company	Chairman of Xiamen Sumpo (<i>Note</i>)	not less than 60% of his working time
Mr. Wu Shiming	executive Director	Director of Xiamen Sumpo	not less than 70% of his working time
Mr. Yin Shouhong	executive Director	None	full-time
Mr. Hu Chung Ming	independent non-executive Director	None	N/A
Mr. Liao Yuan	independent non-executive Director	None	N/A
Mr. Chau On Ta Yuen	independent non-executive Director	None	N/A
Mr. Wei Ji Min	independent non-executive Director	None	N/A
Mr. Ke	vice chairman of Fujian Sumpo	director of Fujian Sumhua	nearly 100% of his working time
Mr. Zhang Xiangyang	deputy general manager of Fujian Sumpo	director of Fujian Sumhua and chairman of Xiamen Ronghecheng Company Limited	not less than 70% of his working time

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Name	Major Roles in our Group	Major Roles in Excluded Business Group	Expected Time Allocated to our Group after Listing
Mr. Chen Dongpei	chief financial officer and the secretary of the board of directors of Fujian Sumpo	None	full-time
Mr. Ng Kin Sun	chief financial officer and company secretary of our Company	None	full-time

Note: Mr. Lin has also held a number of other positions in other companies in the Excluded Business Group which are not engaged in food production industry, such as the companies engaged in the business of investment holding and electronic products.

Mr. Lin and Mr. Wu Shiming also participate in other non-competing companies in which Mr. Lin or Mr. Lin Genghua is interested. However, their roles are confined to the formulation of overall development and business strategies at a strategic level and they are not involved in the day-to-day management and operation of such companies.

Mr. Lin intends to spend not less than 60% of his working time on our Group after Listing. The Directors are of the view that Mr. Lin will be able to fulfil his duties as an executive Director even if he does not devote all his working time on the business of our Group. During the Track Record Period, Mr. Lin spent a similar proportion of his working time on the business of our Group whilst he was engaged in other businesses at the same time. Despite so, the business of our Group continued to prosper and the profit of our Group continued to increase significantly during the Track Record Period. In light of the aforesaid, it is considered that the time devoted by Mr. Lin will be sufficient for the Group's business and development.

For the biographical details of the aforesaid Directors and senior management, please refer to the section headed "Directors, Senior Management and Staff" of this prospectus.

We believe that the Board has a balanced composition of executive Directors and independent non-executive Directors so that there is a strong element on the Board that can effectively exercise independent judgment. None of our independent non-executive Directors has any relationship with the Controlling Shareholders. Mr. Wei Ji Min possesses in-depth knowledge in the agricultural and livestock industry in the PRC while Mr. Chau On Ta Yuen has held directorships in a number of listed companies. Mr. Hu Chung Ming has knowledge and experience in accounting and finance while Mr. Liao Yuan possesses 13 years of experience in financial management. With expertise in different professional fields, the independent non-executive Directors have the necessary caliber and expertise to form and exercise independent judgment in the event that any conflict of interests between our Group and the overlapping Directors arises. Further, we have implemented various measures to

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manage the conflict of interests arising from competing business, if any, and to safeguard the interests of the Shareholders, details of which are set out in the paragraphs headed “Non-competition Undertakings” and “Corporate Governance” in this section.

Further, as the manufacturing of chicken meat products and pork products require different sets of equipment, upon completion of the Reorganization, the Excluded Companies do not have the capability to engage in the business of our Group without installing new production facilities.

Prior to our disposal of the Excluded Companies, for each of the three years ended 31 December 2007, 2008 and 2009, the aggregate turnover of the Excluded Companies amounted to approximately nil, RMB334.8 million, RMB520 million respectively; and the aggregate net loss of the Excluded Companies amounted to approximately nil, RMB2.7 million, RMB25.6 million respectively. After our disposal of the Excluded Companies, the Excluded Companies recorded a revenue of approximately RMB63.2 million and RMB242.4 million respectively and a gain of approximately RMB1.9 million and a loss of approximately RMB7.9 million for the one month ended 31 December 2009 and the six months ended 30 June 2010 respectively.

The Directors are not aware of any current plan of the Controlling Shareholders to inject the Excluded Business into the Company.

We have entered into a number of agreements with Fujian Sumhua, details of which are set out in the paragraphs headed “Exempt Continuing Connected Transactions” and “Continuing Connected Transactions in which Waivers are Granted” of the section headed “Connected Transactions” of this prospectus.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group on the one hand, and the Controlling Shareholders on the other hand, the Controlling Shareholders have executed a deed of non-competition on 17 December 2010 in favour of our Company (for itself and for the benefit of each member of our Group). Pursuant to the deed of non-competition, the Controlling Shareholders have jointly and severally, irrevocably and unconditionally undertaken with our Company (for itself and for the benefit of each member of our Group) that with effect from the Listing Date and for as long as the Shares remain listed on the Stock Exchange and the Controlling Shareholders are, either individually or collectively with their respective associates, directly or indirectly interested in not less than 30% of the issued share capital of our Company, the Controlling Shareholders and their respective associates (other than members of our Group) shall not directly or indirectly be engaged, invest, be interested or otherwise be involved in any chicken-related business and any other business which is carried out by our Group (the “Restricted Activity”) in the PRC save for the holding of not more than 5% shareholding interests (individually or with other executive Directors and/ or their respective associates) in any company which is engaged or interested in the Restricted Activity, provided that (a) that company is listed on a recognized stock exchange; or (b) the Controlling Shareholders do not have any right to appoint any person to the board of directors of that company and there is at least one other shareholder

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having shareholding in that company which is larger than the aggregate shareholding of the Controlling Shareholders in that company; or (c) the obtaining of our Company's approval as mentioned in the paragraph below.

The Controlling Shareholders are entitled to engage or have an interest in any Restricted Activity in the PRC provided that the principal terms thereof have been disclosed to our Company and such Restricted Activity has been offered or made available to at least one member of the Group on such terms; and the Company, after consultation with the independent non-executive Directors, has confirmed in writing (provided always that those Directors who are interested in the relevant Restricted Activity shall not vote on the relevant resolutions of the Board) that it or any of its Subsidiary does not wish to be engaged or interested in the relevant Restricted Activity and has approved the Controlling Shareholders engaging, or having an interest, in the relevant Restricted Activity.

Pursuant to the said deed of non-competition, each of the Controlling Shareholders has also undertaken not to, and procure his associates not to, use the trademarks as set out under the paragraph headed "Intellectual Property" in Appendix VI to this prospectus under classes 29 and 31 anywhere in the world (including the PRC). The Controlling Shareholders have also agreed to indemnify our Group on a full indemnity basis for any loss or damages suffered by our Group as a result of the Controlling Shareholders' continuous use of the said trademarks.

For details of our intellectual property rights, please refer to the paragraphs headed "Intellectual Property Rights" in the "Business" section of this prospectus.

Each of the executive Directors has executed a service agreement with the Company on 17 December 2010. Pursuant to the service agreement, each of the executive Directors has irrevocably and unconditionally undertaken with the Company that, unless with the prior written consent of the Board (provided always that those Directors who are interested in the relevant Restricted Activity shall not vote on the relevant resolutions of the Board), during his service as an executive Director and for a period of 12 months after the relevant executive Director has ceased to be an executive Director, each of the executive Directors shall not and shall procure their respective associates not to, whether directly or indirectly, engage or hold any interest in any business in competition with or likely to be in competition with the business of any member of our Group save for the holding of not more than 5% shareholding interests (individually and/or together with their respective associates) in any company listed on a recognized stock exchange.

CORPORATE GOVERNANCE

Our Company has adopted the following stringent corporate governance measures for conflict situation in order to safeguard the interests of our Shareholders as a whole:

- (a) all the Conflicted Directors will abstain from participation in any board meeting of our Company or part thereof when matters relating to the exercise of any rights of first refusal granted to our Group or any other connected transactions with those companies controlled by the Controlling Shareholders (other than our

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Group) are discussed, unless his attendance is agreed by a majority of the independent non-executive Directors. Notwithstanding his attendance, he shall not vote or be counted towards the quorum in respect of such matters;

- (b) an independent board committee comprising all of the independent non-executive Directors will decide whether or not to pursue the opportunity offered by the companies controlled by the Controlling Shareholders other than our Group. When considering whether or not to pursue such opportunity, the independent board committee of our Company will consider whether the relevant business opportunities are expected to present a sustainable level of profitability, accord with the development strategy of our Group at the material time, and would be in the best interests of the Shareholders as a whole. Notwithstanding that the Conflicted Director shall abstain from voting on any resolution of the board relating to connected transactions with those companies controlled by the Controlling Shareholders other than our Group, the Conflicted Directors shall be obliged to provide useful information to assist the independent board committee or independent financial advisor or other professional advisors for them in assessing such opportunity. Such independent board committee may appoint an independent financial advisor or other professional advisors to give the necessary advice;
- (c) our Company has appointed Kingston Corporate Finance Limited as our compliance advisor which shall provide us with professional advice and guidance in respect of compliance with the Listing Rules and applicable laws; and
- (d) the Board will establish a committee comprising all independent non-executive Directors which will be delegated with the authority to review on an annual basis the above undertaking from the Controlling Shareholders and the executive Directors. Our Company will disclose the decision on the matters reviewed by the committee relating to the enforcement of the undertaking given by the Controlling Shareholders and the executive Directors in its annual report or by way of announcement to the public in addition to complying with the disclosure requirements under the Listing Rules. The Controlling Shareholders and the executive Directors also undertake to provide all information necessary for the enforcement of the non-competition undertakings as requested by the committee from time to time and make an annual declaration on compliance with the non-competition undertakings in the annual report of our Company.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

The following information sets forth information regarding our Directors. Our existing executive Directors and independent non-executive Directors were appointed to the Board on 17 December 2010.

Name	Age	Position in our Group
<i>Executive Directors</i>		
Lin Qinglin (林慶麟)	56	Chairman, executive Director and chief executive officer
Wu Shiming (吳世明)	34	Executive Director
Yin Shouhong (尹壽宏)	42	Executive Director
<i>Independent non-executive Directors</i>		
Hu Chung Ming(胡宗明)	38	Independent non-executive Director
Liao Yuan(廖遠)	36	Independent non-executive Director
Chau On Ta Yuen (周安達源)	63	Independent non-executive Director
Wei Ji Min (韋冀閩)	62	Independent non-executive Director

Executive Directors

Lin Qinglin (林慶麟), aged 56, became an executive Director, the chairman and the chief executive officer of our Company on 17 December 2010. As at the Latest Practicable Date, he was also (i) the chairman and an executive director of Fujian Sumpo; (ii) an executive director of Sumpo Holdings; (iii) the chairman of Fujian Hetai; and (iv) the chairman and general manager of Fujian Baojiashun.

From January 1985 to June 1998, Mr. Lin was the general manager of Xiamen Xian Wu Modern Office Facilities Operation Company (廈門仙鷺現代辦公室設備經營公司). In late 1990s, the local government of Longyan started to encourage the business community to invest in the chicken processing business. In light of the aforesaid, Mr. Lin decided to explore the same and accumulated his experience through obtaining advice from the experts in such area and his management team from time to time and everyday practice.

Mr. Lin was the chairman of Fujian Sumpo from 1998 to March 2003 and the chairman of Xiamen Sumpo from 1998 to the present. During the period between 1998 and 2003, Mr. Lin mainly focused on the supervision of the chicken meat business of Fujian Sumpo. During the period between March 2003 and July 2007, Mr. Lin mainly focused on running the business of Xiamen Sumpo, and Mr. Lin Qingrong took over the position as chairman of Fujian Sumpo while Mr. Lin continued to participate in and control the business of Fujian Sumpo by remaining as an executive director. From July 2007 onwards, Fujian Sumpo underwent certain corporate reorganization, and Mr. Lin reassumed the position of chairman to regulate corporate governance and prepare for Fujian Sumpo to enter into the capital market. Mr. Lin has refocused his time and effort in the business of Fujian Sumpo thereafter.

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The main roles of Mr. Lin are to formulate the overall development and business strategies of our Group at a strategic level and to oversee major management decisions of our Group and he will not be actively involved in the day-to-day management and operation of our Group.

Mr. Lin has received many honourable titles, including, inter alia, “Most Influential Entrepreneur in China” awarded by the China Economic Development Research Centre (中國經濟發展研究中心), China Reform Forum Magazine (中國改革論壇雜誌社) and the Organizing Committee of the Summit of China’s most Influential Entrepreneurs” (中國最具影響力企業家峰會組委會) and “Top 10 Outstanding Management Individuals of China in 2006-2007” (2006-2007年度中國十大傑出管理人物) awarded by the China Institute of Management Science (中國管理科學研究院), the China Future Research Institution (中國未來研究會) and the Future and Development Magazine Press (未來與發展雜誌社).

Mr. Lin is also a representative of the Fujian Province People’s Congress and a substantial shareholder of the Company.

Wu Shiming (吳世明), aged 34, became an executive Director of our Company on 17 December 2010. He has also been a supervisor of the Xiamen Commercial Bank (廈門市商業銀行) since December 2008. He is a qualified intermediate accountant and he obtained such qualification after he has passed the national examination jointly organized by the Ministry of Finance and the Ministry of Personnel of the PRC. Mr. Wu has over 14 years of experiences in accounting and financial management. Mr. Wu joined Xiamen Sumpo in July 1995 as a cashier. He became an accountant in Xiamen Sumpo in January 1996. From January 1998 to November 2001, he was the financial manager of Xiamen Sumpo. Mr. Wu became the general manager of the Guangzhou branch of Xiamen Sumpo in December 2001 and remained in office until January 2007. In January 2007, Mr. Wu became the deputy general manager of Xiamen Sumpo Electronic until November 2007. From January 2008 onwards, Mr. Wu is a director of Xiamen Sumpo and was the chief financial officer of Xiamen Sumpo up to 1 August 2010.

Mr. Wu joined our Group as deputy chief executive officer in November 2010. He is responsible for overseeing the financial and operational performance of the Group. Given the close relationship between Xiamen Sumpo and the Group, by having a significant management role in Xiamen Sumpo, Mr. Wu has been very familiar with the operation and financial affairs of the Group.

Mr. Wu graduated from a course in foreign economic enterprise financial accounting at Jimei University (集美大學) in 1995.

Yin Shouhong (尹壽宏), aged 42, became an executive Director of our Company on 17 December 2010. Mr. Yin has had over 20 years of experience in the food industry. He commenced his career in the food industry in Anhui Hua Feng Meat and Poultry Joint Venture Company (安徽華豐肉禽聯營公司) as the head of quality control and director of the processing plant from July 1988 to October 2001. Mr. Yin joined Fujian Sumpo in November 2001 as factory manager of the broilers processing plant. From January 2004 to October 2005, Mr. Yin was the assistant to the general manager of Fujian Sumpo, being responsible for the management of broilers processing plant, sales and production

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management. From October 2005 to December 2006, he was the deputy general manager of Fujian Sumpo and headed the broilers project. Mr. Yin was appointed as an executive director of Fujian Sumpo on 18 April 2006. He subsequently resigned as executive director in August 2007. From January 2007 to May 2008, he was the assistant to the general manager of Fujian Sumpo and managed the production and other related departments. From June 2008 onwards, Mr. Yin has been the assistant to chief executive officer and deputy chief executive officer, responsible for managing the broilers business department and production unit.

Mr. Yin has also held the following positions of directorships: (i) executive director of Longyan Baotai since May 2006 and was promoted to chairman in December 2009, (ii) executive director of Fujian Hetai since May 2010, and (iii) executive director of Fujian Baojiashun since July 2010.

Mr. Yin graduated from a course in animal husbandry and veterinary hygiene inspection organized by Anhui Agricultural Technical Education Institute (安徽農業技術師範學院) in 1988 and obtained a manager qualification from the Occupational Skills Appraisal Centre of the Ministry of Labour and Social Security (勞動和社會保障部職業技能鑑定中心) in 2005.

Save as disclosed in this prospectus, each of Mr. Lin, Mr. Wu, and Mr. Yin (collectively, the “Executive Directors”) has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO, (ii) he is independent from, and is not related to, any other Directors, members of senior management, substantial shareholders or controlling shareholders of our Group, (iii) he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with their appointments as executive Directors.

Independent non-executive Directors

Hu Chung Ming (胡宗明), aged 38, became an independent non-executive Director of our Company on 17 December 2010. Mr. Hu has been a certified practising accountant of the Australian Society of Certified Practising Accountants since 10 March 2000 and a fellow of the Hong Kong Institute of Certified Public Accountants since January 2010. Mr. Hu worked in Ernst & Young Certified Public Accountants as an accountant from January 1997 to September 1999, and as a senior accountant from October 1999 to March 2000. Mr. Hu has been the chief financial officer of certain other companies, namely Lankom Electronics Limited from 2000 to 2003, China Flexible Packaging Holdings Limited (中國軟包裝控股有限公司) from 2003 to 2007, Yunnan Junfa Real Estate Company Limited (雲南俊發房地產有限責任公司) from 2007 to 2008 and Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (Stock Code: 1938) since 2009 respectively.

Mr. Hu graduated from the University of Queensland with a bachelor’s degree in commerce in December 1996.

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Liao Yuan (廖遠), aged 36, became an independent non-executive Director of our Company on 17 December 2010. Mr. Liao has over 13 years of experience in financial management. Mr. Liao was the branch manager assistant of the Xinyuan Branch of the Shenzhen Ping An Bank (平安銀行深圳分行新園支行) from July 1997 to May 2007. He then became the general manager of Shenzhen Kaishuo Investment Company Limited (深圳市凱碩投資有限公司) in September 2007. In 2008, Mr. Liao also became a director of Shenzhen Ahtong Electricity Holdings Co. Ltd (深圳亞通光電股份有限公司) and Shenzhen Yingfengyuan Investment Company Limited (深圳市盈豐源投資有限公司) respectively. He subsequently became the supervisor of Shenzhen Kangmei Biotechnology Holdings Limited (深圳康美生物科技股份有限公司) in April 2009. Mr. Liao also became a director of Dachen Yinlei Gaoxin (Beijing) Entrepreneurial Investment Limited (達晨銀雷高新(北京)創業投資有限公司) in February 2009.

Mr. Liao graduated with a bachelor's degree in economics from Hunan Institute of Finance (湖南財經學院) in 1997. He has obtained an intermediate economics and finance qualification in 2003.

Chau On Ta Yuen (周安達源), aged 63, became an independent non-executive Director of our Company on 17 December 2010.

Mr. Chau currently holds directorship in many other companies. In respect of companies listed in Hong Kong, Mr. Chau was an executive director of Everbest Energy Holdings Limited (恒發世紀控股有限公司) (Stock Code: 0578, the name of that company was subsequently changed to Dynamic Energy Holdings Limited (合動能源控股有限公司) on 23 November 2007), a company listed on the Main Board of the Stock Exchange, from March 2000 to November 2006; an independent non-executive director of Everpride Biopharmaceutical Company Limited (中遠威生物製藥有限公司) (Stock Code: 8019, the name of that company was subsequently changed to Hao Wen Holdings Limited (皓文控股有限公司) in March 2010), a company listed on the Growth Enterprise Market of the Stock Exchange, from June 2003 to August 2009; and an independent non-executive director of Buildmore International Limited (建懋國際有限公司) (Stock Code: 0108) from December 2008 to September 2010. Mr. Chau is currently the chairman of China Ocean Shipbuilding Industry Group Limited (中海船舶重工集團有限公司) (Stock Code: 0651) where his directorship commenced in September 2007. Mr. Chau has also been an independent non-executive director of (i) Good Fellow Resources Limited (金威資源控股有限公司) (Stock Code: 0109) since July 2007 and (ii) Come Sure Group (Holdings) Limited (錦勝集團(控股)有限公司) (Stock Code: 0794) since February 2009, all of which are companies listed on the Main Board on the Stock Exchange.

In respect of private companies, Mr. Chau is currently a director of Wealthy Sea Group (H.K.) Limited (潤海集團(香港)有限公司), a company in which he has been a director since November 2006, a director of Merge Limited (聚合有限公司), and a director of Shanxi Highways Construction Investment Limited (晉通公路建設投資有限公司). He has also been a director of Joycheers Holdings Limited (晉昌集團有限公司) since June 1996 and Everbest Water Treatment Development Company Limited (恒發水務發展有限公司) since November 2002.

Mr. Chau confirmed that he will devote sufficient time to our Group to discharge his duties as an independent non-executive Director.

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Mr. Chau completed a course in Chinese literature at Xiamen University (廈門大學) in August 1968. Mr. Chau is currently a member of the 11th National Committee of the Chinese People's Political Consultative Conference (中華人民政治協商會議第11屆全國委員會). He is also the vice chairman of the 7th board of directors of the Hong Kong Fujian Association (香港福建社團聯會).

Wei Ji Min (韋冀閩), aged 62, became an independent non-executive Director of our Company on 17 December 2010. Mr. Wei has over 32 years of experience in the agricultural and livestock industry. Mr. Wei was the deputy head of the Changting Animal Husbandry and Fishery Bureau (長汀縣畜牧水產局) from November 1982 to January 1983. He was appointed as the deputy county head of the Changting County People's Government (長汀縣人民政府) in April 1985. He was appointed as the deputy head of the Longyan District Animal Husbandry and Fishery Bureau (龍岩地區畜牧水產局) in September 1987. From June 1994 to July 1997 and from July 1997 to June 2007, he was the head of Longyan District Animal Husbandry and Fishery Bureau (龍岩地區畜牧水產局) and the Longyan City Animal Husbandry and Fishery Bureau (龍岩市畜牧水產局) respectively.

Mr. Wei graduated from a livestock veterinarian professional course from Fujian Agricultural College (福建農學院) in 1975. He obtained a senior livestock technician qualification from the Longyan Professional Qualification Management Office (龍岩市職稱管理辦公室) in 1990. He was a member of the Longyan Political Consultative Committee (龍岩市政協委員會) from 1997 to 2007.

Each of Mr. Hu, Mr. Liao, Mr. Chau and Mr. Wei (collectively, the "INEDs") has confirmed that he has no interests in the Shares within the meaning of Part XV of the SFO. The INEDs are independent from, and are not related to, any other Directors, members of senior management, substantial shareholders or controlling shareholders of our Group. Save as disclosed above, the INEDs have not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Save as disclosed above, there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with their appointments as independent non-executive Directors.

Save as disclosed in the section headed "Relationship with the Controlling Shareholders" of this prospectus, none of our Directors has any interests in any business apart from our Group's business which competes or is likely to compete, whether directly or indirectly, with our Group's business.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

SENIOR MANAGEMENT

Ke Mingxing (柯明星), aged 55, is the deputy chief executive officer of Fujian Sumpo. Mr. Ke had held various positions in the military forces of the PRC during the period between 1974 and 1995. Mr. Ke first joined our Group as an executive director of Fujian Sumpo in 1998. Mr. Ke also joined Xiamen Sumpo in April 1998 and was the deputy general manager, branch deputy secretary and the chairman of the labour union until December 2000. He then became the deputy chief executive officer of Fujian Sumpo since January 2001. Mr. Ke was also the vice chairman of Fujian Sumpo from July to November 2007. Mr. Ke has also been the legal representative and the chairman of Longyan Investment since June 2007 and a director of Fujian Sumhua since April 2005.

Mr. Ke is also the chairman of the labour union of Fujian Sumpo, a committee member of The 3rd Longyan Chinese People's Political Consultative Conference (中國人民政治協商會議第三屆龍岩市委員會), a standing committee member of the Longyan Chambers of Commerce and Industry (龍岩市工商業聯合會), an officer of the Longyan Society of Ideological and Political Work (龍岩市思想政治工作研究會), a member of the Longyan Professional and Social Club (龍岩市專家聯誼會) and a committee member of the Longyan Intermediate Professional and Technical Qualification Assessment Committee (economics stream) (龍岩市非公有制企業專業技術人員中級職務評審委員會(經濟系)). Mr. Ke has been awarded the National Labour Prize (全國五一勞動獎章) by the Chinese National Trade Union (中華全國總工會) in April 2009.

He is also a senior economist. Mr. Ke graduated from a course in business administration from Sichuan University (四川大學) in 2005.

Zhang Xiangyang (張向陽), aged 39, is the deputy general manager of Fujian Sumpo. Mr. Zhang has over 14 years of managerial experiences. During the period between 1995 and 2001, Mr. Zhang was the manager of Xiamen Sumpo. He then became the general manager of the Shanghai Branch of Xiamen Sumpo Electronic in 2001 and remained in office until 2008. From 2008 to 2009, Mr. Zhang was the deputy general manager of Xiamen Sumpo Electronic before joining Fujian Sumpo as executive director and deputy general manager (also called deputy chief executive officer) in November 2009.

Mr. Zhang has been (i) a director of Shanghai Gengsen Trading Company Limited (上海庚森貿易有限公司), a company established in the PRC on 13 December 2006, from December 2006 to December 2009, (ii) a director of Xiamen Zhidian Software Technology Company Limited (廈門支點軟件技術有限公司), a company established in the PRC on 5 September 2000, from May 2008 to August 2009, (iii) a director of Fujian Sumhua since December 2009 and (iv) the chairman of Xiamen Ronghecheng Company Limited (廈門容和盛食品有限公司), a wholly owned subsidiary of Fujian Sumhua established in the PRC on 16 July 2010, since July 2010.

Mr. Zhang graduated from Wuhan University (武漢大學) with a bachelor's degree in electrical automation.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Chen Dongpei (陳東培), aged 39, is the chief financial officer and the secretary of the board of directors of Fujian Sumpo. Mr. Chen has over 19 years of working experiences in accounting and financial management. He was an accounting clerk in the Xianyou County Administration of Grain (仙游縣糧食局) during the period between September 1991 and March 1993. He joined Xiamen Sumpo as an accounting manager in March 1993 and resigned in January 2000. In February 2000, he joined Fujian Sumpo as a financial manager and worked until March 2002. During the period between March 2002 and January 2008, he was the officer of the financial settlement centre of Fujian Sumpo. From February 2005 onwards, Mr. Chen also became the chief financial officer of Fujian Sumpo. Mr. Chen was appointed as an executive director of Fujian Sumpo in April 2006. Mr. Chen has also been the secretary of the board of directors of Fujian Sumpo since February 2008. Mr. Chen was also the chairman, legal representative, general manager and executive director of Longyan Baotai from September to November 2009.

Mr. Chen is a senior economist, professional manager and elementary accountant. He has also been a supervisor of professional ethics and efficacy, the State Administration of Taxation of the Xiuluo district (新羅區國家稅務局) since 2009 and the social ethics supervisor of the first Longyan branch of China Construction Bank (中國建設銀行龍岩第一支行) since 2009. Mr. Chen is also a supervisor of the in-depth study and practice of science and development activities (深入學習實踐科學發展活動監督員) of the branch committee of the State Administration of Taxation of Longyan Economic Technology Development Region (福建省龍岩經濟技術開發區國家稅務局支部委員會). He graduated from the law school of East China Institute of Political Science and Law (華東政法學院) in 2003 and an accounting professional distance learning course from Zhejiang University Distant Learning College (浙江大學遠程教育學院) in 2007.

COMPANY SECRETARY

Ng Kin Sun (吳建新), aged 41, is the chief financial officer and company secretary of our Company. Mr. Ng is primarily responsible for the financial management of our Company. Mr. Ng graduated from University of Western Sydney – Nepean of Australia with a bachelor degree in Commerce in 1994. Mr. Ng became a member of Hong Kong Institute of Certified Public Accountant in April 1998 and CPA Australia in February 1994 respectively. Mr. Ng was the financial controller and company secretary of Spread Prospects Holdings Limited, a company listed on the main board of the Stock Exchange (Stock Code: 572) from September 2002 to January 2007, during which he was responsible for, inter alia, company secretarial work, regulatory compliance matters and financial management. Mr. Ng has over 16 years of experience in auditing and financial management gained from various international accounting firms and listed companies. Save for being the financial controller and company secretary of Spread Prospects Holdings Limited as aforesaid, he also held the following positions in the past:

Company name	Period of employment (position)
Wong Brothers & Co	March 1994 to May 1995
BDO Kwan Wong Tan & Fong	June 1995 to October 1996
Ernst & Young	October 1996 to December 1999
Serial System Ltd	December 1999 to June 2001

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Company name	Period of employment (position)
Infa Corporation Ltd.	February 2002 to September 2002
Van Shung Chong Holdings Limited (Stock Code: 1001) (<i>Note 1</i>)	January 2007 to October 2007 (financial controller)
Zastron Electronic (Shenzhen) Co., Ltd. (<i>Note 2</i>)	October 2007 to November 2009 (financial controller)

Note 1: This is a company listed on the Stock Exchange.

Note 2: This is a wholly-owned subsidiary of Nam Tai Electronics, Inc., a company listed on the New York Stock Exchange.

DIRECTORS' REMUNERATION

The Directors' remuneration is determined with reference to the prevailing market practice, our Company's remuneration policy and his duties and responsibilities with our Group. During each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the aggregate of the remuneration paid and benefits in kind granted to the Directors by any member of our Group was approximately RMB73,000, RMB140,000, RMB155,000 and RMB198,000 respectively.

Each of the executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the date of appointment (i.e. 17 December 2010) subject to the early termination provisions contained therein and is renewable for another 1 year upon expiry. Each of the executive Directors is entitled to a basic salary. Under the service agreements, the basic annual remunerations payable by our Group to the executive Directors are set out below:

Executive Directors	HKD/per year
Lin Qinglin	500,000
Wu Shiming	300,000
Yin Shouhong	200,000

The salary of each of the executive Directors shall be reviewed at the discretion of the Board (or its designated committee) and decided by the Board (or its designated committee) after the relevant Director has completed 12 months of service or at such other time as the Board (or its designated committee) deems appropriate.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Each of the independent non-executive Directors has signed an appointment letter with our Company for an initial term of two years commencing from 17 December 2010 subject to the early termination provisions contained therein and is renewable for another 1 year upon expiry. Under the appointment letters, the basic annual remuneration payable by the Group to the independent non-executive Directors after Listing are as follows:

	<i>HKD/per year</i>
Independent non-executive Directors	
Hu Chung Ming	60,000
Liao Yuan	60,000
Chau On Ta Yuen	60,000
Wei Ji Min	60,000

The director's fee for each of the independent non-executive Directors during the two year term is initially fixed, subject to the Board's review from time to time in its discretion after taking into account the recommendation of the remuneration committee of our Company.

The remuneration of each Director is determined by reference to market terms, seniority, his experiences, duties and responsibilities within our Group. The Directors are entitled to statutory benefits as required by law from time to time such as pension. Under the present arrangement, the aggregate of the Directors' remuneration in cash and benefits in kind for the year ending 31 December 2010 is estimated to be approximately RMB0.5 million.

COMPLIANCE ADVISOR

Our Company has appointed Kingston Corporate Finance Limited as its compliance advisor pursuant to Rule 3A.19 of the Listing Rules.

We entered into a compliance advisor agreement with the compliance advisor on 29 December 2010 ("Compliance Advisor Agreement"), the material terms of which are as follows:

- (a) The term of the appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the first full financial year commencing after the Listing Date), subject to early termination;
- (b) The compliance advisor shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange; and

DIRECTORS, SENIOR MANAGEMENT AND STAFF

- (c) The appointment of the compliance advisor may be terminated upon, amongst other things, the occurrence of any of the following events:
- (i) either party gives the other party at least three months' prior written notice;
 - (ii) either party shall at any time commit any serious and persistent breach of its obligations; or
 - (iii) the compliance advisor is no longer able to satisfactorily perform its role as compliance advisor to the Company.

AUDIT COMMITTEE

Our Company has established an audit committee on 17 December 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group.

The audit committee comprises four independent non-executive Directors, namely Hu Chung Ming, Liao Yuan, Chau On Ta Yuen and Wei Ji Min. Hu Chung Ming is the chairman of the audit committee.

REMUNERATION COMMITTEE

Our Company has established a remuneration committee pursuant to a resolution of the Directors passed on 17 December 2010 in compliance with the Corporate Governance Code. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management.

The remuneration committee comprises an executive Director and three independent non-executive Directors, namely Mr. Lin, Liao Yuan, Hu Chung Ming and Wei Ji Min. Liao Yuan is the chairman of the remuneration committee.

In view of Mr. Lin's experience, personal profile and his role in the Group as mentioned in the paragraph headed "Directors" of this section, the Board considers it is beneficial to the business prospect of the Group that upon Listing, Mr. Lin continues to act both as the chairman and the chief executive officer of the Company. This will constitute a deviation from Code Provision A.2.1 of the Corporate Governance Code. The Board considers that the vesting of the roles of both chairman and chief executive officer in Mr. Lin provides the Company with strong and consistent leadership and allows for more efficient and effective planning and execution of long term business strategies. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that the balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting operations of the Company.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

STAFF

Staff

As at the Latest Practicable Date, the Group had employed a total of 1,210 staff in Hong Kong and the PRC. A breakdown of which by function is as follows:

	Hong Kong	the PRC	Total
Management	–	4	4
Administration and Finance	3	80	83
Production	–	1,030	1,030
Engineering	–	8	8
Purchases	–	8	8
Quality Control	–	11	11
Research and Development	–	19	19
Inventory Control	–	12	12
Sales and marketing	–	35	35
Total	<u>3</u>	<u>1,207</u>	<u>1,210</u>

Staff benefits

Some of the employees of our Company's operating subsidiaries in the PRC are members of a state-managed social insurance scheme and a housing fund scheme operated by the local government of the PRC. Under the social insurance scheme, our Group provides retirement, medical, injury and unemployment benefits to our employees in the PRC in accordance with the relevant PRC rules and regulations. Our Group is required to contribute a specified percentage of our payroll costs to the social insurance scheme to fund the benefits. The only obligation of our Group with respect to the social insurance scheme is to make the required contributions. During each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our Group contributed approximately RMB1.2 million, RMB1.3 million, RMB1.5 million and RMB0.7 million to the scheme respectively. Our Group's PRC legal advisors confirmed that our Group has complied with the relevant requirements in relation to the contributions to the social insurance scheme and the housing fund scheme.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme under which certain employees of our Group including the executive Directors may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarized in the section headed "Share Option Scheme" in Appendix VI to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be taken up under the Over-allotment Option and any options that may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity/nature of interest	Number of Shares directly or indirectly held	Position	Approximate percentage of shareholding in the Company (%)
Mr. Lin	Beneficial owner	642,000,000	Long	40.12%
Mr. Lin Genghua	Beneficial owner	167,280,000	Long	10.46%
Chau Gam Jaak (Note 1)	Corporate Interest	96,000,000	Long	6.00%
Ho Kam Hung (Note 2)	Corporate Interest	108,000,000	Long	6.75%
Ng Leung Ho (Note 3)	Corporate Interest	108,000,000	Long	6.75%

Notes:

1. Chau Gam Jaak is deemed to be interested in 96,000,000 Shares held by Success Dragon, a company wholly owned by him.
2. Ho Kam Hung is deemed to be interested in 108,000,000 Shares held by King & Queen, a company wholly owned by him.
3. Ng Leung Ho is deemed to be interested in 108,000,000 Shares held by Golden Prince, a company wholly owned by him.

So far as the Directors are aware, immediately following completion of the Share Offer and the Capitalization Issue (taking no account of any Shares which may be taken up under the Over-allotment Option and any options that may be granted under the Share Option Scheme), the following persons will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Name of Group members	Approximate percentage of shareholding
Longyan Investment	Fujian Sumpo	10%

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, the Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of Shares which may be taken up under the Over-allotment Option and any options that may be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

		<i>HK\$</i>
<i>Authorized:</i>		
<u>4,000,000,000</u>	Shares	<u>400,000,000</u>
<i>Shares issued and fully paid or credited as fully paid:</i>		
5,000	Shares in issue as at the date of this prospectus	500
1,199,995,000	Shares to be issued under the Capitalization Issue	119,999,500
<u>400,000,000</u>	Shares to be issued under the Share Offer	<u>40,000,000</u>
<i>Total</i>		
<u>1,600,000,000</u>	Shares	<u>160,000,000</u>

Assumptions

The above table assumes that the Share Offer and the Capitalization Issue become unconditional but takes no account of any Shares which may be taken up under the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates as described below.

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify in full for all dividends and other distributions hereafter declared, made or paid on the Shares after the date of this prospectus other than participation in the Capitalization Issue.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarized in the paragraph headed "Share Option Scheme" in Appendix VI to this prospectus.

General mandate to issue new Shares

The Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the aggregate of:

1. 20% of the total nominal amount of Shares in issue immediately following completion of the Share Offer and the Capitalization Issue; and

SHARE CAPITAL

2. the total nominal amount of the Shares repurchased by our Company (if any) pursuant to a separate mandate to repurchase Shares and described more fully below.

This general mandate is in addition to the powers of the Directors to allot, issue or deal with Shares under an issue by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share scheme or similar arrangement for the time being adopted by our Company or any Shares allotted in lieu of the whole or part of a dividend on shares of our Company in accordance with its Articles of Association or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the Share Offer and the Capitalization Issue.

This general mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- the expiration of the period within which our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details of this general mandate, please see the paragraph headed "Shareholders' resolutions of the Company passed on 17 December 2010" in the section headed "Further information about the Company" in Appendix VI to this prospectus.

General mandate to repurchase Shares

The Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal amount of not more than 10% of the total nominal amount of the Shares issued and to be issued immediately following the completion of the Share Offer and the Capitalisation Issue.

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules and all applicable laws. A summary of the relevant requirements in the Listing Rules is set out in the paragraph headed "Repurchase by the Company of its own securities" in the section headed "Further information about the Company" in Appendix VI to this prospectus.

This general mandate will expire:

- at the conclusion of our Company's next annual general meeting; or

SHARE CAPITAL

- the expiration of the period within which our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition as at 31 December 2007, 2008, 2009 and 30 June 2010 and our results of operations for the three years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010 together with the combined financial information as set out in the accountants' report included as Appendix I to this prospectus and not rely merely on the information contained in this section. The accountants' report has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The following discussion and analysis contain forward looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" of this prospectus.

BUSINESS OVERVIEW

We are one of the well-known chicken meat products suppliers in the Fujian Province of the PRC and we sell our chicken meat products under the "森寶 (Sumpo)" brand. According to the China Meat Association (中國肉類協會), we ranked 44th out of 90 amongst the Competitive Enterprises of Meat Products Industry in the PRC (中國肉類食品行業強勢企業) in 2008. The assessment was based on the total sales of those enterprises during the year ended 31 December 2007, and with reference to their respective asset values, equipment, sizes of main business, sales, taxes paid, amount of exports, etc. We are currently capable of slaughtering and processing up to approximately 18,000,000 broilers per year. We are the supplier of chicken meat to KFC, Dicos and Mckey and other retail and quick-service restaurants. We also sell some of our products through a number of distributors.

We have our own production facilities. We currently have 3 breeder farms, 1 hatching facility, 5 broiler breeding farms, 1 animal feeds production facility and 1 slaughtering and processing facility. Our Group owns the land which our animal feeds production facility, slaughtering and processing facility and head office are erected while we lease the land on which our breeder farms, hatching facility and broiler breeding farms are located.

In addition to our own production facilities, we also have Contract Farming arrangement with approximately 160 Contract Farmers. We sell the chicken breeds and animal feeds to the Contract Farmers for the purpose of breeding the chicken breeds.

We are dedicated to ensuring the high standard of safety and quality of our chicken meat products. We have obtained (i) ISO14001 (Environment) and ISO22000 (Food Safety) Certificates in January 2006 and (ii) ISO 9001 (Quality) Certificate in March 2008.

BASIS OF PRESENTATION

Our combined statements of comprehensive income, combined statements of changes in equity, and combined statements of cash flows as set out in Appendix I to this prospectus for the Track Record Period included the results of operations of our Group of which we were comprised (or where the companies were incorporated/established at a date later than 1

FINANCIAL INFORMATION

January 2007, for the period from the date of incorporated/established to 30 June 2010) as if the current group structure had been in existence throughout the Track Record Period. Our combined statements of financial position as of 31 December 2007, 2008 and 2009 and 30 June 2010 as set out in Appendix I to this prospectus have been prepared to present the statement of affairs of the companies of which we were comprised as of those dates, as if the current structure of our Group had been in existence as of the respective dates.

The combined financial information included in the accountants' report in Appendix I to this prospectus has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures required by the Listing Rules.

All material intra-group transactions and balances are eliminated on consolidation.

FACTORS AFFECTING FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF OUR GROUP

Our Group's financial condition and results of operations have been and will continue to be affected by a number of factors, including those set out below.

Prices and supply interruption of raw materials of our animal feeds

The principal raw materials used in the production of our animal feeds are corn, wheat and soya meal which are procured from government warehouse and other third party suppliers. The price and supply of such raw materials may fluctuate significantly and are affected by various factors, including but not limited to the weather conditions and harvest conditions of the raw materials, the policies of the PRC government and market competition. The cost of our raw materials as a percentage of the total direct material cost amounted to approximately 20.5%, 33.9%, 32.1% and 31.7%, for the three years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010, respectively. Fluctuations in the costs of our raw materials and our ability to pass on any increase in raw material costs to our customers will affect our total cost of sales and our gross margins. Our production schedule will be interrupted if we are unable to obtain acceptable quality raw materials on a timely basis.

For further details on the procurement of our raw materials, please refer to the paragraph headed "Purchases and Suppliers" in the section headed "Business" of this prospectus.

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The average prices for procuring the following raw materials per tonne for the Track Record Period are set out below:

	Year ended 31 December			Six months ended 30 June			
	2007	2008		2009		2010	
	RMB	RMB	Approximate percentage of change	RMB	Approximate percentage of change	RMB	Approximate percentage of change
Corn (per tonne)	1,838.94	1,858.29	1.1%	1,801.60	(3.1%)	1,987.41	10.3%
Wheat (per tonne)	1,752.83	1,814.32	3.5%	2,000.22	10.2%	2,152.30	7.6%
Soya meal (per tonne)	3,195.14	3,737.50	17%	3,299.06	(11.7%)	3,032.46	(8.1%)

Such price fluctuations will affect our production costs, which in turn affect our gross profit margin. Based on the table above, the average absolute percentage changes per year/period in the average prices of corn, wheat and soya meal were from approximately 5% to 12% during the Track Record Period.

For illustrative purposes only, the following table illustrates the sensitivity of the changes in our gross profit margin in the event that there is a 5% increase or decrease in the prices of each of corn, wheat and soya meal (while keeping the prices of the other two raw materials constant) during the Track Record Period:

	Corn			Wheat			Soya meal		
	5% Decrease (approximately)	Base Case (approximately)	5% Increase (approximately)	5% Decrease (approximately)	Base Case (approximately)	5% Increase (approximately)	5% Decrease (approximately)	Base Case (approximately)	5% Increase (approximately)
Gross profit margin of the Group for the year ended 31 December 2007	20.8%	20.5%	20.2%	20.7%	20.5%	20.3%	20.7%	20.5%	20.3%
Gross profit margin of the Group for the year ended 31 December 2008	16.9%	16.4%	15.9%	16.8%	16.4%	16.0%	16.6%	16.4%	16.2%
Gross profit margin of the Group for the year ended 31 December 2009	17.7%	17.0%	16.3%	17.2%	17.0%	16.8%	17.2%	17.0%	16.8%
Gross profit margin of the Group for the six months ended 30 June 2010	19.0%	18.4%	17.8%	18.6%	18.4%	18.2%	18.6%	18.4%	18.2%

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For illustrative purposes only, the following table illustrates the sensitivity of the changes in our gross profit margin in the event that there is a 12% increase or decrease in the prices of each of corn, wheat and soya meal (while keeping the prices of the other two raw materials constant) during the Track Record Period:

	Corn			Wheat			Soya meal		
	12% Decrease (approximately)	Base Case (approximately)	12% Increase (approximately)	12% Decrease (approximately)	Base Case (approximately)	12% Increase (approximately)	12% Decrease (approximately)	Base Case (approximately)	12% Increase (approximately)
Gross profit margin of the Group for the year ended 31 December 2007	21.1%	20.5%	19.9%	21.0%	20.5%	20.0%	21.0%	20.5%	20.0%
Gross profit margin of the Group for the year ended 31 December 2008	17.6%	16.4%	15.2%	17.4%	16.4%	15.4%	16.9%	16.4%	15.9%
Gross profit margin of the Group for the year ended 31 December 2009	18.6%	17.0%	15.4%	17.4%	17.0%	16.6%	17.5%	17.0%	16.5%
Gross profit margin of the Group for the six months ended 30 June 2010	19.8%	18.4%	17.0%	18.8%	18.4%	18.0%	18.9%	18.4%	17.9%

We have not implemented any specific hedging policy against the price fluctuations of our raw materials because to the best knowledge of the Directors, there was no hedging product in the PRC available which we consider appropriate to hedge against such price fluctuations. In order to minimize the impact of such price fluctuations on our financial performance, we usually adjust the selling prices of our animal feeds and the repurchase prices of our broilers. We may also adjust the ingredient formulae of our animal feeds and procure similar substitutes of our raw materials that are available at lower prices, provided that such adjustment will not affect the nutritional contents of the animal feeds and the breeding effect on the broilers.

Regulatory environment

We operate in the chicken meat and feeds industries, which require us to obtain and maintain various licenses, permits and government approvals in the PRC, and comply with the relevant environmental laws and regulations of the PRC. We are also required to obtain various government approvals and comply with the applicable hygiene and food safety standards in relation to our production process, premises and food products. Our financial condition and results of operation will be adversely affected if we are unable to obtain and maintain the relevant licenses, permits and government approvals. We expect that we will continue to maintain our licenses, permits and government approvals with our stringent quality and hygiene control standards and procedures and therefore we believe that we are well-positioned to benefit from the change in PRC regulatory environment. For further details regarding the existing laws and regulations relevant to our businesses, please refer to the section headed “Industry and Regulatory Overview” of this prospectus.

FINANCIAL INFORMATION

Level of PRC income tax and preferential tax treatment

Our profit attributable to our Shareholders is affected by the level of income tax that we pay and the level of preferential tax treatment to which we are entitled.

Termination or revision of various types of preferential tax treatment that the subsidiaries of the Group currently enjoy will have a negative impact on the results of the operations and financial condition of the Group. For further details regarding income tax and preferential tax treatment which our Group is subject to, please refer to the sub-section headed “Taxation” in this section.

Our ability to secure reliable Contract Farmers to grow live broilers for the production of our chicken meat products

Our operations depend heavily on a sufficient and stable supply of live broilers. We heavily rely on the Contract Farmers to grow live broilers for the production of our chicken meat products. These Contract Farmers are required to purchase chicken breeds and animal feeds from us, and grow the chicken breeds in accordance with our requirements. We agree to repurchase the grown broilers at an agreed price. The prices at which the broilers are to be repurchased by our Group shall be determined by our Group. We will adjust the repurchase price from time to time with reference to the market circumstances and ensure that the Contract Farmers will have certain amount of profit for each broiler sold by them to our Group. In light of the aforesaid, our Group had not experienced any price pressure from the Contract Farmers during the Track Record Period. There is no assurance that we will be able to engage sufficient number of Contract Farmers to supply live broilers to us in the future and the Contract Farmers may also be engaged by our competitors. In the event that there are other agricultural products and farming services which are more profitable for the Contract Farmers as compared with the Contract Farming arrangement with our Group, the Contract Farmers may refuse to continue to provide, or request for more favourable terms in the provision of Contract Farming services to our Group, which may in turn affect our costs of production and our financial performance may be adversely affected. Therefore, we have been striving to maintaining good relationship with the Contract Farmers by offering better credit terms and providing necessary training to improve their profitability.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant for an understanding of our financial condition and results of operations, and these are set out in detail in note 3 of section II to our combined financial statements in Appendix I to this prospectus. Critical accounting policies are those accounting policies that are the most important to the portrayal and understanding of our financial condition and our results of operations and require the most difficult, subjective or complex judgments of our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management’s current judgments. The following sections discuss certain critical accounting policies, judgments and estimations applied in the preparation of our combined financial statements.

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Revenue recognition

We recognised revenue in the combined statements of comprehensive income provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably. We recognised revenue from the sales of goods when goods are delivered at the customers' premises, which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. We recognised rental income receivable under operating leases in the combined statements of comprehensive income on a straight-line basis over the term of lease. Contingent rentals are recognised income in the accounting period in which they are earned. We recognised interest income as it accrues using the effective interest method.

Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current receivables that are stated at cost or amortized cost are reviewed at the end of each reporting period and our management's judgment is required to determine whether there is objective evidence of impairment. If any such evidence exists, we will determine and recognise any impairment loss as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment loss for equity securities is not reversed.
- For trade and other receivables carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets, where the effect of discounting is material).

Our management's judgment is required to determine the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the combined statements of comprehensive income. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

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(ii) Impairment of other assets

We review internal and external sources of information at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Lease prepayments; and
- Investments in subsidiaries and jointly controlled entities.

If any such indication exists, our management's judgment is required in estimating the asset's recoverable amount. Our management will also need to assess the value in use, the estimated future cash flows and the appropriate rate to apply in discounting the estimate future cash flows to their present value. We will reverse an impairment loss in respect of assets, if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the combined statements of comprehensive income in the year in which the reversals are recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. We determine the net realisable value based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sales.

We initially measure the agricultural produce at its fair value less costs to sell at the point of lay as mentioned at the paragraph headed "Biological assets and agricultural produce" in this section and subsequently include it under inventory at the lower of cost and net realisable value.

We recognise the carrying amount of those inventories that are sold in the period in which the related revenue is recognised. We recognise the amount of any write-down of inventories to net realisable value and all losses of inventories as an expense in the period the write-down of loss occurs. We recognise the amount of any reversal of any write-down of inventories as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

We review the carrying amount of our inventories for slow moving inventory, obsolescence or decline in market value. These reviews are conducted with reference to inventory aging analyses, projections of expected future saleability of goods and management experience and judgment. If our estimate of net realisable value is below the

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cost of inventory, we record a provision against the inventories for the difference between cost and net realisable value, which will result in a corresponding increase in our cost of sales.

Biological assets and agricultural produce

Biological assets comprise our breeders, Parent Stock Day-Old Chicks and chicken breeds. The agricultural produce refers to our broiler eggs bred from our mature breeders. We only procure Parent Stock Day-Old Chicks from qualified breeder farms and we raise them until they are mature enough to lay eggs. Generally, it takes approximately 24 weeks from the date of purchase for Parent Stock Day-Old Chicks to become mature breeders. Other than the broiler eggs laid from our mature breeders, we may also purchase some of the broiler eggs from independent breeder farms. As confirmed by our Directors, for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, approximately 15.5%, 3.2%, nil and nil of total quantity of broiler eggs, respectively, were purchased from independent breeder farms. Such broiler eggs are recognised as part of our inventories under the category of agricultural produce. In our combined statements of financial position, biological assets are recognised as a separate line item under non-current assets and current assets while agricultural produce is recognised as part of inventories.

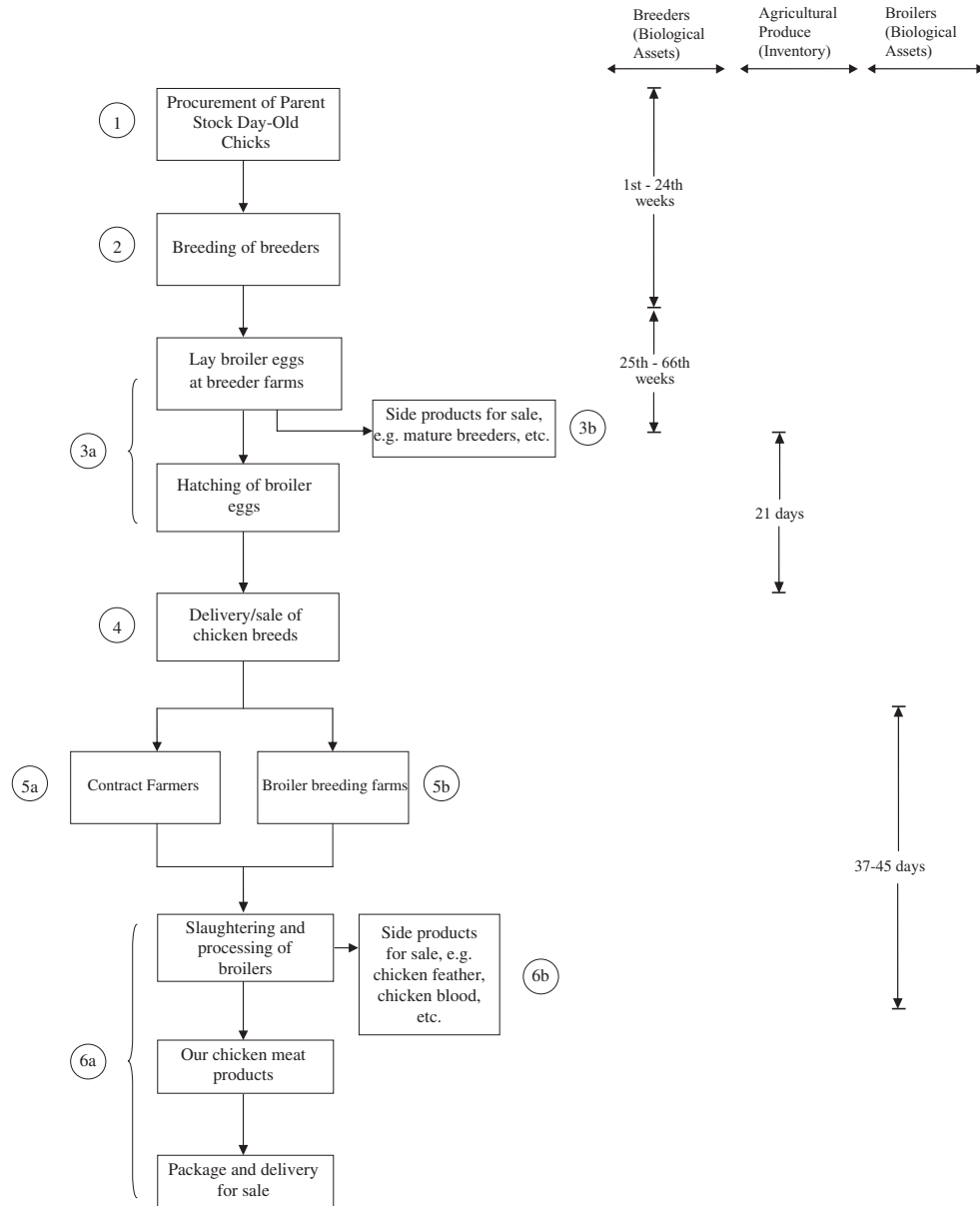
In accordance with Hong Kong Accounting Standard 41 (Agriculture) (“**HKAS 41**”), our biological assets are stated at fair value less costs to sell, provided that fair value can be measured reliably. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes. Agricultural produce is initially measured at its fair value less costs to sell at the point of lay. We are required by HKAS 41 to reflect movements in the fair value less costs to sell of our biological assets, with any resultant gain or loss recognised in our combined statements of comprehensive income. The economic benefits of our biological assets are affected by the biological transformation, such as life cycle, of such assets. The fair value changes in biological assets have a direct relationship to the change in expected future economic inflow to our Company.

We recognise the fair value of agricultural produce as revenue in our combined statements of comprehensive income at point of lay in accordance with HKAS 41 and accounted for the agricultural produce as part of inventory under cost method. When the agricultural produce is subsequently hatched into chicken breeds and sold to our Contract Farmers, the related amount previously recognised as revenue under “Fair value of agricultural produce on initial recognition” is reversed and reflected in “Reversal of fair value of agricultural produce due to hatch and disposals” in our combined statements of comprehensive income.

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PRODUCTION PROCESSES

The chart below illustrates our production processes of our chicken meat products and the corresponding impacts on our financial statements, which is prepared solely for illustrative purposes only and may not provide a full picture of our financial position. *Actual production processes, including the period of time indicated for each production process, can vary significantly between each product type and specification and/or due to unforeseen circumstances. For illustration purposes, level of materiality is not considered.*



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No.	Processes	Activities	Impacts on financial statements
1	Procurement of Parent Stock Day-Old Chicks	We procure Parent Stock Day-Old Chicks from Independent Third Party for breeding into mature breeders.	We record the biological assets (i.e. breeders, Parent Stock Day-Old Chicks) under non-current assets upon receipt.
2	Breeding the breeders	We feed the breeders and at 25th week, the breeders are mature enough to lay eggs (i.e. agricultural produce).	We absorb the cost of animal feeds to the biological assets (non-current assets) and recognise the fair value of hatched eggs (i.e. agricultural produce) as “Fair values of agricultural produce on initial recognition” upon the time of lay.
3a	Hatching of broiler eggs	Broiler eggs are incubated in the hatching facilities and will normally take 21 days for the broiler eggs to hatch into chicken breeds.	We recognise the inventory of broiler eggs upon the time of lay. We record the utilities consumed as production cost under cost of sales and make payment when the bills are due. We recognise the “Reversal of fair value of agricultural produce due to hatch and disposals” when the broiler eggs are hatched into chicken breeds.
3b	Side products for sale, e.g. mature breeders, etc	After the 66th week, those mature breeders are sold and will not be used for the production of our chicken meat products	Upon the sales of side products, we recognise its revenue, net of cost, under “other revenue”. For example, the costs of mature breeders would be transferred from biological assets to the cost of side products.

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No.	Processes	Activities	Impacts on financial statements
4	Delivery, sales of chicken breeds	We inspect, select, vaccinate the hatched chicken breeds and then deliver them to our Contract Farmers. The Contract Farmers shall purchase all animal feeds by paying the full price in advance and they are prohibited from purchasing any animal feeds and other ingredients from the market.	We record the sales of animal feeds and chicken breeds to the Contract Farmers upon delivery. We also recognise from inventory to cost of sales upon sales. Cost of chicken breeds comprise of the hatching cost of broiler eggs, cost of animal feeds, etc. All costs incurred in the production process are initially recognised in production cost. Such costs will then be allocated to the cost of sales upon sales.
5a	Re-purchasing the grown broilers from Contract Farmers	Around 37 to 45 days, the chicken breeds turn into grown broilers and are ready for medicine residual and microbial tests on each batch of broilers. We only accept and purchase those broilers which fulfil our quality standards for our downstream business and we make payment on our purchase.	We record the purchase of broilers upon delivery as direct materials under production cost. All costs incurred in the production process are initially recognised in production cost. Such costs will then be allocated to the cost of sales of chicken meat products. Payment may be offset by the outstanding payment at Activity 4 as above.
5b	Broilers raised by our own breeding farm	We breed the chicken breeds in our own broiler breeding farms. After the chicken breeds in our broiler breeding farms are grown up into broilers, we will collect the broilers and deliver to our slaughtering and processing facility.	We recognise the transfer of broilers bred by our Group from biological assets to direct materials under production costs.

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No.	Processes	Activities	Impacts on financial statements
6a	Slaughtering, processing of broilers and delivery for sale	Upon receipt of the live broilers we start our chicken meat production process and delivering finished products to our customers via different distribution channels.	We record the sales and cost of sales of chilled and frozen chicken meat upon delivery. We record the inventories for the unsold chilled and frozen chicken meat in our warehouse.
6b	Side products for sale, e.g. chicken feather, chicken blood, etc	We produce other side products during our production process, including chicken feather and chicken blood.	We record the sales of side products, e.g. chicken feather and chicken blood as other income.
7	N/A	We recognise the biological assets at fair value less costs to sell at the reporting date.	We record the change in fair value less costs to sell of biological assets in the combined statements of comprehensive income.

Property, plant and equipment

Items of property, plant and equipment are stated in the combined statement of financial positions at cost less accumulated depreciation and impairment losses. Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the combined statements of comprehensive income on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	10 – 30 years
Machinery and equipment	3 – 10 years
Motor vehicles	5 – 8 years
Tools	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. The useful lives are based on our Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

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RESULTS OF OPERATIONS

Our combined statements of comprehensive income for the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010 as set out below is derived from our combined financial statements included in Appendix I to this prospectus.

The continuing operations comprised of the business of (i) slaughtering, production and sales of chicken meat products; (ii) hatching of broiler eggs and sales of chicken breeds; and (iii) production and sales of animal feeds.

The discontinued operation comprised of the business of slaughtering, production and sales of pork.

	Year ended 31 December			Six months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Continuing operations					
Revenue	436,419	587,743	569,242	260,659	299,659
Cost of sales	<u>(347,012)</u>	<u>(491,148)</u>	<u>(472,545)</u>	<u>(226,423)</u>	<u>(244,586)</u>
Gross profit	89,407	96,595	96,697	34,236	55,073
Other revenue and gains	12,638	15,174	13,700	5,658	7,189
Change in fair value less costs to sell of biological assets	3,058	(2,191)	3,388	(145)	(4,032)
Fair values of agricultural produce on initial recognition	34,880	55,786	57,952	28,960	28,363
Reversal of fair value of agricultural produce due to hatch and disposals	(34,021)	(53,884)	(60,083)	(29,416)	(27,513)
Selling and distribution expenses	(8,354)	(9,481)	(9,295)	(4,763)	(4,160)
Administrative expenses	(23,951)	(19,444)	(22,406)	(10,286)	(16,418)
Finance costs	(4,522)	(9,133)	(8,906)	(4,825)	(5,833)
Other operating expenses	<u>(11,293)</u>	<u>(17,663)</u>	<u>(15,470)</u>	<u>(8,140)</u>	<u>(8,415)</u>
Profit before taxation	57,842	55,759	55,577	11,279	24,254
Taxation	<u>(13,693)</u>	<u>(7,107)</u>	<u>(5,553)</u>	<u>(1,407)</u>	<u>(1,446)</u>
Profit for the period/year from continuing operations	44,149	48,652	50,024	9,872	22,808
Discontinued operation					
Gain/(loss) for the period/year from discontinued operation (note)	<u>—</u>	<u>(2,716)</u>	<u>9,371</u>	<u>(10,512)</u>	<u>—</u>
PROFIT/(LOSS) FOR THE PERIOD/YEAR	<u><u>44,149</u></u>	<u><u>45,936</u></u>	<u><u>59,395</u></u>	<u><u>(640)</u></u>	<u><u>22,808</u></u>

Note: Included in gain/(loss) for the year ended 31 December 2009 was the gain on disposal of pork business of approximately RMB35.0 million.

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PRINCIPAL COMPONENTS OF COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The following discussion is based on our historical results of operations and may not be indicative of our future operating performance.

Revenue

Revenue represents the sales value of goods sold less returns, discounts, value added taxes and other sales taxes. Our revenue from the continuing operations is mainly derived from the sales of chicken meat products, animal feeds and chicken breeds.

The following table sets out a breakdown of our revenue by product categories during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Revenue										
Chicken meat products	331,446	75.9	362,104	61.6	364,395	64.0	158,164	60.7	201,736	67.3
Animal feeds	72,447	16.6	188,818	32.1	166,260	29.2	83,368	32.0	80,251	26.8
Chicken breeds	32,526	7.5	36,821	6.3	38,587	6.8	19,127	7.3	17,672	5.9
Total	436,419	100.0	587,743	100.0	569,242	100.0	260,659	100.0	299,659	100.0

Our total revenue increased from approximately RMB436.4 million for the year ended 31 December 2007 to approximately RMB587.7 million for the year ended 31 December 2008. However, we recorded a negative growth rate of approximately 3.1% in our revenue for the year ended 31 December 2009 due to decrease in the sales of the animal feeds. Chicken meat products had contributed to the largest proportion of our revenue during the Track Record Period, representing approximately 75.9%, 61.6%, 64.0% and 67.3% of our total revenue for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

Our revenue derived from the sales of animal feeds had significantly increased by approximately 160.6% from approximately RMB72.4 million for the year ended 31 December 2007 to approximately RMB188.8 million for the year ended 31 December 2008. The significant increase was mainly due to the acquisition of an animal feeds production plant from Longyan Baoshun Poultry Technology Company Limited in June 2007. The decrease in the sales of animal feeds from approximately RMB188.8 million for the year ended 31 December 2008 to approximately RMB166.3 million for the year ended 31 December 2009 was mainly due to the decrease in the sales of other animal feeds such as duck feeds and yellow-feathered chicken feeds and the decrease in their average selling

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price. Our revenue derived from the sales of animal feeds represented approximately 16.6%, 32.1%, 29.2% and 26.8% of our total revenue for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

Our sales of chicken breeds was in line with the sales of chicken meat, showing a stable growth during the Track Record Period. Our revenue derived from the sales of chicken breeds represented approximately 7.5%, 6.3%, 6.8% and 5.9% of our total revenue for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

The following table sets out a breakdown of our revenue by sales channels during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
	<i>(unaudited)</i>									
Revenue										
Direct sales	361,994	82.9	504,896	85.9	491,864	86.4	223,637	85.8	261,088	87.1
Distributors	74,425	17.1	82,847	14.1	77,378	13.6	37,022	14.2	38,571	12.9
Total	<u>436,419</u>	<u>100.0</u>	<u>587,743</u>	<u>100.0</u>	<u>569,242</u>	<u>100.0</u>	<u>260,659</u>	<u>100.0</u>	<u>299,659</u>	<u>100.0</u>

While all the chicken feeds and chicken breeds were directly sold to the Contract Farmers, we sold the chicken meat products and other feeds by either direct sales or through our distributors. As our direct sales normally earn a higher profit margin than the sales through our distributors, we had attached more importance to the direct sales during the Track Record Period in order to improve our profitability. As shown in the table above, the portion of the direct sales to our total revenue has increased during the Track Record Period. Our revenue generated from direct sales represented approximately 82.9%, 85.9%, 86.4% and 87.1% of our total revenue for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

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The following table sets out the sales volumes of our (i) chicken meat and animal feeds in terms of weight and (ii) chicken breeds in terms of quantity during the Track Record Period:

	Year ended 31 December			Six months ended	
	2007	2008	2009	30 June	
	<i>(tonnes)</i>	<i>(tonnes)</i>	<i>(tonnes)</i>	<i>(tonnes)</i>	<i>(tonnes)</i>
Total tonnes sold					
Chicken meat products	<u>30,706</u>	<u>32,651</u>	<u>34,592</u>	<u>16,263</u>	<u>17,727</u>
Animal feeds					
– Chicken feeds	26,287	52,042	55,661	26,176	26,918
– Pig feeds	1,961	8,881	6,546	4,551	3,422
– Others ⁽¹⁾	<u>2,008</u>	<u>5,521</u>	<u>2,247</u>	<u>1,942</u>	<u>–</u>
Total animal feeds	<u>30,256</u>	<u>66,444</u>	<u>64,454</u>	<u>32,669</u>	<u>30,340</u>
Total pieces sold					
Chicken breeds	<u>11.6 million</u>	<u>12.3 million</u>	<u>12.9 million</u>	<u>6.4 million</u>	<u>5.9 million</u>

Note:

(1) Others mainly represented duck feeds and yellow-feathered chicken feeds.

As shown in the table above, our sales of chicken meat in term of weight and chicken breeds in term of quantity had shown a stable growth while the sales of animal feeds in term of weight had recorded a decrease of approximately 3.0% from 66,444 tonnes for the year ended 31 December 2008 to 64,454 tonnes for the year ended 31 December 2009. The decrease in the sales of animal feeds was mainly attributable to the termination of production of other feeds in June 2009.

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The following table sets out the average selling prices for our major product categories, being chicken meat products, animal feeds and chicken breeds during the Track Record Period:

	Year ended 31 December			Six months ended	
				30 June	
	2007	2008	2009	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>Per tonne</i>	<i>Per tonne</i>	<i>Per tonne</i>	<i>Per tonne</i>	<i>Per tonne</i>
Average selling prices					
<small>(note 1)</small>					
Chicken meat products	10,794.11	11,090.21	10,534.18	9,725.13	11,380.29
Animal feeds	2,394.43	2,841.74	2,579.53	2,551.93	2,645.10
– Chicken feeds	2,367.16	2,873.26	2,612.56	2,626.69	2,599.98
– Pig feeds	2,799.12	2,852.46	2,421.57	2,264.16	3,000.04
– Other feeds	2,356.17	2,527.36	2,221.47	2,218.61	– <small>(note 2)</small>
Chicken breeds (per piece)	2.80	2.99	2.99	2.99	2.99

Notes:

- (1) Average selling prices represented the revenue for the year/period divided by the total tonnes/number of chicken breeds sold for the year/period.
- (2) The other feeds production was discontinued in June 2009.

Driven by the increase in market demand, the average selling price of chicken meat products and animal feeds increased from RMB10,794.11 per tonne and RMB2,394.43 per tonne for the year ended 31 December 2007 to RMB11,090.21 per tonne and RMB2,841.74 per tonne for the year ended 31 December 2008 respectively. However, due to economic downturn in late 2008, the average selling price of chicken meat and animal feeds decreased by approximately 5.0% and 9.2%, to RMB10,534.18 per tonne and RMB2,579.53 per tonne respectively for the year ended 31 December 2009.

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Cost of sales

The following table sets out a breakdown of our cost of sales for the continuing operations by major product categories and their relative percentage of our total cost of sales during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales										
Chicken meat products	263,896	76.1	316,016	64.3	313,627	66.4	145,252	64.2	164,552	67.3
Animal feeds	68,066	19.6	160,824	32.8	144,991	30.7	73,779	32.6	74,209	30.3
Chicken breeds	15,050	4.3	14,308	2.9	13,927	2.9	7,392	3.2	5,825	2.4
Total	347,012	100.0	491,148	100.0	472,545	100.0	226,423	100.0	244,586	100.0

The following table sets out a breakdown of our cost of sales by production cost and the percentage of such cost to our total cost of sales during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales										
Direct materials	321,404	92.6	459,864	93.6	437,981	92.7	209,977	92.7	226,709	92.7
Direct labour	11,387	3.3	13,238	2.7	16,239	3.4	7,775	3.5	8,077	3.3
Fuel and power	4,600	1.3	6,193	1.3	6,563	1.4	3,258	1.4	3,308	1.4
Overhead	9,621	2.8	11,853	2.4	11,762	2.5	5,413	2.4	6,492	2.6
Total	347,012	100.0	491,148	100.0	472,545	100.0	226,423	100.0	244,586	100.0

Our cost of sales primarily consists of direct material costs, direct labour costs, fuel and power costs and overhead costs. Our direct material costs generally represented over 90% of our cost of sales during the Track Record Period.

Our principal cost of direct materials mainly consists of the cost of broilers purchased from the Contract Farmers, cost of broilers raised by our Group, additives, hatching cost of broiler eggs and raw materials costs related to our animal feeds which primarily comprise of corn, wheat and soya meal.

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Direct labour costs primarily consist of wages, insurance and other employee benefits for our production workers.

Overhead costs primarily consist of utilities, properties insurance, operating lease charges and other miscellaneous operational costs.

During the Track Record Period, we maintained the cost of direct materials at a stable level. The cost of our direct materials represented approximately 92.6%, 93.6%, 92.7% and 92.7% of our total cost of sales for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

The following table sets out the average unit cost for our major product categories, being chicken meat products, animal feeds and chicken breeds during the Track Record Period:

	Year ended 31 December			Six months ended	
				30 June	
	2007	2008	2009	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>Per tonne</i>	<i>Per tonne</i>	<i>Per tonne</i>	<i>Per tonne</i>	<i>Per tonne</i>
	<i>(unaudited)</i>				
Average unit costs					
Chicken meat ^(note 1)	8,594.26	9,678.67	9,066.54	8,931.20	9,282.67
– Broilers from Contract Farmers	7,686.77	9,283.62	8,839.15	8,844.82	9,026.12
– Broilers bred by the Group	8,448.86	10,235.64	9,534.72	9,095.43	9,767.21
Animal feeds ^(note 2)	2,249.64	2,420.43	2,249.54	2,258.41	2,445.96
– Chicken feeds	2,226.74	2,402.17	2,278.21	2,274.46	2,420.83
– Pig feeds	2,593.07	2,572.45	2,020.59	2,191.92	2,643.62
– Other feeds	2,213.91	2,348.01	2,206.18	2,197.89	– ^(note 3)
Chicken breed ^(note 2) (per piece)	1.30	1.16	1.08	1.16	0.98

Notes:

- (1) Average unit costs represented the cost of sales including the cost of broilers purchased from the Contract Farmers for the year/period divided by the total tonnes sold for the year/period.
- (2) Average unit costs represented the cost of sales for the year/period divided by the total tonnes/piece of animal feeds and chicken breeds sold for the year/period.
- (3) The other feeds production was discontinued in June 2009.

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The following table sets out the average unit cost for our major raw materials of animal feeds during the Track Record Period:

	Year ended 31 December			Six months ended	
				30 June	
	2007	2008	2009	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>Per tonne</i>	<i>Per tonne</i>	<i>Per tonne</i>	<i>Per tonne</i>	<i>Per tonne</i>
	<i>(unaudited)</i>				
Average unit cost					
Major raw materials of animal feeds ^(note)					
– Corn	1,838.94	1,858.29	1,801.60	1,720.09	1,987.41
– Wheat	1,752.83	1,814.32	2,000.22	1,934.25	2,152.30
– Soya meal	3,195.14	3,737.50	3,299.06	3,166.41	3,032.46

Note: Average unit cost represented the purchase cost of major raw materials for the year/period divided by the total purchase of major raw materials for the year/period.

The following table sets out the yield rate of our broiler eggs during the Track Record Period:

	Year ended 31 December			Six months ended	
				30 June	
	2007	2008	2009	2009	2010
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Yield rate ^(note)	88.2	87.5	88.2	86.7	88.9

Note: Yield rate represented the total number of hatched broiler egg for the year/period minus the number of non-fertilised broiler egg for the year/period and divided by the total number of hatched broiler egg for the year/period.

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Gross profit and gross profit margin

The following table sets out our total gross profit and gross profit margin by major product categories during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	
	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	
	<i>gross</i>	<i>gross</i>	<i>gross</i>	<i>gross</i>	<i>gross</i>	<i>gross</i>	<i>gross</i>	<i>gross</i>	<i>gross</i>	
	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Gross profit										
Chicken meat products	67,550	75.6	46,088	47.7	50,768	52.5	12,912	37.7	37,184	67.5
Animal feeds	4,381	4.9	27,994	29.0	21,269	22.0	9,589	28.0	6,042	11.0
Chicken breeds	17,476	19.5	22,513	23.3	24,660	25.5	11,735	34.3	11,847	21.5
Total	89,407	100.0	96,595	100.0	96,697	100.0	34,236	100.0	55,073	100.0

	Year ended 31 December			Six months ended	
	2007	2008	2009	30 June 2009	2010
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Gross profit margin					
Chicken meat products	20.4	12.7	13.9	8.2	18.4
Animal feeds	6.0	14.8	12.8	11.5	7.5
Chicken breeds	53.7	61.1	63.9	61.4	67.0
Overall	20.5	16.4	17.0	13.1	18.4

(unaudited)

Gross profit increased from approximately RMB89.4 million for the year ended 31 December 2007 to approximately RMB96.7 million for the year ended 31 December 2009, representing a CAGR of approximately 4%. In addition, gross profit increased by approximately 60.9% from approximately RMB34.2 million for the six months ended 30 June 2009 to approximately RMB55.1 million for the six months ended 30 June 2010. The significant increase was mainly attributable to the increase in the sales of chicken meat products and its average selling price.

For information on the reasons for the fluctuation of gross profit margins for each business segment, please see “Gross profit and gross profit margin” for the relevant periods in the paragraph headed “Period to Period Comparison of Results of Continuing Operations” below.

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Other revenue and gains

Our other revenue and gains primarily consist of sales of side products, interest income, government grants and amortization of financial guarantee contract.

The following table sets out our other revenue and gains during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
				<i>(unaudited)</i>	
Interest income on:					
Bank deposits	302	250	593	36	132
Held-to-maturity investment	<u>—</u>	<u>—</u>	<u>267</u>	<u>—</u>	<u>294</u>
Total interest income	302	250	860	36	426
Sales of side products and related products, net	5,995	8,197	9,821	4,605	3,872
Gain on disposal of property, plant and equipment	88	263	—	3	421
Net foreign exchange gain	33	1,246	—	—	—
Government grants	2,889	943	1,987	623	333
Amortization of financial guarantee liabilities	—	3,098	—	—	1,612
Reversal of impairment loss recognised on other receivables	—	—	47	—	—
Net gain/(loss) arising on change in fair value of financial assets at fair value through profit or loss	366	(90)	49	40	(21)
Sundry income	<u>2,965</u>	<u>1,267</u>	<u>936</u>	<u>351</u>	<u>546</u>
	<u><u>12,638</u></u>	<u><u>15,174</u></u>	<u><u>13,700</u></u>	<u><u>5,658</u></u>	<u><u>7,189</u></u>

Our other revenue and gains were approximately RMB12.6 million, RMB15.2 million, RMB13.7 million and RMB7.2 million for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. Included in the sales of side products and related products, net were the sales of mature breeders, chicken droppings, broiler eggs which do not satisfy our production requirements and unused chicken organs of

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approximately RMB6.0 million, RMB8.2 million, RMB9.8 million and RMB3.9 million for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. The amortization of financial guarantee liabilities represents the recognition of the financial guarantee contract of related company.

Change in fair value less costs to sell of biological assets, fair values of agricultural produce on initial recognition and reversal of fair value of agricultural produce due to hatch and disposals

The change in fair value less costs to sell of biological assets reflected in the combined statements of comprehensive income was primarily due to the changes in fair value of the biological assets.

“Fair value of agricultural produce on initial recognition” as shown in the combined statements of comprehensive income reflects the increase in fair value of agricultural produce upon the time of lay. The fluctuation of this item was primarily the result of the change in the market value of broiler eggs in the local markets and the production and sales volume of broiler eggs. The subsequent hatch and disposals of agricultural produce are reflected in the combined statements of comprehensive income as “reversal of fair value of agricultural produce due to hatch and disposals”.

Given the nature of the biological assets and agricultural produces, their fair values less costs to sell have been valued by the following valuation approaches:

Type of biological assets and agricultural produce	Valuation Approach Employed
Parent Stock Day-Old Chicks	Market Approach with reference to market-determined prices
Immature and mature breeders	Income Approach based on present value of expected net cash flows from them discounted at a market determined discount rate
Chicken breeds	Market Approach with reference to market-determined prices
Broiler eggs	Market Approach with reference to market-determined prices
Pig breeders	Market Approach with reference to market-determined prices

Parent Stock Day-Old Chicks, chicken breeds, broiler eggs and pig breeders are valued based on market approach as their market determined prices are available.

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Under the prevailing market, only Parent Stock Day-Old Chicks and mature breeders having their egg laying cycles terminated after breeding for 66 weeks are normally transacted on the market. Therefore, the breeders are seldom transacted on the market and their market determined prices are unavailable. In this regard, it is appropriate for us to estimate their fair value less costs to sell by using the income approach rather than the direct comparison approach. The fair value less costs to sell under income approach is measured by discounted cash flow (“DCF”) model. Despite the short production cycle of breeders, the DCF model is considered an appropriate method of valuation as there is time lag between cash outflows and cash inflows of the operations where negative net cash flows are observed during the initial stage of the breeding cycle. By discounting all future cash flows into present values, for the same dollar amount, the model can reflect the difference in values of cash flows happened in different points of time along the breeding cycle. The DCF model focuses on the income-producing capability of the breeders. Cash inflows of the model comprise the fair value of broiler eggs to be laid by the breeders from the valuation date to the end of the expected egg laying period and the terminal value of the mature breeders having their egg laying cycles terminated (based on their disposal values). Cash outflows comprise the breeding costs (based on actual costs incurred) as well as costs allowed for wastage due to natural mortality and infertility. The DCF model involves specific assumptions such as the discount rate, yield of egg production per breeder, mortality rate and infertility rate, market price of broiler eggs and related production costs.

The discount rate adopted in the DCF model for each of the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2009 and 2010 is 24.84%, 23.73%, 24.77%, 24.18% and 24.48% respectively, which have been developed by the capital asset pricing model (“CAPM”) as follows:

$$E(R) = R_f + \beta (R_m - R_f) + \epsilon$$

where

$E(R)$ is the discount rate;

R_f is the risk-free rate;

β (the “unlevered beta”) is the sensitivity of the expected excess asset returns to the expected excess market returns;

$R_m - R_f$ is the market premium; and

ϵ is the specific risk premium

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The following assumptions have been adopted for the CAPM:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
R_f (Note 1)	4.452%	2.718%	3.632%	3.166%	3.277%
β (Note 2)	0.6034	0.6393	0.6915	0.6770	0.6981
$R_m - R_f$ (Note 3)	8.922%	9.403%	8.879%	8.879%	8.879%
ϵ (Note 4)	15%	15%	15%	15%	15%

Notes:

1. Yields of 10-year PRC Government Bonds have been taken as risk free rate.
2. Unlevered betas have been determined with reference to the same parameters of the comparable companies engaged in businesses operations similar to the Company in the PRC or other developing countries such as Indonesia and South Africa. They include DaChan Food (Asia) Limited (Stock Code: 3999.HK); Shandong Minhe Animal Husbandry Co., Ltd. (Stock code: 002234.CN); Fujian Sunner Development Company Ltd. (Stock Code: 2299.CN); Henan Huaying Agricultural Development Co., Ltd. (Stock Code: 002321.CN); Venky's (India) Limited (Stock Code: 523261.BOM); Srinivasa Hatcheries Ltd (Stock Code: 526893.BOM); Rainbow Chicken Limited (Ticker Symbol: RBW.JNB); and Yuhe International, Inc. (Ticker Symbol: YUII.NASDAQ).
3. Market risk premium of US stock market adjusted with country risk premium applicable to the PRC has been adopted in the CAPM.
4. Specific risk premium allows for size difference (where the capital value of the assets being valued is substantially lower than the market capitalization of the comparable companies) and the unsystematic risks of the assets being valued. It is also additional return add to the appraised asset due to the difference in size of investment (where the value of appraised asset is lower than the market capitalizations of the comparable companies) and the illiquid nature of the appraised asset. The indicated size and liquidity premium of 15% has been adopted with reference to the 2009 Ibbotson SBBI Valuation Yearbook. Based on the empirical studies as mentioned in the yearbook, there is a spread of return of 7.79% between low-cap companies and smallest-cap companies and this spread of return is attributable to size premium. In addition, there is a spread of return of 6.5% between companies having very liquid shares and companies having illiquid shares and this spread of return is attributable to liquidity premium. Given the aforesaid adjustment factors, a specific risk premium of 15% is added to the CAPM in arriving at the discount rate for the DCF model.

The discount rate adopted in the DCF model is higher than the returns on equity of the comparable companies and this can be justified on the following grounds:

- the market capitalizations of the comparable companies are substantially higher than the capital values of the assets being valued; and
- the assets being valued comprise specific groups of breeders which are subject to greater unsystematic risks in term of risks on physical conditions of the breeders, operational risks, catastrophic risks and market risks than the comparable companies which are continuously operating entities having numerous groups of breeders to diversify away those unsystematic risks to certain extent.

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Given the discount rate as mentioned above, each of the projected cash flows of the model is discounted to present value by the following formula:

$$PV = CF \times (1 + r/52)^{-n}$$

Where

PV : Present value of a cash flow at a particular point of time

CF : Cash flow of that particular point of time

r : discount rate

n : number of week between the relevant reporting date and the week when that particular cash flow happens

Since the main purpose of breeders is to produce broiler eggs that are used for further processing down the value chain of the Company, the cash inflows of the breeders are mainly contributed from the values of broiler eggs to be produced by them during their breeding cycles. As all breeders being valued are AA+ branded breeders, the Valuer has made reference to the expected yield of eggs as stated in “Arbor Acres Plus (AA+) Parent Stock Performance Objectives”, the technical paper issued by Aviagen Group for the egg laying pattern of the breeders.

The Reporting Accountants are of the view that the source data used is relevant and reliable.

Aviagen Group is a global market leader in poultry genetics and a world’s premier poultry research, development and breeding company. It has developed various pedigree lines for the production of commercial broilers and turkeys under its brand names of Arbor Acres (AA), Arbor Acres Plus (AA+), Ross and L.I.R.. Its technical papers as well as breeding guides are commonly accepted references for chicken breeding farmers in breeding chickens of brands developed by Aviagen Group. More details on the background of Aviagen Group can be found via the link <http://www.aviagen.com/ss/>.

As mentioned in the Arbor Acres Plus (AA+) Parent Stock Performance Objectives, an average of 177 broiler eggs are suggested to be produced from each breeder during its egg laying cycle. According to the records of the Company, an average of 167 broiler eggs can be produced from each breeder bred by the Company during its egg laying cycle. The actual yield of eggs achieved by the Company has been adopted by the Valuer in the DCF model.

Mortality rate of 0.3% per week and infertility rate of 1.5%, having taken into account the historical records of our Group, have been adopted in the valuation model.

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The market prices of broiler eggs are based on the market-determined prices prevailing as of the relevant reporting dates net of costs to sell without considering any inflationary effect on market price during the egg laying period of the breeders. The assumptions on market prices of broiler eggs and production costs adopted in the DCF model are set out in the following table:

	Year ended 31 December			Six months ended	
				30 June	
	2007	2008	2009	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Market value of broiler eggs per unit	2.0	2.3	2.3	2.3	2.3
Production costs for a breeding cycle	228	304	303	292	287

The direct production costs include the costs necessary to maintain the well being of the breeders from the relevant reporting date to the end of their egg laying cycles and have been determined by reference to total historical costs incurred by our Group. The reasons underlying the drop in production costs include the drop in market prices of animal feeds and improvement on breeding operations of the Company during the Track Record Period.

In addition, the following principal assumptions have been adopted by our Valuer:

- there will be no major change in the existing political, legal and economic conditions in the PRC;
- save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the Group;
- the interest rates and exchange rates will not differ materially from those presently prevailing;
- the breeders are free from any animal diseases, including but not limiting to avian influenza such that they are all healthy and are capable to generate valuable outputs in line with normal expectations and subject to normal operating expenses;
- the life cycle, natural mortality rates and infertility rates of that particular breed of breeders as given by the Group are fair and reasonable and egg laying pattern of that particular breed of breeders is not materially different from that as shown in the Arbor Acres Plus (AA+) Parent Stock Performance Objectives as published by Aviagen Group which is the developer of AA+ branded chicken;
- the availability of finance will not be a constraint on the breeding of the breeders;

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- the production facilities, systems and the technology utilized by the Group in carrying out its breeding operations do not infringe any relevant regulations and law;
- the Group has obtained or shall have no impediment to obtain all necessary governmental permits and approvals to carry out its breeding operations in the PRC;
- the breeders are not subject to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date;
- the Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding operations; and
- the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the fair value of the breeders.

The Group currently has three breeder farms and five broiler breeding farms on which various sheds are erected. Parent Stock Day-Old Chicks and chicken breeds are moved into a shed at the same time such that all chickens within a shed would be in the same stage of life cycle. For administration purposes, the housekeeper of the shed would keep proper records on the number of chickens moved into the shed and also the number of chicken remaining alive inside the shed every day throughout the breeding period. After the breeding period, the shed would be vacated by moving out all the chickens for sale or for slaughtering. Cages of prescribed dimensions that can contain a certain number of mature breeders or broilers are used for carrying the chickens from the sheds to the prescribed destinations.

The following steps have been taken for undertaking the physical counting by the Reporting Accountants and the Valuer:

- to confirm with the Company the time when the chickens are mature enough for moving out from the sheds for sale or for slaughtering;
- to obtain the housekeeper records in relation to the number of chickens in the sheds by the time when they are moved out from the sheds;
- to obtain the housekeeper records in relation to the daily reduction on the number of chickens within the sheds between the relevant reporting date and the date when they are moved out;
- to count the number of cages containing the chickens at the entrance of the sheds when they are moved out from the sheds; and
- to work out the number of chicken breeds/broilers or breeders as at the relevant reporting date by rolling back the counted number from the counting date to the relevant reporting date using the warehouse records as mentioned above.

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The fair value less costs to sell of chicken breeds, Parent Stock Day-Old Chicks and broiler eggs are determined using the direct comparison approach with reference to the selling prices less costs to sell. Selling prices represent the prevailing market prices of livestock, chickens and eggs of similar breed or genetic merit. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding transportation costs, finance costs and income taxes.

Based on the above, the Reporting Accountants had performed the following procedures in accordance with the Hong Kong Standard on Auditing 620 *Using the Work of an Expert* (“HKSA 620”):

- they had made inquiries regarding the source data used and procedures undertaken by the Valuer in the valuations; and
- they had obtained an understanding on the assumptions and methods used.

The Reporting Accountants are of the view that i) the source data is relevant and reliable; and ii) the assumptions (including discount rate) and methods used are appropriate and reasonable based on their knowledge of the business and the results of other audit procedures performed.

The Sponsor has reviewed the bases and assumptions (including discount rate) of the valuation and discussed the same with the management of the Group and the Reporting Accountants and is of the view that they are appropriate and reasonable on the following grounds:

- given the short term nature of the product cycle of this type of biological assets, no material fluctuation of various economic and fiscal factors are expected during their breeding periods;
- the assumed life cycle and output of eggs per breeder are consistent with the information as mentioned in the section headed “Business” of this prospectus; and
- being one of the well-known poultry product suppliers in the market, the Group possesses advanced breeding facilities and experienced management team and staff, and has implemented sound safety and hygiene systems and high feed nutritious standards to ensure the well being of the chickens, the disease-free breeding environment and compliance with the laws and regulations.

Selling and distribution expenses

Selling and distribution expenses primarily consist of transportation costs, sales and marketing expenses, travel expenses and staff costs.

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The following table sets out our selling and distribution expenses during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Staff costs	2,593	0.6	1,849	0.3	1,799	0.3	806	0.3	817	0.3
Marketing expenses	151	–	978	0.2	1,083	0.2	559	0.2	516	0.2
Transportation expenses	4,243	1.0	5,722	1.0	5,412	0.9	2,910	1.1	2,510	0.8
Others	1,367	0.3	932	0.1	1,001	0.2	488	0.2	317	0.1
	<u>8,354</u>	<u>1.9</u>	<u>9,481</u>	<u>1.6</u>	<u>9,295</u>	<u>1.6</u>	<u>4,763</u>	<u>1.8</u>	<u>4,160</u>	<u>1.4</u>

Our selling and distribution expenses were approximately RMB8.4 million, RMB9.5 million, RMB9.3 million and RMB4.2 million for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. As a percentage of total revenue, our selling and distribution expenses were approximately 1.9%, 1.6%, 1.6% and 1.4% for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively, which have remained stable during the Track Record Period.

Administrative expenses

Administrative expenses primarily consist of staff costs, depreciation of property, plant and equipment, travel expenses and administration-related expenses.

The following table sets out our administrative expenses during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Staff costs	6,095	1.4	7,000	1.2	8,596	1.5	4,101	1.6	5,248	1.7
General administrative expenses	7,779	1.8	7,202	1.2	5,835	1.0	2,792	1.1	3,848	1.3
Depreciation and amortization	2,113	0.5	1,758	0.3	2,692	0.5	1,282	0.5	1,394	0.5
Fair value of financial guarantee contract	3,098	0.7	–	–	1,612	0.3	–	–	–	–
Withholding tax	–	–	–	–	–	–	–	–	3,949	1.3
Others	4,866	1.1	3,484	0.6	3,671	0.6	2,111	0.8	1,979	0.7
	<u>23,951</u>	<u>5.5</u>	<u>19,444</u>	<u>3.3</u>	<u>22,406</u>	<u>3.9</u>	<u>10,286</u>	<u>4.0</u>	<u>16,418</u>	<u>5.5</u>

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Our administrative expenses were approximately RMB24.0 million, RMB19.4 million, RMB22.4 million and RMB16.4 million for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. During the six months ended 30 June 2010, the withholding tax paid was related to the dividends in respect of the distributable profits of the Group's subsidiaries to their non-resident shareholders. As a percentage of total revenue, our administrative expenses were approximately 5.5% in 2007, approximately 3.3% in 2008, approximately 3.9% in 2009 and approximately 5.5% during the six months ended 30 June 2010 which have remained stable during the Track Record Period.

Finance costs

Our Group's finance costs primarily represent interest on bank borrowings.

Other operating expenses

Other operating expenses primarily consist of maintenance costs representing feeding costs of mature breeders of 24 weeks old or more which are grown from Parent Stock Day-Old Chicks and used for laying broiler eggs. In the opinion of the Directors, the feeding costs of mature breeders are in the nature of operating expenses and accounted for as other operating expenses.

The following table sets out our other operating expenses during the Track Record Period:

	2007		Year ended 31 December 2008		2009		Six months ended 30 June 2009		2010	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000 (unaudited)	% of total revenue	RMB'000	% of total revenue
Donations	380	0.1	172	-	819	0.1	500	0.2	29	-
Maintenance costs	10,512	2.4	17,044	2.9	14,400	2.5	7,510	2.9	8,114	2.7
Others	401	0.1	447	0.1	251	0.1	130	-	272	0.1
	<u>11,293</u>	<u>2.6</u>	<u>17,663</u>	<u>3.0</u>	<u>15,470</u>	<u>2.7</u>	<u>8,140</u>	<u>3.1</u>	<u>8,415</u>	<u>2.8</u>

Our other operating expenses were approximately RMB11.3 million, RMB17.7 million, RMB15.5 million and RMB8.4 million for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. As a percentage of total revenue, our other operating expenses were approximately 2.6% in 2007, approximately 3.0% in 2008, approximately 2.7% in 2009 and approximately 2.8% during the six months ended 30 June 2010 which have remained stable during the Track Record Period.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF CONTINUING OPERATIONS

Six months ended 30 June 2010 compared to Six Months ended 30 June 2009 (unaudited)

Revenue

Our revenue increased by approximately 15.0%, from approximately RMB260.7 million for the six months ended 30 June 2009 to approximately RMB299.7 million for the six months ended 30 June 2010, primarily due to the increase in sales volume and average selling price in the chicken meat products resulting from the recovery of economic condition.

Chicken meat products

- Revenue from sales of our chicken meat products business increased by approximately 27.5%, from approximately RMB158.2 million for the six months ended 30 June 2009 to approximately RMB201.7 million for the six months ended 30 June 2010, primarily as a result of the increase in the average selling price by approximately 17.0% and sales volume by approximately 9.0% of our chicken meat products resulting from the recovery of economic condition.

Animal feeds

- Revenue from sales of our animal feeds business decreased by approximately 3.7%, from approximately RMB83.4 million for the six months ended 30 June 2009 to approximately RMB80.3 million for the six months ended 30 June 2010, primarily as a result of the termination of production of other feeds in June 2009.

Chicken breeds

- Revenue from sales of our chicken breeds business decreased by approximately 7.6%, from approximately RMB19.1 million for the six months ended 30 June 2009 to approximately RMB17.7 million for the six months ended 30 June 2010, primarily due to the decrease in the proportion of broilers sold to the Contract Farmers as some Contract Farmers had temporarily ceased their broiler breeding business during the long holiday period for the Chinese New Year in January 2010.

Cost of Sales

Our total cost of sales increased by approximately 8.0%, from approximately RMB226.4 million for the six months ended 30 June 2009 to approximately RMB244.6 million for the six months ended 30 June 2010, primarily as a result of the increase in the cost of direct materials in the chicken meat business.

Chicken meat products

- Cost of sales for our chicken meat business increased by approximately 13.3%, from approximately RMB145.3 million for the six months ended 30 June 2009 to approximately RMB164.6 million for the six months ended 30 June 2010, primarily as

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a result of the increase in sales volume of chicken meat products. Besides, we repurchase broilers from the Contract Farmers at an agreed price fixed at the beginning of 2010. Therefore, the increase in the cost of sales of chicken meat product was relatively less than the increase in the sales of chicken meat product.

Animal feeds

- Cost of sales for our animal feeds business increased slightly by approximately 0.6%, from approximately RMB73.8 million for the six months ended 30 June 2009 to approximately RMB74.2 million for the six months ended 30 June 2010, primarily as a result of the increase in the cost of major raw materials, such as corn, wheat and soya meal, which was partially offset by the effect of decrease in sales volume in animal feeds.

Chicken breeds

- Cost of sales for our chicken breeds business decreased by approximately 21.2%, from approximately RMB7.4 million for the six months ended 30 June 2009 to approximately RMB5.8 million for the six months ended 30 June 2010, primarily due to the decrease in the purchase cost of the Parent Stock Day-Old Chicks and the improvement in the fertilisation rate of our broiler eggs.

Gross profit and gross profit margin

Gross profit increased by approximately 60.9%, from approximately RMB34.2 million for the six months ended 30 June 2009 to approximately RMB55.1 million for the six months ended 30 June 2010. Our overall gross profit margin increased from approximately 13.1% for the six months ended 30 June 2009 to approximately 18.4% for the six months ended 30 June 2010, primarily due to the increase in gross profit of chicken meat products business as a result of the increase in the average selling prices of chicken meat products.

Chicken meat products

- Gross profit from our chicken meat products business increased by approximately 188.0%, from approximately RMB12.9 million for the six months ended 30 June 2009 to approximately RMB37.2 million for the six months ended 30 June 2010. The gross profit margin for our chicken meat products increased from approximately 8.2% for the six months ended 30 June 2009 to approximately 18.4% for the six months ended 30 June 2010. This was primarily due to the increase in the average selling price of our chicken meat products by approximately 17.0% as a result of the recovery of economic condition in 2010.

Animal feeds

- Gross profit from our animal feeds business decreased by approximately 37.0%, from approximately RMB9.6 million for the six months ended 30 June 2009 to approximately RMB6.0 million for the six months ended 30 June 2010. The gross profit margin for our animal feeds decreased from approximately 11.5% for the six months ended 30 June 2009 to approximately 7.5% for the six months ended 30 June 2010. This was primarily due to the increase in the unit cost of major raw materials of animal feeds, namely corn and wheat by approximately 15.5% and 11.3% respectively

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while our average selling price of animal feeds remained stable during both periods. Since the Contract Farmers purchase animal feeds from us at an agreed price fixed at the beginning of 2010, the effect of the increase in the cost of major raw materials of animal feeds was not passed to the Contract Farmers.

Chicken breeds

- Gross profit from our chicken breeds business increased by approximately 1.0%, from approximately RMB11.7 million for the six months ended 30 June 2009 to approximately RMB11.8 million for the six months ended 30 June 2010. The gross profit margin for our chicken breeds increased from approximately 61.4% for the six months ended 30 June 2009 to approximately 67.0% for the six months ended 30 June 2010. This was primarily due to the improvement in the fertilisation rate of our broiler eggs which had directly lowered our production cost.

Change in fair value less costs to sell of biological assets

The loss recognised for the change in fair value less costs to sale of biological assets increased by approximately 2,680.7%, from a loss of approximately RMB0.1 million for the six months ended 30 June 2009 to a loss of approximately RMB4.0 million for the six months ended 30 June 2010. Such increase was primarily due to the decrease in the fair values of the mature breeders as those mature breeders close to the age of 66 weeks old (which is the age laying the least eggs and value of which is therefore the least). Hence, the value of mature breeders diminished.

Change in fair value of agricultural produce on initial recognition

The fair value of agricultural produce on initial recognition decreased slightly by approximately 2.1%, from approximately RMB29.0 million for the six months ended 30 June 2009 to approximately RMB28.4 million for the six months ended 30 June 2010. The decrease was mainly due to the decrease in the quantity of production of agricultural produce for the six months ended 30 June 2010.

It will normally take 21 days for a broiler egg to be hatched into a chicken breed. In the view of this fact, the reversal of fair value of agricultural produce due to sales and disposals was subjected to the production and sales volume of chicken breeds.

The reversal of fair value of agricultural produce due to sales and disposals decreased by approximately 6.5%, from approximately RMB29.4 million for the six month ended 30 June 2009 to approximately RMB27.5 million for the six months ended 30 June 2010. The reversal of fair value was higher than the fair value on initial recognition because fewer chicken breeds were sold during the six months ended 30 June 2010.

Other revenue and gains

Other revenue and gains increased by approximately 27.1%, from approximately RMB5.7 million for the six months ended 30 June 2009 to approximately RMB7.2 million for the six months ended 30 June 2010, primarily as a result of amortization of financial guarantee contract that was derecognised during the six months ended 30 June 2010. The

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sales of side products and related products, net decreased by approximately 15.9%, from approximately RMB4.6 million for the six months ended 30 June 2009 to approximately RMB3.9 million for the six months ended 30 June 2010 was primarily due to the decrease in sales of mature breeders and chicken droppings.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 12.7%, from approximately RMB4.8 million for the six months ended 30 June 2009 to approximately RMB4.2 million for the six months ended 30 June 2010, primarily as a result of decrease in transportation expenses related to sales of our products. Our transportation expenses decreased by approximately 13.7%, from approximately RMB2.9 million for the six months ended 30 June 2009 to approximately RMB2.5 million for the six months ended 30 June 2010. This is mainly attributable to the termination of production of other feeds in June 2009 which resulted in decrease in transportation expenses. Our selling and marketing expenses as a percentage of our revenue remained stable for the six months ended June 2009 and 2010.

Administrative expenses

Administrative expenses increased by approximately 59.6%, from approximately RMB10.3 million for the six months ended 30 June 2009 to approximately RMB16.4 million for the six months ended 30 June 2010. The increase was mainly as a result of increase in staff costs in connection with improvement in our chicken meat business and the withholding tax in respect of the distributable profits of the Group's subsidiaries. As a result, our administrative staff costs increased by approximately 28.0%, from approximately RMB4.1 million for the six months ended 30 June 2009 to approximately RMB5.2 million for the six months ended 30 June 2010. The increase was due to i) increase in staff salary as a result of the annual salary review range from 5% to 36% depends on the Company's assessment of their staff performance and experience during the salary review period; ii) the increase in the staff salary of our Hong Kong office. Our general administrative expenses increased by approximately 37.8%, from approximately RMB2.8 million for the six months ended 30 June 2009 to approximately RMB3.8 million for the six months ended 30 June 2010 as a result of the increase in various administrative expenses, including entertainment, advertising and rental. Our administrative expenses as a percentage of our revenue for the six months ended 30 June 2010 increased by 1.6% compared with the six months ended 30 June 2009.

Other operating expenses

Other operating expenses increased slightly by approximately 3.4%, from approximately RMB8.1 million for the six months ended 30 June 2009 to approximately RMB8.4 million for the six months ended 30 June 2010 mainly due to the increase in the feeding cost of mature breeders by approximately 8.0% resulting from the increase in the number of mature breeders.

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Finance costs

Finance costs increased by approximately 20.9%, from approximately RMB4.8 million for the six months ended 30 June 2009 to RMB5.8 million for the six months ended 30 June 2010, primarily as a result of an increase in interest paid on bank borrowings.

Taxation

Income tax remained stable at approximately RMB1.4 million for the six months ended 30 June 2009 and 2010.

Profit for the period and net profit margin

Profit for the period increased by approximately 131.0% from approximately RMB9.9 million for the six months ended 30 June 2009 to approximately RMB22.8 million for the six months ended 30 June 2010, primarily as a result of the increase in sales volume of our chicken meat business. Our net profit margin increased from approximately 3.8% for the six months ended 30 June 2009 to approximately 7.6% for the six months ended 30 June 2010.

Year ended 31 December 2009 compared to Year ended 31 December 2008

Revenue

Our revenue decreased by approximately 3.1%, from approximately RMB587.7 million for the year ended 31 December 2008 to approximately RMB569.2 million for the year ended 31 December 2009, primarily as a result of the decrease in sales volume in animal feeds.

Chicken meat products

- Revenue from sales of our chicken meat products business increased slightly by approximately 0.6%, from approximately RMB362.1 million for the year ended 31 December 2008 to approximately RMB364.4 million for the year ended 31 December 2009, primarily as a result of the increase in the sales volume by approximately 6% of chicken meat products partially offset by the decrease in the average selling price by approximately 5%. The decrease in the average selling price was primarily due to our strategy to maintain the sales growth in our chicken meat products.

Animal feeds

- Revenue from sales of our animal feeds business decreased by approximately 11.9%, from approximately RMB188.8 million for the year ended 31 December 2008 to approximately RMB166.3 million for the year ended 31 December 2009, primarily as a result of the decrease in the sales of other animal feeds, such as duck feeds and yellow-feathered chicken feeds, and the decrease in the average selling price of animal feeds sold to Contract Farmers resulting from economic downturn. Since the Contract

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Farmers purchased animal feeds from us at an agreed price fixed at the beginning of 2009, the effect of the economic recovery in the second half of 2009 had not been reflected in the average selling prices of animal feeds.

Chicken breeds

- Revenue from sales of our chicken breeds business increased by approximately 4.8%, from approximately RMB36.8 million for the year ended 31 December 2008 to approximately RMB38.6 million for the year ended 31 December 2009. It was in line with the increase in sales volume of chicken breeds.

Cost of Sales

Our total cost of sales decreased by approximately 3.8%, from approximately RMB491.1 million for the year ended 31 December 2008 to approximately RMB472.5 million for the year ended 31 December 2009, primarily as a result of the decrease in the sales in our animal feeds business.

Chicken meat products

- Cost of sales for our chicken meat business decreased by approximately 0.8%, from approximately RMB316.0 million for the year ended 31 December 2008 to approximately RMB313.6 million for the year ended 31 December 2009, primarily as a result of the decrease in the repurchase price of broilers from the Contract Farmers and the feeding cost of the broilers of the Group.

Animal feeds

- Cost of sales for our animal feeds business decreased by approximately 9.8%, from approximately RMB160.8 million for the year ended 31 December 2008 to approximately RMB145.0 million for the year ended 31 December 2009, primarily as a result of the decrease in the sales volume of animal feeds resulting from the termination of production of other animal feeds in June 2009.

Chicken breeds

- Cost of sales for our chicken breeds business decreased by approximately 2.7%, from approximately RMB14.3 million for the year ended 31 December 2008 to approximately RMB13.9 million for the year ended 31 December 2009, primarily as a result of the improvement in fertilisation rate of our broiler eggs and no purchase of broiler eggs from other suppliers, which had directly lowered the production cost in our chicken breeds business.

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Gross profit and gross profit margin

Gross profit increased by approximately 0.1%, from approximately RMB96.6 million for the year ended 31 December 2008 to approximately RMB96.7 million for the year ended 31 December 2009. Our overall gross profit margin remain stable at 16.4% and 17.0% for the year ended 31 December 2008 and 2009 respectively.

Chicken meat products

- Gross profit from our chicken meat business increased by approximately 10.2%, from approximately RMB46.1 million for the year ended 31 December 2008 to approximately RMB50.8 million for the year ended 31 December 2009. The gross profit margin for our chicken meat products increased from approximately 12.7% for the year ended 31 December 2008 to approximately 13.9% for the year ended 31 December 2009. This was primarily due to the fact that decrease in the average selling price was less than decrease in the average unit costs of our chicken meat products.

Animal feeds

- Gross profit from animal feeds business decreased by approximately 24.0%, from approximately RMB28.0 million for the year ended 31 December 2008 to approximately RMB21.3 million for the year ended 31 December 2009, primarily as a result of the decrease in average selling price. The gross profit margin for our animal feeds decreased from approximately 14.8% for the year ended 31 December 2008 to approximately 12.8% for the year ended 31 December 2009. This was primarily due to the decrease in the average selling price of animal feeds to the Contract Farmers resulting from economic downturn. Since the Contract Farmers purchased animal feeds from us at an agreed price fixed at the beginning of 2009, the effect of the economic recovery in the second half of 2009 had not been reflected in the average selling prices of animal feeds.

Chicken breeds

- Gross profit from our chicken breeds business increased by approximately 9.5%, from approximately RMB22.5 million for the year ended 31 December 2008 to approximately RMB24.7 million for the year ended 31 December 2009. The gross profit margin for our chicken breeds increased from approximately 61.1% for the year ended 31 December 2008 to approximately 63.9% for the year ended 31 December 2009. This was primarily due to no purchase of broiler eggs from other suppliers was required as a result of the improvement in the fertilisation rate of our broiler eggs which had directly lowered our production cost.

Change in fair value less costs to sell of biological assets

The fair value less costs to sell of biological assets changed, from a loss of approximately RMB2.2 million for the year ended 31 December 2008 to a gain of approximately RMB3.4 million for the year ended 31 December 2009. Such change was primarily due to the increase in the fair values of the mature breeders as there were less

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mature breeders close to the age of 66 weeks old (which is the age laying the least eggs and value of which is therefore the least) as at 31 December 2009 than those as at 31 December 2008.

Change in fair value of agricultural produce on initial recognition

The fair value of agricultural produce on initial recognition increased slightly by approximately 3.9%, from approximately RMB55.8 million for the year ended 31 December 2008 to approximately RMB58.0 million for the year ended 31 December 2009. Such increase was due to the increase of production quantity of broiler eggs.

It will normally take 21 days for a broiler egg to be hatched into a chicken breed. In the view of this fact, the reversal of fair value of agricultural produce due to sales and disposals was subjected to the production and sales volume of chicken breeds.

The reversal of fair value of agricultural produce due to sales and disposals increased by approximately 11.5%, from approximately RMB53.9 million for the year ended 31 December 2008 to approximately RMB60.1 million for the year ended 31 December 2009. The reversal of fair value was higher than the fair value on initial recognition because more chicken breeds were sold during the year ended 31 December 2009.

Other revenue and gains

Other revenue and gains decreased by approximately 9.7%, from approximately RMB15.2 million for the year ended 31 December 2008 to approximately RMB13.7 million for the year ended 31 December 2009, primarily as a result of no foreign exchange gain having been incurred and no financial guarantee contract having been amortized during the year ended 31 December 2009. The sales of side products and related products, net increased by approximately 19.8%, from approximately RMB8.2 million for the year ended 31 December 2008 to approximately RMB9.8 million for the year ended 31 December 2009 was primarily due to the increase in sales of mature breeders and chicken droppings.

Selling and distribution expenses

Selling and distribution expenses decreased slightly by approximately 2.0%, from approximately RMB9.5 million for the year ended 31 December 2008 to approximately RMB9.3 million for the year ended 31 December 2009, primarily due to the termination of the production of other feeds in June 2009 which resulted in the decrease in transportation expenses and sales and marketing staff costs. Our selling and marketing expenses as a percentage of our revenue remained stable for the years ended 31 December 2008 and 2009.

Administrative expenses

Administrative expenses increased by approximately 15.2%, from approximately RMB19.4 million for the year ended 31 December 2008 to approximately RMB22.4 million for the year ended 31 December 2009, primarily as a result of an increase in staff salaries during the annual salary assessment and the fair value of change of financial guarantee contract recognised. As a result, our administrative staff costs increased by approximately

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22.8%, from approximately RMB7.0 million for the year ended 31 December 2008 to approximately RMB8.6 million for the year ended 31 December 2009. Our depreciation and amortization under administrative expenses increased by approximately 53.1%, from approximately RMB1.8 million for the year ended 31 December 2008 to approximately RMB2.7 million for the year ended 31 December 2009 as a result of the purchase of additional property, plant and equipment. Our administrative expenses as a percentage of our revenue remained stable for the years ended 31 December 2008 and 2009.

Other operating expenses

Other operating expenses decreased by approximately 12.4%, from approximately RMB17.7 million for the year ended 31 December 2008 to approximately RMB15.5 million for the year ended 31 December 2009 mainly due to the decrease in the feeding cost of mature breeders by approximately 15.5% resulting from the decrease in the average selling price of animal feeds.

Finance costs

Finance costs decreased by approximately 2.5%, from approximately RMB9.1 million for the year ended 31 December 2008 to RMB8.9 million for the year ended 31 December 2009, primarily as a result of repayment of bank loan.

Taxation

Income tax decreased by approximately 21.9%, from approximately RMB7.1 million for the year ended 31 December 2008 to approximately RMB5.6 million for the year ended 31 December 2009, primarily as a result of a decrease in taxable profit from the animal feeds business.

Profit for the year and net profit margin

Profit for the year remained stable for the year ended 31 December 2008 and 2009. Our net profit margin slightly increased from 8.3% for the year ended 31 December 2008 to 8.8% for the year ended 31 December 2009.

Year ended 31 December 2008 compared to Year ended 31 December 2007

Revenue

Our revenue increased by approximately 34.7%, from approximately RMB436.4 million for the year ended 31 December 2007 to approximately RMB587.7 million for the year ended 31 December 2008, primarily as a result of the increase in sales volume in all of our three businesses.

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Chicken meat products

- Revenue from sales of our chicken meat products business increased by approximately 9.2%, from approximately RMB331.4 million for the year ended 31 December 2007 to approximately RMB362.1 million for the year ended 31 December 2008, primarily due to the increase in the average selling price and sales volume of our chicken meat products by approximately 2.7% and 6.3% respectively resulting from increase in market demand.

Animal feeds

- Revenue from sales of animal feeds business increased by approximately 160.6%, from approximately RMB72.4 million for the year ended 31 December 2007 to approximately RMB188.8 million for the year ended 31 December 2008, primarily as a result of the increase in the selling price of animal feeds due to the increase in market demand and the acquisition of an animal feeds production plant during 2007 which allowed us to sell animal feeds directly to the Contract Farmers.

Chicken breeds

- Revenue from sales of chicken breeds business increased by approximately 13.2%, from approximately RMB32.5 million for the year ended 31 December 2007 to approximately RMB36.8 million for the year ended 31 December 2008, primarily as a result of the increase in sales volume and unit selling price of chicken breeds sold to the Contract Farmers.

Cost of Sales

Our total cost of sales increased by approximately 41.5%, from approximately RMB347.0 million for the year ended 31 December 2007 to approximately RMB491.1 million for the year ended 31 December 2008, primarily as a result of the increase in sales volume across all of our three businesses.

Chicken meat products

- Cost of sales for our chicken meat products business increased by approximately 19.8%, from approximately RMB263.9 million for the year ended 31 December 2007 to approximately RMB316.0 million for the year ended 31 December 2008, primarily as a result of the increase in the feeding cost of the broilers of the Group and the repurchase price of broilers from the Contract Farmers, which were the principal material of our chicken meat products.

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Animal feeds

- Cost of sales for our animal feeds business increased by approximately 136.3%, from approximately RMB68.1 million for the year ended 31 December 2007 to approximately RMB160.8 million for the year ended 31 December 2008, primarily as a result of the increase in our sales volume due to the acquisition of an animal feeds production plant during 2007.

Chicken breeds

- Cost of sales of our chicken breeds business decreased by approximately 4.9%, from approximately RMB15.1 million for the year ended 31 December 2007 to approximately RMB14.3 million for the year ended 31 December 2008, primarily as a result of the improvement in production efficiency and fewer broiler eggs were purchased from other suppliers which had directly lowered the production cost in our chicken breeds business.

Gross profit and gross profit margin

Gross profit increased by approximately 8.0%, from approximately RMB89.4 million for the year ended 31 December 2007 to approximately RMB96.6 million for the year ended 31 December 2008, primarily as a result of the increase in sales in the animal feeds business. Our overall gross profit margin decreased from approximately 20.5% for the year ended 31 December 2007 to approximately 16.4% for the year ended 31 December 2008, primarily as a result of the decrease in the gross profit of our chicken meat products business.

Chicken meat products

- Gross profit from our chicken meat products business decreased by approximately 31.8%, from approximately RMB67.6 million for the year ended 31 December 2007 to approximately RMB46.1 million for the year ended 31 December 2008. The gross profit margin for our chicken meat products decreased from approximately 20.4% for the year ended 31 December 2007 to approximately 12.7% for the year ended 31 December 2008. This was primarily due to the fact that the extent of increase in the average selling price of chicken meat products of approximately 2.7% resulting from increase in market demand could not compensate the extent of increase in the repurchase price of broilers from the Contract Farmers of approximately 20.8%. Such increase in the repurchase price of broilers from the Contract Farmers was primarily due to the increase in the feeding cost.

Animal feeds

- Gross profit from our animal feeds business increased by approximately 539.0%, from approximately RMB4.4 million for the year ended 31 December 2007 to approximately RMB28.0 million for the year ended 31 December 2008. The gross profit margin for our animal feeds business increased from approximately 6.0% for the year ended 31 December 2007 to approximately 14.8% for the year ended 31 December 2008. The

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increase in gross profit margin for animal feeds was primarily due to i) the increase in the average selling price of animal feeds due to the increase in market demand; ii) the acquisition of an animal feeds production plant during 2007 which enabled us to enjoy economies of scale.

Chicken breeds

- Gross profit from our chicken breeds business increased by approximately 28.8%, from approximately RMB17.5 million for the year ended 31 December 2007 to approximately RMB22.5 million for the year ended 31 December 2008. The gross profit margin for our chicken breeds increased from approximately 53.7% for the year ended 31 December 2007 to approximately 61.1% for the year ended 31 December 2008. This was primarily due to the decrease in purchase of broiler eggs from other suppliers and the improvement in the fertilisation rate of our broiler eggs.

Change in fair value less costs to sell of biological assets

The fair value less costs to sell of the biological assets changed from a gain of approximately RMB3.1 million for the year ended 31 December 2007 to a loss of approximately RMB2.2 million for the year ended 31 December 2008. Such change was primarily due to the decrease in the fair values of the mature breeders as there were more mature breeders close to the age of 66 weeks old (which is the age laying the least eggs and value of which is therefore the least) as at 31 December 2008 than those as at 31 December 2007.

Change in fair value of agricultural produce on initial recognition

The fair value of the agricultural produce on initial recognition increased by approximately 59.9%, from approximately RMB34.9 million for the year ended 31 December 2007 to approximately RMB55.8 million for the year ended 31 December 2008. Such increase was due to the increase of production quantity of broiler eggs.

It will normally take 21 days for a broiler egg to be hatched into a chicken breed. In the view of this fact, the reversal of fair value of agricultural produce due to sales and disposals was subjected to the production and sales volume of chicken breeds.

The reversal of fair value of agricultural produce due to sales and disposals increased by approximately 58.4%, from approximately RMB34.0 million for the year ended 31 December 2007 to approximately RMB53.9 million for the year ended 31 December 2008. The reversal of fair value was higher for the year ended 31 December 2008 due to the quantity of broiler eggs hatched into chicken breeds increased by approximately 28% during the year.

Other revenue and gains

Other revenue and gains increased by approximately 20.1%, from approximately RMB12.6 million for the year ended 31 December 2007 to approximately RMB15.2 million for the year ended 31 December 2008 due to the gain recognised upon the release of

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financial guarantee contract to related company in 2008. The sales of side products and related products, net increased by approximately 36.7%, from approximately RMB6.0 million for the year ended 31 December 2007 to approximately RMB8.2 million for the year ended 31 December 2008 was primarily due to the increase in sales of mature breeders and chicken droppings.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 13.5%, from approximately RMB8.4 million for the year ended 31 December 2007 to approximately RMB9.5 million for the year ended 31 December 2008, primarily as a result of an increase in transportation expenses in respect of the increase in the sales volume of all our business. As a result, our selling and marketing staff costs decreased by approximately 28.7%, from approximately RMB2.6 million for the year ended 31 December 2007 to approximately RMB1.8 million for year ended 31 December 2008 because less selling and marketing staff were employed due to economy of scale. Our transportation expenses increased by approximately 34.9%, from approximately RMB4.2 million for the year ended 31 December 2007 to approximately RMB5.7 million for the year ended 31 December 2008 as a result of the improvement in the sales in all our business. Our selling and marketing expenses as a percentage of our revenue remained stable for the years ended 31 December 2007 and 2008.

Administrative expenses

Administrative expenses decreased by approximately 18.8%, from approximately RMB24.0 million for the year ended 31 December 2007 to approximately RMB19.4 million for the year ended 31 December 2008. As a result, our general administrative expenses decreased by approximately 7.4%, from approximately RMB7.8 million for the year ended 31 December 2007 to approximately RMB7.2 million for the year ended 31 December 2008 as the Group had tightened control on the administrative expenses. Our administrative expenses as a percentage of our revenue decreased from approximately 5.5% for the year ended 31 December 2007 to approximately 3.3% for the year ended 31 December 2008 was primarily due to the Group was able to enjoy better economies of scale.

Other operating expenses

Other operating expenses increased by approximately 56.4%, from approximately RMB11.3 million for the year ended 31 December 2007 to RMB17.7 million for the year ended 31 December 2008, mainly due to the increase in the average number of our mature breeders and the increase in the purchase cost of animal feeds for our mature breeders. This resulted in the increase in the maintenance cost of our breeders by approximately 62.1%.

Finance costs

Finance costs increased by approximately 102.0%, from approximately RMB4.5 million for the year ended 31 December 2007 to approximately RMB9.1 million for the year ended 31 December 2008, primarily as a result of an increase in our interest expenses due to increase in interest rates and increase in bank borrowings.

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Taxation

Income tax decreased by approximately 48.1%, from approximately RMB13.7 million for the year ended 31 December 2007 to approximately RMB7.1 million for the year ended 31 December 2008, primarily as a result of an decrease in income tax rate across our business segments and tax exemption with respect to the income derived from the processing of frozen chicken meat business since 1 January 2008.

Profit for the year and net profit margin

Profit for the year increased by approximately 10.2%, from approximately RMB44.1 million for the year ended 31 December 2007 to approximately RMB48.7 million for the year ended 31 December 2008, primarily as a result of the increase in sales volume across all of our three business segments. Our net profit margin decreased from approximately 10.1% for the year ended 31 December 2007 to approximately 8.3% for the year ended 31 December 2008.

DISCONTINUED OPERATION

Discontinued operation represented the pork operation of Fujian Sumhua and our Group that has been discontinued since December 2009, with a view to facilitating us to focus on the production of chicken meat products. The pork business and the chicken meat business are two distinct and separate businesses and thus, not much synergy nor economies of scale can be achieved from the two businesses. Before our disposal of the same, the pork business was a separately identifiable and managed business division under Fujian Sumhua. In this connection, the pork business was operated under separate management, the accounts of which was recorded under separate books and records from the continuing operations. The financial results, assets and liabilities of the pork business were separated from the continuing operations of our Group. As at 31 December 2008, the net assets of the discontinued operation amounted to approximately RMB141.1 million, while the net losses from the discontinued operation for the year ended 31 December 2008 and for the period ended 30 November 2009 (before the disposal of the discontinued operation by our Group) amounted to approximately RMB2.7 million and approximately RMB25.6 million, respectively.

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The following table is a summary of our revenue generated from and expenses incurred by the pork business during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007 <i>RMB</i>	2008 <i>RMB</i>	2009 <i>RMB</i>	2009 <i>RMB</i>	2010 <i>RMB</i>
				<i>(unaudited)</i>	
Revenue	–	334,764	520,031	259,788	–
Cost of sales	–	<u>(325,915)</u>	<u>(503,428)</u>	<u>(250,776)</u>	–
Gross profit	–	8,849	16,603	9,012	–
Other revenue and gains	–	5,384	4,552	631	–
Selling and distribution expenses	–	(8,043)	(28,098)	(9,715)	
Administrative expenses	–	(5,592)	(6,723)	(5,681)	
Finance costs	–	(2,558)	(8,152)	(4,458)	
Other operating expenses	–	<u>(756)</u>	<u>(3,780)</u>	<u>(301)</u>	–
Loss for the period/year	–	(2,716)	(25,598)	(10,512)	–
Gain on disposal of operation	–	–	<u>34,969</u>	–	–
	–	<u>(2,716)</u>	<u>9,371</u>	<u>(10,512)</u>	–
Ratio Analysis					
<i>Gross profit ratio</i>	–	2.64%	3.19%	3.47%	–
<i>Net loss ratio</i>	–	(0.81%)	(4.92%)	(4.05%)	–

The pork operation had recorded a relatively low gross profit ratio during the Track Record Period. It was mainly due to low selling price resulting from market competition.

The increase in net losses of the discontinued operation during the Track Record Period was primarily due to the combined effects of a proportionately higher increase in selling and distribution expenses, administrative expenses, finance costs and other operating expenses resulting from the low utilization rate of the production capacity given that the pork operation only commenced in 2008. Since the size of the pork operation was far from being able to enjoy any economies of scale, the gross profit generated from the pork business could not compensate the expenses incurred to maintain the daily operation of the pork business.

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LIQUIDITY AND CAPITAL RESOURCES

On a combined basis, we funded our operations primarily from cash flow from operating activities and proceeds of short-term and long-term bank borrowings. We require cash primarily for our production and operating activities, and capital expenditures on property, plant and equipment.

The following table is a summary of our combined statements of cash flows during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000	2010 RMB'000
				<i>(unaudited)</i>	
Net cash generated from operating activities	53,157	18,938	5,977	82,524	137,782
Net cash used in investing activities	(148,018)	(106,878)	(24,072)	(28,264)	(47,682)
Net cash generated from/(used in) financing activities	<u>98,270</u>	<u>63,175</u>	<u>60,363</u>	<u>(13,147)</u>	<u>(47,817)</u>
Net increase/(decrease) in cash and cash equivalents	3,409	(24,765)	42,268	41,113	42,283
Cash and cash equivalents at the beginning of the period/year	40,734	43,893	19,787	19,787	61,259
Effect of foreign exchange rate changes	<u>(250)</u>	<u>659</u>	<u>(796)</u>	<u>(446)</u>	<u>704</u>
Cash and cash equivalents at the end of the period/year	<u><u>43,893</u></u>	<u><u>19,787</u></u>	<u><u>61,259</u></u>	<u><u>60,454</u></u>	<u><u>104,246</u></u>

Operating activities

During the Track Record Period, we derived our cash inflow from operating activities principally from the receipt of sales of our products. Our cash outflow from operating activities was principally for purchases of raw materials.

For the six months ended 30 June 2010, we had an operating cash flow before movements in working capital of RMB38.4 million and net cash generated from operating activities of approximately RMB137.8 million, the movements in working capital was

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primarily due to an increase in trade and other payables of approximately RMB66.4 million and a decrease in amounts due from related parties of approximately RMB28.1 million. The increase in trade and other payables was primarily due to increase in amount of bills payable. The decrease in amount due from related parties due to the repayment from related parties for the outstanding amount as at 31 December 2009.

For the year ended 31 December 2009, we had an operating cash flow before movements in working capital of RMB73.7 million and net cash generated from operating activities of approximately RMB6.0 million, the movements in working capital was primarily due to increase in amount due from related parties of approximately RMB130.3 million. The increase in amount due from related parties was primarily due to the disposal of Fujian Sumhua and its subsidiaries in December 2009. These cash outflows were partially offset by an increase in amounts due to related parties and trade and other payables of approximately RMB141.6 million and RMB12.3 million respectively.

For the year ended 31 December 2008, we had an operating cash flow before movements in working capital of RMB85.6 million and net cash generated from operating activities of approximately RMB18.9 million, which was primarily contributed by operating cash flows before changes in working capital of approximately RMB85.6 million and an increase in trade and other payables of approximately RMB13.9 million. This increase were partially offset by an increase in inventories of approximately RMB36.2 million and an increase in trade and other receivables of RMB22.6 million. The increase in trade and other receivables was primarily due to increase sales volume across all of our three business segments. The increase in inventories and the increase in trade and other payables were both primarily due to increase in purchases of raw materials to cope with the expanded scale resulted from the increased production capacity and to meet the demand for our products.

For the year ended 31 December 2007, we had an operating cash flow before movements in working capital of RMB80.5 million and net cash generated from operating activities of approximately RMB53.2 million, the movements in working capital was primarily a decrease in trade and other receivables of approximately RMB48.4 million. These cash inflows were partially offset by a decrease in trade and other payables of approximately RMB28.0 million and a decrease in amounts due to related parties of approximately RMB30.8 million.

Investing activities

During the Track Record Period, we derived our cash inflow from investing activities principally from the proceeds from disposal of subsidiaries and disposal of property, plant and equipment. Our cash outflow for investing activities was principally for purchases of property, plant and equipment.

For the six months ended 30 June 2010, we had net cash used in investing activities of approximately RMB47.7 million, which was primarily due to the increase in pledged bank deposits.

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For the year ended 31 December 2009, we had net cash used in investing activities of approximately RMB24.1 million, which was primarily from the net cash inflow from disposal of subsidiaries being offset by our payments for acquisition of property, plant and equipment in the aggregate amount of approximately RMB39.0 million and purchase of held-to-maturity financial assets of approximately RMB6.0 million.

For the year ended 31 December 2008, we had net cash used in investing activities of approximately RMB106.9 million, which was primarily due to our payment for acquisition of property, plant and equipment in relation to the construction in progress in respect of our office buildings, dormitories and slaughtering and processing plant of Fujian Sumhua in the aggregate amount of approximately RMB109.3 million.

For the year ended 31 December 2007, we had net cash used in investing activities of approximately RMB148.0 million, which was primarily due to our payment for acquisition of property, plant and equipment in relation to the construction in progress in respect of our office buildings, dormitories and slaughtering and processing plant of Fujian Sumhua in the aggregate amount of approximately RMB155.5 million.

Financing activities

During the Track Record Period, we derived our cash inflow from financing activities principally from an increase in proceeds from bank borrowings and proceeds from issuance of new shares. Our cash outflow from financing activities related primarily to our repayment of bank borrowings and amount due to a shareholder.

For the six months ended 30 June 2010, we had net cash used in financing activities of approximately RMB47.8 million. This amount was primarily due to repayment on the bank borrowing of approximately RMB78.8 million and repayment of RMB55.0 million to a shareholder, which were offset by a new loan from bank of RMB86.0 million.

For the year ended 31 December 2009, we had net cash generated from financing activities of approximately RMB60.4 million. This amount was primarily due to borrowing of approximately RMB175.1 million new loans from banks for the acquisition of fixed assets for the expansion of our production capacity and proceeds from issuance of new shares of approximately RMB35.8 million, which was partially offset by repayment of approximately RMB132.7 million loans and repayment of approximately RMB17.8 million to a shareholder.

For the year ended 31 December 2008, we had net cash generated from financing activities of RMB63.2 million. This amount was primarily due to borrowing of RMB195.4 million new loans from banks for the acquisition of fixed assets for the expansion of our production capacity, which was partially offset by repayment of approximately RMB98.2 million loans and repayment of approximately RMB34.0 million to a shareholder.

For the year ended 31 December 2007, we had net cash generated from financing activities of approximately RMB98.3 million. This amount was primarily due to additional borrowing of approximately RMB150.2 million from banks for the acquisition of fixed

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assets for the expansion of our production capacity, which was partially offset by repayment of approximately RMB33.8 million loans and repayment of approximately RMB18.2 million to a shareholder.

NET CURRENT ASSETS/LIABILITIES

Details of our current assets and current liabilities at the end of each reporting period during the Track Record Period are as follows:

	As at 31 December			As at 30 June	As at 30 October
	2007	2008	2009	2010	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Current assets – continuing operations					
Inventories	41,818	43,946	38,835	35,860	42,256
Biological assets	3,617	4,820	5,096	5,191	7,804
Trade and other receivables	53,835	34,238	68,247	42,875	43,427
Prepaid lease payments	1,048	289	290	290	1,296
Amount due from a shareholder	–	–	17,854	5,433	–
Amounts due from related parties	8,152	2,067	232,715	204,619	2,643
Financial assets at fair value through profit or loss	156	66	115	94	94
Held-to-maturity investment	–	–	6,000	6,000	–
Income tax recoverable	–	1,630	–	–	–
Pledged bank deposits	–	–	–	47,451	47,451
Cash and bank balances	<u>43,893</u>	<u>16,179</u>	<u>61,259</u>	<u>104,246</u>	<u>122,032</u>
	152,519	103,235	430,411	452,059	267,003
Current assets – discontinued operation	<u>–</u>	<u>82,877</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u><u>152,519</u></u>	<u><u>186,112</u></u>	<u><u>430,411</u></u>	<u><u>452,059</u></u>	<u><u>267,003</u></u>

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	As at 31 December			As at	As at 30
	2007	2008	2009	30 June	October
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Current liabilities – continuing operations					
Trade and other payables	(62,441)	(44,857)	(67,742)	(134,182)	(111,565)
Amount due to a shareholder	–	–	(23,994)	–	(35,031)
Amounts due to related parties	(742)	(4,058)	(9,997)	(2,341)	(2,278)
Financial guarantee liabilities	(3,098)	–	(1,612)	–	–
Bank borrowings	(98,190)	(122,695)	(136,850)	(144,000)	(134,950)
Dividends payable	–	–	(60,000)	(16,606)	–
Current tax liabilities	<u>(10,268)</u>	<u>–</u>	<u>(3,801)</u>	<u>(790)</u>	<u>(1,700)</u>
	(174,739)	(171,610)	(303,996)	(297,919)	(285,524)
Current liabilities – discontinued operation	<u>–</u>	<u>(77,292)</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>(174,739)</u>	<u>(248,902)</u>	<u>(303,996)</u>	<u>(297,919)</u>	<u>(285,524)</u>
Net current (liabilities)/assets					
– continuing operations	(22,220)	(68,375)	126,415	154,140	(18,521)
– discontinued operation	<u>–</u>	<u>5,585</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u><u>(22,220)</u></u>	<u><u>(62,790)</u></u>	<u><u>126,415</u></u>	<u><u>154,140</u></u>	<u><u>(18,521)</u></u>

Our net working capital had worsened from the year ended 31 December 2007 to the year ended 31 December 2008. We recorded a net current liabilities position of approximately RMB22.2 million as at 31 December 2007, compared to a net current liabilities position of approximately RMB62.8 million as at 31 December 2008. Our net current liabilities position of approximately RMB22.2 million as at 31 December 2007 was primarily attributable to our use of short-term borrowings to fund our long-term capital requirements, which reflected our management's expectation and optimism that our financial performance will continue to improve in the coming years. This was also aimed at maintaining a greater flexibility in managing our financing costs. Our net current liabilities position increased to approximately RMB62.8 million as at 31 December 2008, partly due to

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our reduction of cash and bank balances and increase in amount of bank borrowings. These factors that increased our net current liabilities position were partially offset by our decrease in trade and other payables.

Our net working capital improved during the year from 31 December 2008 to 31 December 2009. We recorded a net current assets position of approximately RMB126.4 million as at 31 December 2009, compared to a net current liabilities position of approximately RMB62.8 million as at 31 December 2008, primarily due to our improvement in financial and business performance as reflected in the increased effect in our amount due from a shareholder, amounts due from related parties and cash and bank balances, reduction in trade and other payables and disposal of pork business in December 2009.

Our net working capital improved during the period from 31 December 2009 to 30 June 2010. We recorded a net current assets position of approximately RMB126.4 million as at 31 December 2009, compared to a net current assets position of approximately RMB154.1 million as at 30 June 2010. Our net current asset position of approximately RMB154.1 million as at 30 June 2010 was primarily attributable to our improvement in financial and business performance, as reflected in increase in cash and bank balances and reduction in dividends payable and amount due to a shareholder.

As at 31 October 2010, we had net current liabilities of approximately RMB18.5 million. This was primarily due to i) the acquisition of Fujian Baojiashun major assets of which consists of prepaid lease payments and building valued at approximately RMB81.0 million; ii) the settlement of the dividends to the shareholders of approximately RMB50.0 million; iii) the repayment of bank borrowings of approximately RMB49.0 million. As at 31 October 2010, based on the management account of the Group, the net book values of the property, plant and equipment and prepaid lease payments were approximately RMB136.1 million and RMB55.8 million respectively.

With our internal cash to be generated and the proceeds from the Share Offer, we expect our net current liability position will not continue after the Listing.

During the Track Record Period, we had made use of bulk purchase to negotiate for better purchase terms and implemented a more stringent internal control system regarding purchases and sales cycle to better monitor the daily operation of our Group. In addition, we had implemented stringent internal policies for the approval of our capital expenditures. These measures were taken to ensure that our Group would have sufficient working capital to finance our operations. We also anticipate that our Group's business performance will continue to improve, thereby generating more cash flow from our operations and reducing our reliance on bank borrowings to finance our working capital requirements.

INVENTORY ANALYSIS

During the Track Record Period, inventories were one of the principal components of our current assets. It is imperative that we manage and control our level of inventories. The value of our inventory of the continuing operations accounted for approximately 27.4%, 23.6%, 9.0% and 7.9% of our total current assets as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

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The following table is a summary of our balance of inventories at the end of each of the reporting periods during the Track Record Period:

	As at 31 December			As at
	2007	2008	2009	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2010</i> <i>RMB'000</i>
Inventories – continuing operations				
Frozen and chilled meats	17,198	17,504	16,075	15,920
Animal feeds	4,393	2,681	4,158	1,900
Processed foods	811	1,126	636	570
Agricultural produce (<i>Note a</i>)	3,095	4,997	2,866	3,716
Raw materials	15,141	15,656	13,819	12,629
Consumables	707	1,327	849	739
Packaging	473	655	432	386
	<u>41,818</u>	<u>43,946</u>	<u>38,835</u>	<u>35,860</u>
 Inventories – discontinued operation	 <u>–</u>	 <u>34,044</u>	 <u>–</u>	 <u>–</u>
 Total	 <u><u>41,818</u></u>	 <u><u>77,990</u></u>	 <u><u>38,835</u></u>	 <u><u>35,860</u></u>

Note:

- (a) Movements of the agricultural produce, representing broiler eggs, during the Track Record Period are summarised as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2010</i> <i>RMB'000</i>
At the beginning of the period/year	2,236	3,095	4,997	2,866
Increase due to lay	34,880	55,786	57,952	28,363
Decrease due to hatch and disposals	<u>(34,021)</u>	<u>(53,884)</u>	<u>(60,083)</u>	<u>(27,513)</u>
At the end of the period/year	<u><u>3,095</u></u>	<u><u>4,997</u></u>	<u><u>2,866</u></u>	<u><u>3,716</u></u>
	As at 31 December			As at
	2007	2008	2009	30 June
	<i>units</i>	<i>units</i>	<i>units</i>	<i>2010</i> <i>units</i>
At the beginning of the period/year	1,125,121	1,572,132	2,037,528	1,274,560
Increase due to lay	17,472,449	22,314,230	23,180,983	11,345,018
Decrease due to hatch and disposals	<u>(17,025,438)</u>	<u>(21,848,834)</u>	<u>(23,943,951)</u>	<u>(11,099,021)</u>
At the end of the period/year	<u><u>1,572,132</u></u>	<u><u>2,037,528</u></u>	<u><u>1,274,560</u></u>	<u><u>1,520,557</u></u>

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Our inventories of continuing operations decreased by approximately 7.7%, from approximately RMB38.8 million as at 31 December 2009 to approximately RMB35.9 million as at 30 June 2010, primarily due to the slight decrease in demand of animal feeds during the six months ended 30 June 2010 as some Contract Farmers had temporarily ceased their broiler breeding business during the long holiday period for the Chinese New Year in January 2010. and the level of inventories of animal feeds and raw materials were therefore decreased by approximately RMB2.3 million and RMB1.2 million as at 30 June 2010 respectively.

Our inventories of continuing operations decreased by approximately 11.6%, from approximately RMB43.9 million as at 31 December 2008 to approximately RMB38.8 million as at 31 December 2009, this is because i) a decrease of approximately RMB2.1 million in agricultural produce as more broiler eggs had been hatched into chicken breeds as at 31 December 2009 and ii) a decrease of RMB1.8 million in raw materials due to the decrease in the average unit cost of major raw materials of animal feeds.

Our inventories of continuing operations remained stable as at 31 December 2007 and 2008. A slight increase of approximately 5.1% was primarily due to the increase in the quantity of agricultural produce as at 31 December 2008 as a result of an increase in the broiler eggs laid by the breeders near the end of the year.

Our inventories mainly comprised of raw materials such as corn, wheat, soya meal and additives, finished products such as animal feeds, chicken meat and processed foods. We adopt stringent inventory control since our inventory is perishable in nature, and periodically review our inventory levels for slow moving inventory, obsolescence or declines in market value. We manage our inventory levels based principally on the anticipated demand and the prevailing market price of a particular product. We usually store finished products for a short period before delivering them to our customers. We have our own refrigeration facilities to store our raw materials and finished products, and engage external refrigeration facility providers to store our raw materials.

During the Track Record Period, we made provisions for obsolete inventories for discontinued operation of RMB0.03 million for the year ended 31 December 2008. We made no provisions for obsolete inventories for continuing operations for the years ended 31 December 2007 and 2009 and the six months ended 30 June 2010.

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The following table sets out the average inventory turnover days of continuing operations for the Track Record Period:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
Average inventory turnover day	<u>34</u>	<u>32</u>	<u>32</u>	<u>28</u>

Notes:

- (1) Average inventory turnover days is equal to the average inventory divided by costs of sales and multiplied by 365 days. Average inventory equals inventory at the beginning of the year plus inventory at the end of the year and divided by two.
- (2) Average inventory turnover days for the six months ended 30 June 2010 is equal to the average inventories divided by cost of sales and multiplied by 181 days. Average inventory is equal to inventory at the beginning of the period plus inventory at the end of the period and divided by two.

The average inventory turnover days of continuing operations remained stable at 28 days to 34 days for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, primarily as a result of strict control on our inventory management.

As at 31 October 2010, approximately 88.1% of the inventories as at 30 June 2010 had been used or consumed.

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TRADE RECEIVABLES ANALYSIS

The following table sets out the aging analysis of our trade receivables, net of impairment losses, at the end of each of the reporting periods during the Track Record Period:

	As at 31 December			As at
	2007	2008	2009	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Aging analysis of trade receivables – continuing operations				
Within 30 days	7,797	2,939	37,051	23,947
31 days to 70 days	13,730	12,264	11,077	1,062
71 days to 180 days	129	929	842	5
Over 180 days	<u>972</u>	<u>2,769</u>	<u>203</u>	<u>155</u>
	22,628	18,901	49,173	25,169
Trade receivables – discontinued operation	<u>–</u>	<u>26,075</u>	<u>–</u>	<u>–</u>
Total	<u><u>22,628</u></u>	<u><u>44,976</u></u>	<u><u>49,173</u></u>	<u><u>25,169</u></u>

Our customers generally settle their purchases in cash upon or shortly after delivery. We however give a credit period between 15 and 70 days to our key customers.

The following table sets out those trade receivables that are past due but not considered impaired. These related to a number of independent customers for whom there is no recent history of default.

	As at 31 December			As at
	2007	2008	2009	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	–	–	–	–
31 days to 70 days	75	312	127	369
71 days to 180 days	129	1,188	842	5
Over 180 days	<u>972</u>	<u>2,770</u>	<u>203</u>	<u>155</u>
	1,176	4,270	1,172	529
	<u><u>1,176</u></u>	<u><u>4,270</u></u>	<u><u>1,172</u></u>	<u><u>529</u></u>

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The following table sets out our average trade receivables turnover days of the continuing operations for the Track Record Period:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
Average trade receivables turnover days	<u>19</u>	<u>13</u>	<u>22</u>	<u>22</u>

Note:

- (1) Average trade receivables turnover days is equal to the average trade receivables divided by revenue and multiplied by 365 days. Average trade receivables is equal to trade receivables at the beginning of the year plus trade receivables at the end of the year and divided by two.
- (2) Average trade receivables turnover day for the six months ended 30 June 2010 is equal to the average trade receivables divided by revenue and multiplied by 181 days. Average trade receivables is equal to trade receivables at the beginning of the period plus trade receivables at the end of the period and divided by two.

The average trade receivables turnover days increased from 13 days for the year ended 31 December 2008 to 22 days for the six months ended 30 June 2010 was primarily due to longer credit period granted to certain of our existing customers. As there was no recent history of default, we offered a more relaxed credit period to certain of our existing customers and have taken account of their credit-worthiness and historical write-off experience. Such extension of the credit period up to 180 days to 15 of our existing customers as at 30 June 2010 is not an on-going policy of our Group. The trade receivables which were subject to extension of credit period amounted to approximately RMB529,000 for the six months ended 30 June 2010.

We make impairment losses on trade receivables resulting from inability of the customers to make the required payments. This is based on the aging of the trade receivable balance, customer credit-worthiness and historical write-off experience. During the Track Record Period, certain trade receivables that are past due are not considered impaired. These relate to a number of independent customers for whom there is no recent history of default.

As of 31 December 2008, trade receivables of approximately RMB325,000 was impaired, and had been fully provided for.

In the view of the Reporting Accountants, the impairment losses on trade receivables recognised by the Group during the Track Record Period were adequate.

As at 31 October 2010, approximately 98.3% of the trade receivables outstanding as at 30 June 2010 had been settled and therefore no impairment was considered necessary.

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TRADE PAYABLES ANALYSIS

Our trade payables primarily relate to the purchase of raw materials from our suppliers, with payment period range from 15 days to 90 days for trade payables.

The following table sets out the aging analysis of our trade payables at the end of each of the reporting periods during the Track Record Period:

	As at 31 December			As at 30
	2007	2008	2009	June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Aging analysis of trade payables				
– continuing operations				
Within 30 days	31,670	25,297	17,644	20,717
31 days to 90 days	2,043	5,575	5,738	1,589
91 days to 180 days	695	224	246	386
Over 180 days	<u>2,429</u>	<u>4,504</u>	<u>6,884</u>	<u>336</u>
	36,837	35,600	30,512	23,028
Trade payables – discontinued operation	<u>–</u>	<u>14,140</u>	<u>–</u>	<u>–</u>
Total	<u><u>36,837</u></u>	<u><u>49,740</u></u>	<u><u>30,512</u></u>	<u><u>23,028</u></u>

The following table sets out our average trade payables turnover days of the continuing operations for the Track Record Period:

	As at 31 December			As at 30
	2007	2008	2009	June
				2010
Average trade payables turnover days	<u>39</u>	<u>27</u>	<u>26</u>	<u>20</u>

Note:

- (1) Average trade payables turnover days is equal to the average trade payables divided by cost of sales and multiplied by 365 days. Average trade payables is equal to the trade payables at the beginning of the year plus trade payables at the end of the year and divided by two.
- (2) Average trade payables turnover day for the six months ended 30 June 2010 is equal to the average trade payables divided by cost of sales and multiplied by 181 days. Average trade payables is equal to trade payables at the beginning of the period plus trade payables at the end of the period and divided by two.

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The average trade payables turnover days decreased from 39 days for the year ended 31 December 2007 to 20 days for the six months ended 30 June 2010, was predominantly due to prompt settlement on our trade payables. We have settled our trade payables on a timely basis in order to maintain good relationships with our suppliers and to ensure that the supply of our raw materials can be met so that we can compete with our market competitors.

As at 31 October 2010, approximately 95.8% of the trade payables outstanding as at 30 June 2010 were settled.

Amounts due from/(to) related parties

Due to the disposal of the pork business carried out by Fujian Sumhua in December 2009, the amount due from Fujian Sumhua were reclassified as amount due from related parties and such amount was settled on a regular basis. As at 31 December 2009, the amount due from Xiamen Sumpo represented the amount receivable in relation to defer cash consideration receivable on the disposal of the pork business and the net of the amount due to Xiamen Sumpo at the year end date. In this regard, we recorded amounts due from related parties of approximately RMB8.2 million, RMB4.5 million, RMB232.7 million and RMB204.6 million as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively.

During the Track Record Period, the balances of amounts due to related parties represented fund transfer from certain related parties. In this regard, we recorded amounts due to related parties of approximately RMB0.7 million, RMB4.9 million, RMB10.0 million and RMB2.3 million as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively.

The balances which were in trade nature, are unsecured, interest-free and had a credit period of 30 days. The balances outstanding as at 30 June 2010 would be settled on a regular basis.

The balances which were in non-trade nature, are unsecured, interest-free and recoverable/repayable on demand. The balances outstanding as at 30 June 2010 were settled prior to the Listing.

As advised by our PRC legal advisors, the amounts due from/to related parties (collectively, the “Amounts”) did not comply with the General Principles of Loans (貸款通則). However, given that (1) the Amounts have already been settled prior to the Listing and there was no dispute among the parties with respect to the Amounts; (2) the amount was used in our normal operation but not for any illegal purpose; (3) we had not earned any interests or other benefit from the amounts due from related parties; and (4) there are no specific administrative penalties imposed on us in respect of the amount due to related parties under General Principles of Loans (貸款通則), our PRC legal advisors are of the view that the risk that the Group would be subject to any administrative penalties as a result of the Amounts is remote.

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Amount due from/(to) a shareholder

As part of the Reorganization in preparation for the Listing, we sought new investors to our Group and the amount due from a shareholder represented consideration receivable from Golden Prince on the acquisition of equity interest in our Group as at 31 December 2009 and such consideration receivable was settled on 8 February 2010. As at 30 June 2010, the balance of amount due from a shareholder represented fund transfer to Mr. Lin. In this regard, we recorded amount due from Golden Prince of approximately RMB17.9 million and amount due from Mr. Lin of approximately RMB5.4 million as at 31 December 2009 and 30 June 2010 respectively.

All of the amount due from/(to) a shareholder were unsecured, interest-free and recoverable/repayable on demand, and the balance outstanding as at 30 June 2010 were settled prior to the Listing.

TAXATION

Hong Kong

No Hong Kong profits tax was provided for the Track Record Period as there were no assessable profits arose from such period.

Overseas

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and, accordingly, is exempted from payment of the Cayman Islands income tax.

PRC

Substantially all the revenue of the Group during the Track Record Period was derived in the PRC and was therefore subject to the PRC income tax.

On 16 March 2007, the National People's Congress of the PRC promulgated the new Enterprise Income Tax Law of the PRC ("**New Tax Law**"), which had come into effect on 1 January 2008 and superseded the PRC Foreign Invested Enterprise and Foreign Enterprise Income Tax Law and the Temporary Regulations on Enterprise Income Tax of the PRC at the same time. The New Tax Law consolidated the two separate tax regimes for domestic enterprises and foreign invested enterprises and imposed a unified enterprise income tax rate of 25% for both types of enterprises.

Under the New Tax Law, enterprises that were enjoying a preferential tax rate prior to the promulgation of the New Tax Law would be subject to a grace period of five years from the effective date of the New Tax Law. Enterprises which enjoyed a fixed period of tax exemption and reduction under the old applicable rules and regulations continued to enjoy such preferential tax treatment until the expiry of such prescribed period.

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The applicable PRC enterprise income tax rates for our main operating subsidiaries during the Track Record Period are set out below:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	%	%	%	%	%
				<i>(unaudited)</i>	
Fujian Sumpo					
– chicken meat	27	Fully exempted	Fully exempted	Fully exempted	Fully exempted
– animal feeds	27	25	25	25	25
Longyan Baotai	Fully exempted	Fully exempted	Fully exempted	Fully exempted	Fully exempted
Xiamen Sumpo Trading	15	18	20	20	22

Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC enterprise income tax at a tax rate of 27% for the year ended 31 December 2007 and at a tax rate of 25% for the years ended 31 December 2008 and 2009, except for the following:

- (i) Pursuant to the Ministry of Finance’s Notice on Preferential Enterprise Income Tax on Agricultural Products (《國家稅務總局關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知》) (“Order [2008] No. 149”), issued on 20 November 2008, effective on 1 January 2008, Fujian Sumpo was entitled to enterprise income tax exemption with respect to the income derived from the processing of frozen chicken meat products during the period between 1 January 2008 and 7 September 2018.
- (ii) Pursuant to the Ministry of Finance’s Notice on Enterprise Income Tax (《國家稅務總局關於企業所得稅若干優惠政策的通知》) (“Order [1994] No. 001”), issued on 29 March 1994, effective on 1 January 1994, and the Ministry of Finance’s Approval on the Implementation of Preferential Income Tax for Newly Established Enterprises (《國家稅務總局關於新辦企業所得稅優惠執行口徑的批覆》) (“Order [2003] No. 1239”), issued on 18 November 2003, Longyan Baotai is entitled to enterprise income tax exemption with respect to the income derived from broilers breeding during the period between 1 January 2006 and 31 December 2010.
- (iii) Before the promulgation of the New Tax Law, as Xiamen Sumpo Trading is located in the Xiamen Special Economic Zone, it was only required to pay corporate income tax at the reduced rate of 15%. As a result of the New Tax Law, it was required to pay enterprise income tax at the reduced rate of 18% for the year ended 31 December 2008, 20% for the year ended 31 December 2009, 22% for the year ending 31 December 2010, 24% for the year ending 31 December 2011 and 25% for the year ending 31 December 2012.

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Pursuant to the new PRC Enterprise Income Tax Law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividends derived from sources in the PRC. Distributions of the pre-2008 earnings are exempt from the above-mentioned withholding tax. Dividends received by the Group from its PRC subsidiaries are subject to the above-mentioned withholding tax.

Tax Recognition

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the combined statement of comprehensive income except to the extent that they relate to items recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from differences which arose on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

Management's judgment is required to assess the probability of future taxable profits. Our assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

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An analysis of the income tax charges during the Track Record Period is as follows:

	Year ended 31 December			Six months ended	
				30 June	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>				
PRC enterprise income tax					
– current year	14,131	7,601	5,522	1,391	1,430
Deferred income tax	<u>(438)</u>	<u>(494)</u>	<u>31</u>	<u>16</u>	<u>16</u>
	<u>13,693</u>	<u>7,107</u>	<u>5,553</u>	<u>1,407</u>	<u>1,446</u>

The following table sets out the reconciliation between tax expenses and accounting profit at the applicable tax rate for the Track Record Period:

	Year ended 31 December			Six months ended	
				30 June	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>				
Profit/(loss) before taxation					
– Continuing operations	57,842	55,759	55,577	11,279	24,254
– Discontinued operation	<u>–</u>	<u>(2,716)</u>	<u>9,371</u>	<u>(10,512)</u>	<u>–</u>
	<u>57,842</u>	<u>53,043</u>	<u>64,948</u>	<u>767</u>	<u>24,254</u>

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	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Income tax using the PRC enterprise income tax rate	14,461	13,192	16,246	192	2,267
Tax exemption for subsidiaries operating in the PRC	(2,632)	(3,463)	(5,195)	(1,563)	(2,505)
Tax effect of the expenses not deductible for tax purpose <i>(note (a))</i>	1,775	1,190	181	298	2,122
Tax effect of income not taxable for tax purpose <i>(note (b))</i>	(417)	(4,219)	(12,324)	(89)	(1,219)
Utilisation of tax losses previously not recognised	(324)	(90)	–	–	–
Over/(under) provision for previous year	–	247	(56)	–	–
Over/(under) provision for the year	(168)	65	–	–	–
Tax effect of tax loss not recognised	1,436	679	6,399	2,388	–
Tax effect of unrecognised temporary difference	<u>(438)</u>	<u>(494)</u>	<u>302</u>	<u>181</u>	<u>781</u>
Income tax expenses	<u>13,693</u>	<u>7,107</u>	<u>5,553</u>	<u>1,407</u>	<u>1,446</u>
Effective tax rates on continuing operations	<u>23.7%</u>	<u>12.7%</u>	<u>10.0%</u>	<u>12.5%</u>	<u>6.0%</u>

The decrease in the effective tax rate from 23.7% in 2007 to 12.7% in 2008 was mainly due to the tax exemption with respect to the income derived from the processing of frozen chicken meat products of Fujian Sumpo. A further decrease in the effective tax rate from 12.7% in 2008 to 10.0% in 2009 was due to the decrease in taxable profit derived from the trading of animal feeds of Fujian Sumpo.

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During the year ended 31 December 2007, Fujian Sumpo was entitled to enterprise income tax at a tax rate of 27% with respect to the income derived from the processing chicken meat products and the trading of animal feeds which contributed the majority of taxable profit for the year ended 31 December 2007. Xiamen Sumpo Trading was entitled to enterprise income tax at a reduced tax rate of 15% with respect to the income derived from the trading of chicken meat products.

On March 16 2007, the National People's Congress promulgated the new PRC Enterprise Income Tax Law, under which the PRC adopted a uniform tax rate of 25% for all enterprises. According to the Notice, enterprises which are entitled to enjoy tax incentive shall have a grace period of five years commencing from 1 January 2008 before they are required to pay the corporate income tax at the rate of 25%.

During the year ended 31 December 2008, the taxable profit contributed by Fujian Sumpo was the income derived from the trading of animal feeds at a tax rate of 25%. Xiamen Sumpo Trading was entitled to enterprise income tax at a reduced tax rate of 18% with respect to the income derived from the trading of chicken meat products.

During the year ended 31 December 2009, Fujian Sumpo was entitled to tax refund with respect to the enterprise income tax paid for the income derived from the processing of chicken meat products for the year ended 31 December 2008. During the year, Fujian Sumpo was only subject to enterprise income tax at a tax rate of 25% with respect to the income derived from the trading of animal feeds which contributed the majority of the taxable profit for the year ended 31 December 2009. Xiamen Sumpo Trading was entitled to enterprise income tax at a reduced tax rate of 20% with respect to the income derived from the trading of chicken meat products.

During the six months ended 30 June 2010, Fujian Sumpo was entitled to enterprise income tax at a tax rate of 25% with respect to the income derived from the trading of animal feeds which contributed the majority of its taxable profit for the six months ended 30 June 2010. Xiamen Sumpo Trading was entitled to enterprise income tax at a reduced tax rate of 22% with respect to the income derived from the trading of chicken meat products.

Notes:

- (a) Non-deductible expenses mainly comprise non-deductible entertainment and promotion expenses incurred by those members of our Group established in the PRC for PRC enterprise income tax purpose, general administrative expenses incurred by those members of our Group incorporated in the Cayman Islands and/or the BVI where no profits tax is imposed and fair values change in biological assets and agricultural produce. The significant increase in the tax effect of the expenses not deductible for tax purpose for the six months ended 30 June 2010 was mainly due to the general administrative expenses incurred by our subsidiary, including staff wages, legal and professional fees and various office rates incorporated in the BVI where no profit tax is imposed.
- (b) Non-taxable income mainly comprises gain from disposal of pork business and dividends received in PRC subsidiaries. During the year ended 31 December 2009, the significant increase in the tax effect of income not taxable for tax purpose was primarily due to the gain from disposal of pork business. The significant increase in the tax effect of income not taxable for tax purpose for the six months ended 30 June 2010 was mainly due to the dividends declared by our PRC subsidiaries to Fujian Sumpo, the immediate holding company of our PRC subsidiaries.

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No deferred tax liabilities were provided in respect of the tax that would be payable on the distribution of the retained profits during the Track Record Period as dividends subject to PRC withholding tax had only been declared subsequent to 31 December 2009 and such dividends had been fully paid during the six months ended 30 June 2010.

The Directors are of the view that i) the Group has made all required tax filings under the relevant tax laws and regulations in the PRC; ii) given that the Group is not subject to any income tax in the Cayman Islands and the BVI, the Group has paid all outstanding tax liabilities and is not subject to any dispute with the tax authorities; iii) all sales and purchases made between subsidiaries are on the same basis as those made to the Group's external customers and suppliers.

WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the financial resources presently available to our Group, including banking facilities and other internal resources, and the estimated net proceeds of the Share Offer, our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months commencing from the date of this prospectus.

PROPERTY, PLANT AND EQUIPMENT

Our property, plant and equipment consist of buildings, machinery and equipment, motor vehicles, tools and construction in progress. We had net book values of approximately RMB230.5 million, RMB316.3 million, RMB104.7 million and RMB97.4 million as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively. The increase in property, plant and equipment from approximately RMB230.5 million as at 31 December 2007 to approximately RMB316.3 million as at 31 December 2008 were primarily due to the construction in progress in respect of our office buildings, dormitories and slaughtering and processing plant of Fujian Sumhua. The substantial decrease from approximately RMB316.3 million as at 31 December 2008 to approximately RMB104.7 million as at 31 December 2009 was due to the disposal of Fujian Sumhua.

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BIOLOGICAL ASSETS

The following table sets out the value of our biological assets as at the end of each of the reporting periods:

	As at 31 December			As at 30
	2007	2008	2009	June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2010</i> <i>RMB'000</i>
Parent Stock Day-Old Chicks and immature breeders	4,532	5,656	5,888	4,546
Mature breeders	6,197	4,012	6,127	4,495
Chicken breeds	3,617	4,820	5,096	5,191
Pig breeders	–	3,154	–	–
	<u>14,346</u>	<u>17,642</u>	<u>17,111</u>	<u>14,232</u>

The numbers of biological assets are summarised as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>2010</i> <i>'000</i>
Parent Stock Day-Old Chicks and immature breeders	56	96	62	64
Mature breeders				
– 25-40 weeks	90	67	76	16
– 41-66 weeks	46	55	51	138
Chicken breeds	735	768	662	643
Pig breeders	–	1	–	–
At the end of the period/year	<u>927</u>	<u>987</u>	<u>851</u>	<u>861</u>

Compare biological assets as at 31 December 2007 with 2008

After excluding the value of pig breeders of approximately RMB3.2 million, the value of our biological assets increased from approximately RMB14.3 million for the year ended 31 December 2007 to approximately RMB14.5 million for the year ended 31 December 2008. The total quantity and total value of our biological assets as at 31 December 2007 and 2008 remained relatively stable. Set out below are the detailed analysis of the each items.

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Parent Stock Day-Old Chicks and immature breeders (collectively, the “Immature Breeders”)

The quantity of Immature Breeders increased by approximately 71.4% from 56,000 to 96,000, but the value of Immature Breeders increased only by approximately 24.8% from approximately RMB4.5 million to approximately RMB5.7 million. It was because there were more Immature Breeders at young age (which is less grown and value of which is therefore cheaper) as at 31 December 2008 than those as at 31 December 2007.

Mature breeders

Although the quantity of mature breeders decreased by approximately 10.3% from 136,000 to 122,000, the value of mature breeders decreased by approximately 35.3% from approximately RMB6.2 million to approximately RMB4.0 million. It was because there were more mature breeders close to the age of 66 weeks old (which is the age laying the least eggs and value of which is therefore the least) as at 31 December 2008 than those as at 31 December 2007.

Chicken breeds

While the quantity of chicken breeds increased by approximately 4.5 % from 735,000 to 768,000, the value of chicken breeds increased by approximately 33.3% from approximately RMB3.6 million to approximately RMB4.8 million. It was because the average age of chicken breeds as at 31 December 2008 was older than those as at 31 December 2007. The value of chicken breeds is normally the older, the more expensive it will be.

Compare biological assets as at 31 December 2008 with 2009

Excluding the value of pig breeders of approximately RMB3.2 million as at year ended 31 December 2008, the value of our biological assets increased from approximately RMB14.5 million to approximately RMB17.1 million as at 31 December 2009. This was primarily due to the increase in the value of mature breeders as at 31 December 2009. Set out below are the detail analysis of the each items:

Immature Breeders

The quantity of Immature Breeders decreased by approximately 35.4% from 96,000 to 62,000, but the value of Immature Breeders increased only by approximately 4.1% from approximately RMB5.7 million to approximately RMB5.9 million. It was because there were more Immature Breeders at older age (which is more grown and value of which is therefore higher) as at 31 December 2009 than those as at 31 December 2008.

Mature breeders

The quantity of mature breeders increased slightly by approximately 4.1% from 122,000 to 127,000, the value of mature breeders increased by approximately 52.7% from approximately RMB4.0 million to approximately RMB6.1 million. It was because there were

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less mature breeders close to the age of 66 weeks old (which is the age laying the least eggs and value of which is therefore the least) as at 31 December 2009 than those as at 31 December 2008.

Chicken breeds

While the quantity of chicken breeds decreased by approximately 13.8 % from 768,000 to 662,000, the value of chicken breeds increased slightly by approximately 5.7% from approximately RMB4.8 million to approximately RMB5.1 million. It was because the average age of chicken breeds as at 31 December 2009 was older than those as at 31 December 2008. The value of chicken breeds is normally the older, the more expensive it will be.

Pig breeders

As the actual operation of the pork business of the Group only commenced in around July 2008, but which was disposed in December 2009, there was only one balance of approximately RMB3.2 million shown as at 31 December 2008.

Compare biological assets as at 31 December 2009 with 30 June 2010

The value of our biological assets decreased from approximately RMB17.1 million to approximately RMB14.2 million as at 31 December 2009. This was primarily due to the decrease in the value of mature breeders as at 30 June 2010. Set out below are the detail analysis of the each items:

Immature Breeders

The quantity of Immature Breeders increased slightly by approximately 3.2% from 62,000 to 64,000, but the value of Immature Breeders decreased by approximately 22.8% from approximately RMB5.9 million to approximately RMB4.5 million. It was because there were more Immature Breeders at young age (which is less grown and value of which is therefore cheaper) as at 30 June 2010 than those as at 31 December 2009.

Mature breeders

The quantity of mature breeders increased by approximately 21.3% from 127,000 to 154,000, the value of mature breeders decreased by approximately 26.6% from approximately RMB6.1 million to approximately RMB4.5 million. It was because there were more mature breeders close to the age of 66 weeks old (which is the age laying the least eggs and value of which is therefore the least) as at 30 June 2010 than those as at 31 December 2009.

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Chicken breeds

While the quantity of chicken breeds decreased by approximately 2.9 % from 662,000 to 643,000, the value of chicken breeds increased slightly by approximately 1.9% from approximately RMB5.1 million to approximately RMB5.2 million. It was because the average age of chicken breeds as at 30 June 2010 was older than those as at 31 December 2009. The value of chicken breeds is normally the older, the more expensive it will be.

INFORMATION ABOUT THE VALUER OF OUR BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE

The valuations of biological assets and agricultural produce were arrived at on the basis of valuation carried out by our Valuer which has appropriate qualifications and recent experiences in valuation of similar assets. The team members of Asset Appraisal Limited include Mr. Tse Wai Leung and Ms. Sandra Lau. Mr. Tse Wai Leung, a director at Asset Appraisal Limited, is a professional member of the Royal Institution of Chartered Surveyors (MRICS), a professional member of the Hong Kong Institute of Surveyors (MHKIS) and a professional member of the China Institute of Real Estate Appraisal (CIREA), a charterholder of the Chartered Financial Analyst Institute (CFA) and a member of the Global Association of Risk Professional (FRM). He has over 15 years of appraisal experiences in different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Singapore and Thailand.

Ms. Lau Sze Wing, Sandra, a director of Asset Appraisal Limited, is a professional member of the Australian Property Institute (APPI), a professional member of the Hong Kong Institute of Surveyors (MHKIS) and a registered professional surveyor in Hong Kong (RPS). She has over 13 years of appraisal experiences in different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Australia and New Zealand.

Among the professional institutions mentioned above, the Royal Institution of Chartered Surveyors, the Australian Property Institute and the Hong Kong Institute of Surveyors are members of the International Valuation Standards Committee (IVSC) and are governed by the International Valuation Standards laid down by IVSC.

Asset Appraisal Limited and/or its team members have provided biological asset valuation services for the following listing applicants or listed issuers:

- Valuation of pig breeders, slaughter pigs and piglets for Guangnan (Holdings) Limited (Stock Code:1203.HK) – the valuation exercise was carried out by Mr. Tse Wai Leung in 2001 when he was working for his previous employer. In this valuation exercise, he undertook valuation for a pig raising entity situated in the PRC. Since the ultimate products of the business were biological assets and agricultural produces namely slaughter pigs and piglets, he was required to assess the market value of these assets.

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- Valuation of Sophora Alopecuroides crop and sunflower seed for Wing Hing International (Holdings) Limited (Stock Code: 621.HK) – the valuation exercise was carried out by Mr. Tse Wai Leung of Asset Appraisal Limited in 2008. In this valuation exercise, he undertook valuation for a crop growing entity situated in the PRC. Since the ultimate products of the business were agricultural produces namely Sophora Alopecuroides crop and sunflower seed, he was required to assess the market value of these assets.
- Valuation of tapioca chips for Asia Cassava Resources Holdings Limited (Stock code: 841.HK) – the valuation exercise was carried out by Mr. Tse Wai Leung of Asset Appraisal Limited in 2008. In this valuation exercise, Mr. Tse assisted the reporting accountant of the company to ascertain the net realizable value of tapioca chips, an agricultural produce which were held by the company as inventories.
- Valuation of raw milk and milk fat solid extracted from dairy cows for China Jin Hui Mining Corporation Limited (Stock code: 462.HK) – the valuation exercise was carried out by Ms. Lau Sze Wing, Sandra and Mr. Tse Wai Leung of Asset Appraisal Limited in 2009. In this valuation exercise, they undertook valuation for various diary farms situated in New Zealand. Since the ultimate products of the business were agricultural produces namely raw milk and milk fat solid, they were required to assess the market value of these assets.
- Valuation of tilapia fish and shrimp for Fulbond Holdings Limited (Stock Code: 1041.HK) – the valuation exercise was carried out by Ms. Lau Sze Wing, Sandra and Mr. Tse Wai Leung of Asset Appraisal Limited in 2009. In this valuation exercise, they undertook valuation for the seafood breeding entity situated in the PRC. Since the ultimate products of the business are biological assets namely tilapia fish and shrimp, they were required to assess the market value of these assets.
- Valuation of vegetable, fruit, fruit trees and tea trees of Le Gaga Holdings Limited (Ticker Symbol: GAGA.NASDAQ) – the valuation exercise was carried out by Ms. Lau Sze Wing, Sandra and Mr. Tse Wai Leung of Asset Appraisal Limited in 2009. In this valuation exercise, they undertook valuation for vegetable, fruit, fruit trees and tea trees in the plantation bases of the client.

The Sponsor is of the view that the Valuer is appropriately qualified to provide the valuation of the Group's biological assets and agricultural produces on the following grounds:

- the Valuer has previous experiences in valuing biological assets and agricultural produces and is familiar with the nature of this kind of assets as to the selection of appropriate valuation methods and valuation parameters; and
- the team members of the Valuer are holding professional memberships of renowned international appraisal institutions which are governed by the International Valuation Standards laid down by IVSC in valuing biological assets.

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INDEBTEDNESS

Borrowings

The following table sets out our borrowings at the end of each of the reporting periods during the Track Record Period and up to 30 October 2010:

	As at 31 December			As at 30	As at 30
	2007	2008	2009	June	October
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings – secured	148,190	245,005	175,050	162,200	114,950
Bank borrowings – unsecured	<u>17,500</u>	<u>17,500</u>	<u>–</u>	<u>20,000</u>	<u>20,000</u>
Total bank borrowings	165,690	262,505	175,050	182,200	134,950
Loan from other banking facilities	<u>5,390</u>	<u>5,750</u>	<u>3,060</u>	<u>3,060</u>	<u>1,260</u>
	<u><u>171,080</u></u>	<u><u>268,255</u></u>	<u><u>178,110</u></u>	<u><u>185,260</u></u>	<u><u>136,210</u></u>

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Carrying amount repayable:

	2007	As at 31 December		As at 30	As at 30
	2007	2008	2009	June	October
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
On demand or within one year	98,190	167,695	136,850	144,000	134,950
More than one year but less than two years	13,590	14,060	40,630	40,000	–
More than two years but less than five years	<u>59,300</u>	<u>86,500</u>	<u>630</u>	<u>1,260</u>	<u>1,260</u>
	171,080	268,255	178,110	185,260	136,210
Less: Amounts due within one year shown under current liabilities	<u>98,190</u>	<u>167,695</u>	<u>136,850</u>	<u>144,000</u>	<u>134,950</u>
	<u><u>72,890</u></u>	<u><u>100,560</u></u>	<u><u>41,260</u></u>	<u><u>41,260</u></u>	<u><u>1,260</u></u>

The following table sets out the range of interest rates for our outstanding bank borrowings as at the end of each of the reporting periods:

	As at 31 December			As at 30
	2007	2008	2009	June
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
	<i>per annum</i>	<i>per annum</i>	<i>per annum</i>	<i>per annum</i>
Interest rates	2.4 to 7.7	2.4 to 7.8	2.4 to 5.9	2.4 to 5.3

Our borrowings increased by approximately 56.8%, from approximately RMB171.1 million as at 31 December 2007 to approximately RMB268.3 million as at 31 December 2008. This was primarily due to the increase in our borrowing to finance the operation of the pork business. Our borrowings decreased by approximately 33.6%, from approximately RMB268.3 million as at 31 December 2008 to approximately RMB178.1 million as at 31 December 2009. This was primarily due to the disposal of the pork business in December 2009.

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As at 31 December 2009, our Group's total indebtedness was RMB178.1 million, consisting of short-term secured bank loans and bank overdrafts in the aggregate amount of approximately RMB136.9 million and long-term bank borrowings in the aggregate amount of RMB41.3 million.

As at 30 October 2010, our Group's total indebtedness of approximately RMB136.2 million consisting of bank borrowings of all subsidiaries of the Company including but not limited to Fujian Hetai and Fujian Baojiashun.

Some of our bank loans were guaranteed by the Controlling Shareholders, their respective associates or other parties, including Longyan Longjin Credit Guarantee Company Limited (龍岩市龍津信用擔保有限公司) and Mr. Chen Dongpei (a member of our senior management). Longyan Longjin Credit Guarantee Company Limited is principally engaged in the business of provision of credit guarantee to small-to-medium enterprises and is an Independent Third Party. All the guarantees provided by the aforesaid persons have been released.

Except as disclosed in this sub-paragraph headed "Borrowings", our Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 December 2009. We confirm that there has not been any material change in our indebtedness since 31 December 2009.

Gearing ratio

Our gearing ratios were approximately 39.0%, 47.9%, 31.9% and 32.4% as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Gearing ratio is calculated by dividing interest-bearing bank borrowings with the total assets as at the respective year/period end.

Our gearing ratio increased from approximately 31.9% as at 31 December 2009 to approximately 32.4% as at 30 June 2010, primarily due to increase of borrowings during the period.

Our gearing ratio decreased from approximately 47.9% as at 31 December 2008 to approximately 31.9% as at 31 December 2009, primarily due to the disposal of pork business segment in 2009.

Our gearing ratio increased from approximately 39.0% as at 31 December 2007 to approximately 47.9% as at 31 December 2008, primarily due to the increase in bank borrowings to maintain the operation of pork business.

Contingent Liabilities

As at 30 June 2010, our Group had no material contingent liabilities. Our Group is currently not involved in any material legal proceedings, nor is our Group aware of any pending or potential material legal proceedings involving our Group. If our Group was

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involved in such material legal proceedings, it would record any loss contingencies when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

As at the end of each of the reporting periods, the Group had commitments for future minimum lease payments in respect of farms and office premises under non-cancellable operating leases from selected farmers at an agreed price based on the area of the farm, which fall due as follows:

	As at 31 December			As at 30
	2007	2008	2009	June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	240	393	1,671	1,558
In the second to fifth year inclusive	3,926	3,947	4,769	4,497
After the fifth year	<u>3,026</u>	<u>2,911</u>	<u>2,670</u>	<u>2,550</u>
	<u>7,192</u>	<u>7,251</u>	<u>9,110</u>	<u>8,605</u>

Operating lease payments represent rentals payable by the Group for some of its farms and office premises. Leases in respect of farms are negotiated for a term of fifteen to fifty years with fixed rentals. Leases in respect of office premises are negotiated for a term of one to two years with fixed rentals.

Capital commitments

We had the following commitments of capital expenditure, which were not provided for in our combined financial statements:

	As at 31 December			As at 30
	2007	2008	2009	June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Commitments for the acquisition of property, plant and equipment	<u>15,816</u>	<u>25,874</u>	<u>202</u>	<u>77</u>

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CAPITAL EXPENDITURES

Capital Expenditures during the Track Record Period

The following table sets out our Group's historical capital expenditures during the Track Record Period:

	As at 31 December			As at 30
	2007	2008	2009	June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2010</i>
				<i>RMB'000</i>
Historical capital expenditures				
Property, plant and equipment	28,126	15,682	26,718	554
Construction in progress	84,858	93,447	9,303	–
Buildings	42,521	183	2,980	427
Land use rights	4,648	–	–	–
	<u>160,153</u>	<u>109,312</u>	<u>39,001</u>	<u>981</u>
Total	<u>160,153</u>	<u>109,312</u>	<u>39,001</u>	<u>981</u>

Our Group's capital expenditures for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 principally consisted of expenditures on acquisitions of property, plant and equipment, and construction in progress.

The decrease in the capital expenditures from approximately RMB160.2 million as at 31 December 2007 to approximately RMB109.3 million as at 31 December 2008 was primarily due to the construction in progress in respect of our office buildings, dormitories and slaughtering and processing plant of Fujian Sumhua. The decrease in the capital expenditures from approximately RMB109.3 million as at 31 December 2008 to approximately RMB39.0 million was primarily due to the completion of the construction work. Upon the completion of our office buildings, dormitories and slaughtering and processing plant of Fujian Sumhua, our capital expenditures decreased substantially from approximately RMB 39.0 million as at 31 December 2009 to approximately RMB1.0 million as at 30 June 2010.

Planned Capital Expenditure

For the six months from 1 July 2010 to 31 December 2010, we expect that the capital expenditures of approximately RMB100 million primarily for the expansion of our production capacity, including the construction of new production facilities, improvement in our existing productions facilities and purchase of production equipment and facilities for our animal feeds, chicken meat and processed foods operations.

Our Group's projected capital expenditures are subject to revision based upon any future changes to our business plan, market conditions, economic and regulatory environment.

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We expect to fund our contractual commitments and capital expenditures principally through the net proceeds we receive from the Share Offer, cash generated from our operating activities and proceeds from bank loans. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies except as included under the paragraphs headed “Contractual and Capital Commitments” and “Indebtedness” above.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set forth in our combined financial statements included in the accountants’ report set forth in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

DISTRIBUTION RESERVES

As at 30 June 2010, the Company did not have any distributable reserves.

DIVIDEND POLICY

In 2009, Sumpo Holdings declared and paid a dividend of RMB60 million to the shareholders. In 2010, Sumpo Holdings further declared a dividend of RMB75 million to its shareholders, RMB50 million of which had been settled by way of deducting the receivables due from the shareholders of Sumpo Holdings on 31 August 2010 and the remaining RMB25 million had been settled by way of cash in November 2010. Past payments and non-payments of dividends are not indicative of our future dividend policy.

We currently do not have any plans to distribute regular dividends immediately after the Listing, although this is subject to change. Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are in the normal course of our business and are exposed to various types of market risks as follows.

Fair Value Changes of Biological Assets and Agricultural Produce

During the Track Record Period, our results have been affected by change in fair values of biological assets less costs to sell, fair values of agricultural produce on initial recognition and reversal of fair value of agricultural produce due to sales and disposals.

Fair value change sensitivity analysis

For those biological assets and agricultural produce whose fair values are measured by direct comparison approach, no sensitivity analysis is deemed necessary as no assumption on specific parameters has been employed in the valuation with reference to the market determined prices.

For those biological assets the fair values of which are measured by the income approach, namely breeders, our Valuer has performed a sensitivity analysis on their fair values as at 30 June 2010 as determined by the income approach by varying the discount rate, the selling prices of broiler eggs and the direct production costs of broiler eggs.

The following table illustrates the sensitivity of the fair value of the breeders less costs to sell as at 30 June 2010 when the discount rate is adjusted downward by 100 basis points and upward by 100 basis points:

	Adjusting 100 basis points downward	Base case	Adjusting 100 basis points upward
Discount rate	23.48%	24.48%	25.48%
Fair value less costs to sell (RMB million)	9.08	9.04	9.00

The following table illustrates the sensitivity of the fair value of the breeders less costs to sell as at 30 June 2010 when there is 5% increase or decrease in the selling prices of broiler eggs:

	5% decrease in selling price	Base case	5% increase in selling price
Selling price of broiler eggs (RMB/egg)	2.185	2.30	2.415
Fair value less costs to sell (RMB million)	7.79	9.04	10.29

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The following table illustrates the sensitivity of the fair value of the breeders less costs to sale as at 30 June 2010 when there is 5% increase or decrease in the direct production costs of broiler eggs:

	5% decrease in production costs	Base case	5% increase in production costs
Production costs (RMB/breeder)	273	287	301
Fair value less costs to sell (RMB million)	9.90	9.04	8.18

Note 1: Based on the costs of equity generated from Bloomberg below, we note the expected rate of return should be ranged from 10% to 15% for comparable companies. However, given the risk associated with a particular asset (i.e. the breeders) is much greater than the risk associated with a company, especially a listed company, the Directors are of the view that the discount rates adopted in the DCF are fair and reasonable.

Market comparables

Name of Company	Stock Code	Cost of Equity
DaChan Food Asia Ltd	HKE: 03999	14.85%
Shandong Minhe	SHE: 002234	13.57%
Fujian Sunner	SSE: 002299	13.66%
Henan Huaying Agri Development	SHE: 002321	13.66%
Venky's India Ltd	BOM: 523261	12.16%
Srinivasa Hatcheries	BOM: 526893	10.38%
Rainbow Chicken	JNB: RBW	13.72%
Yuhe International Inc	NASDAQ: YUII	11.42%
	Average	12.93%

Note 2: The Valuer is of the view that the range adopted in the sensitivity analysis is the reasonably likely range in which the value of the numerical parameters may deviate from the base case level.

As far as discount rate is concerned, the major varying element is risk free rate (with long term Government bond rates acting as its proxy). In analyzing the 10-year PRC Government Bond rates between November 2009 and November 2010 (as shown in the Bloomberg screenshots below), it is observed that the highest and lowest rate is 4.128% and 3.249% respectively, with a range of 0.879%. The standard derivation of the change of the same set of bond rates is 2.08%. Therefore, the selected level of variation (i.e. $\pm 1\%$ to the base case discount rate or from 96% to 104% of the base case discount rate) is considered to be adequate to cover the expected range of possible outcomes for this variable.

As far as selling price of broiler eggs and production costs are concerned, given the target inflation rate of not exceeding 4% as set by the PRC Central Government, the selected level of variation (i.e. from 95% to 105% of the base case level) is considered to be adequate to cover the expected range of possible outcomes for these variables.

Based on the sensitivity analysis shown above, the fair values of breeders less the costs to sell are highly sensitive to change in the selling price of broiler eggs but relatively less sensitive to change in the discount rate.

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Credit Risk

Our Group is exposed to credit risk in the event of our customers are unable to pay amount in full when due. It arises primarily from our Group's trade receivables, amounts due from a shareholder and amounts due from related parties. Our Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. Our Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by our senior management. Our Group's diversified customer base ensures that there are no significant concentrations of credit risk for a particular customer. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined statement of financial position.

Interest Rate Risk

Our Group is exposed to interest rate risk arising from the potential adjustments in interest rates that may have an adverse effect on our Group's results for the current reporting period and in future years. Our Group is exposed to interest rate risk arising from bank borrowings on floating rate basis. The Group generally does not take a speculative view on the movement in interest rates and, therefore, does not actively use interest rate derivative instruments to hedge interest rate risks.

Our management considered that our exposure to interest rates risks on its variable-rated borrowing is limited. A 50 basis point increase or decrease is used when reporting interest rate internally to our key management personnel and represents management's assessment of the possible change in interest rates. A 50 basis point change in interest rate with all other variables were held constant, did not have a significant effect on our Group's profit for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010.

Currency Risk

As most of our Group's monetary assets and liabilities are denominated in RMB and our Group conducts its business transactions principally in RMB, the currency risk of our Group is not significant and our Group currently does not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

In the opinion of the Directors, since the currency risk is minimal, no sensitivity analysis is presented.

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Business Risk

Our Group is exposed to financial risks arising from changes in the prices of livestock and livestock's agricultural products and the change in cost and supply of feed ingredients, all of which are determined by ever-changing market forces of supply and demand and other factors. The other factors include, inter alia, environmental regulations, weather conditions and livestock diseases. Our Group has little or no control over these conditions and factors.

Our Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. Our Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that our Group will not be affected by epidemic diseases.

Save for the Parent Stock Day-Old Chicks, our Group manages its exposure to fluctuation in the price of the key raw materials used in the operations by maintaining a large number of suppliers so as to limit high concentration in a particular supplier.

Liquidity Risk

Our Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, our Group monitors and maintains a level of cash and bank balances which are considered to be adequate by our management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Our management monitors the utilization of borrowings on a regular basis.

RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES

Further information on our property interest is set out in Appendix IV to this prospectus. Our Valuer has valued the properties owned by us as of 31 October 2010. The text of its letter, summary of valuations and valuation certificate are set forth in Appendix IV to this prospectus.

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The table below shows the reconciliation of the net book value of the property interests from our audited financial statements as of 30 June 2010 to the valuation of the property interests as of 31 October 2010:

	<i>RMB'000</i>
Reference value (<i>note (i)</i>)	<u>120,520</u>
Net book value as of 30 June 2010 (as included in the accountants' report in Appendix I to this prospectus) (<i>note (ii)</i>)	34,914
Additions	83,432
Movements for the four months ended 31 October 2010	
– Depreciation and amortization	<u>(2,533)</u>
Net book value as of 31 October 2010	<u>115,813</u>
Valuation surplus	<u><u>4,707</u></u>
Attributable to:	
Owners of the Company	4,236
Non-controlling interests	<u>471</u>
	<u><u>4,707</u></u>

Notes:

- (i) The figures represents the reference value adopted by the management in respect of those properties without relevant title documents and such reference value is arrived at with reference to the property valuation report which set forth in Appendix IV in this prospectus. The reference value is based on assumptions that such properties can be freely transferred in the open market.
- (ii) The net book value represents the sum of the closing net book amount of prepaid lease payments, buildings and investment property as at 30 June 2010 as stated in the accountants' report set out in Appendix I of this prospectus.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

The Directors forecast that, in the absence of unforeseeable circumstances and on the bases and assumptions set out in Appendix II to this prospectus, the forecast of the Group's combined profit attributable to owners of the Company for the year ending 31 December 2010 will be approximately RMB54.0 million. Please refer to the section headed "Profit Forecast" in Appendix II to this prospectus.

The forecast combined profit attributable to owners of the Company of approximately RMB54.0 million for the year ending 31 December 2010 includes an estimated gain arising from changes in fair values less costs to sell of biological assets of RMB2.6 million for the year ended 31 December 2010. The gain arising from changes in fair values less costs to sell of biological assets is calculated i) on the same basis that has been adopted by the Group in valuing its biological assets and ii) on the assumption that there will be no

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material change in the key parameters which have been used by the Valuer in determining the fair value of the Group's biological assets as at 30 June 2010. The forecast fair value of the Group's biological assets as at 30 June 2010 and 31 December 2010 is valued by the Valuer (including the underlying assumptions). The extent of any gain arising from changes in fair value less costs to sell of biological assets for the year ending 31 December 2010 is dependent on market conditions and other factors that are beyond our control.

Sensitivity analysis

Key assumptions underlying valuation of the Group's breeders as at 31 December 2010 are set out below:

Estimated fair value less costs to sell (RMB)	10,679,000
Estimated selling price of broiler egg (RMB/per piece)	2.3
Estimated direct production costs of broiler egg (RMB/per egg laying cycle of mature breeders)	287
Discount rate	24.58%

The following table illustrates the sensitivity of the combined profit attributable to the owners of the Company to levels of the estimated fair value less costs to sell of the Group's breeders for the year ending 31 December 2010 by varying the discount rate:

	Adjusting 500 basis points upward	Adjusting 200 basis points upward	Adjusting 100 basis points upward	Adjusting 100 basis points downward	Adjusting 200 basis points downward	Adjusting 500 basis points downward
Increase/(decrease) in profit attributable to owners of the Company (RMB'000)	(291)	(118)	(59)	59	118	291

Note: For the discount rates shown above, ± 200 and ± 500 basis points have been included for illustration purpose only. For the basis of the ranges adopted in this sensitivity analysis, please refer to Note (2) of paragraph "Quantitative and Qualitative Disclosures about Market Risks" under this section.

The following table illustrates the sensitivity of the combined profit attributable to the owners of the Company to levels of the estimated fair value less costs to sell of the Group's breeders for the year ending 31 December 2010 by varying the selling price of broiler egg:

	5% increase in the selling price of broiler egg	2% increase in the selling price of broiler egg	1% increase in the selling price of broiler egg	1% decrease in the selling price of broiler egg	2% decrease in the selling price of broiler egg	5% decrease in the selling price of broiler egg
Increase/(decrease) in profit attributable to owners of the Company (RMB'000)	1,462	585	292	(292)	(585)	(1,462)

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The following table illustrates the sensitivity of the combined profit attributable to the owners of the Company to the levels of the estimated fair value less costs to sell of the Group's breeders for the year ending 31 December 2010 by varying the direct production costs of broiler egg:

	5%	2%	1%	1%	2%	5%
	increase in	increase in	increase in	decrease	decrease	decrease
	the direct	the direct	the direct	in the	in the	in the
	production	production	production	direct	direct	direct
	costs of	costs of	costs of	costs of	costs of	costs of
	broiler	broiler	broiler	broiler	broiler	broiler
	egg	egg	egg	egg	egg	egg
Increase/(decrease) in profit attributable to owners of the Company (<i>RMB'000</i>)	(1,025)	(410)	(205)	205	410	1,025

This sensitivity illustration is intended for reference only, and any variation could exceed the amounts indicated. Investors should note in particular that (i) this sensitivity illustration is not intended to be exhaustive and is limited to the impact of changes in key assumptions including the fair value of biological assets less costs to sell, the selling price of broiler eggs and the direct production costs of broiler egg; (ii) the profit forecast is subject to further and additional uncertainties. While we consider that for the purposes of the profit forecast what we believe is the best estimate of, among other assumptions, the change in fair value less costs to sell of biological assets for the year ending 31 December 2010, our actual revaluation on the change in fair value less costs to sell of biological assets for the year ending 31 December 2010 may differ materially from our estimate and is dependent on market conditions and other factors that are beyond our control.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there are no circumstances which, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth here to illustrate the effect of the Share Offer on our net tangible assets as of 30 June 2010 as if it had taken place on 30 June 2010.

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The unaudited pro forma statement of adjusted net tangible assets have been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our combined net tangible assets as of 30 June 2010 or any future date following the Share Offer. It is prepared based on our combined net assets as of 30 June 2010 as derived from our combined financial statements set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the accountants' report as set forth in Appendix I to this prospectus.

	Audited combined net tangible assets attributable to owners of our Company as at 30 June 2010	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per share	Unaudited pro forma adjusted combined net tangible assets per share
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	<i>(Note 4)</i>
Based on an Offer Price of HK\$0.80 per share	<u>210,312</u>	<u>254,410</u>	<u>464,722</u>	<u>0.29</u>	<u>0.34</u>
Based on an Offer Price of HK\$0.60 per share	<u>210,312</u>	<u>187,595</u>	<u>397,907</u>	<u>0.25</u>	<u>0.29</u>

Notes:

- (1) The audited combined net tangible assets attributable to owners of the Company as at 30 June 2010 is based on the combined net assets attributable to owners of the Company of RMB210,312,000 as at 30 June 2010 extracted from the accountants' report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from Share Offer are based on the Offer Shares and the Offer Price of HK\$0.80 or HK\$0.60 per share, being the high or low end of the stated offer price range, after deduction of the underwriting fees and related expenses payable by the Company of approximately HK\$23,000,000 or HK\$21,000,000 (equivalent to approximately RMB19,776,000 or RMB18,057,000) and taking no account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Share Offer are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.00 to RMB0.8566, the prevailing rate quoted by the People's Bank of China on 20 December 2010.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 1,600,000,000 shares in issue immediately after the Share Offer and the Capitalisation Issue become unconditional but takes no account of any Shares which may be taken up under the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company.
- (4) The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8566, the prevailing rate quoted by the People's Bank of China on 20 December 2010.
- (5) By comparing the valuation of the property interests of the Group as set out in Appendix IV to this prospectus after taking into account a reference value of RMB120,520,000 for certain properties and the audited net book value of these properties as of 30 June 2010, the valuation surplus was approximately RMB4,707,000. The valuation surplus of the property interests will not be incorporated

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in the Group's combined financial statements in the future. If the valuation surplus was to be included in the combined financial statements, an additional depreciation charge of approximately RMB169,000 per annum would be incurred.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since 30 June 2010 and there is no event since 30 June 2010 which would materially affect the information shown in our combined financial statements included in the accountants' report set forth in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Our Group aims to become one of the top ten manufacturers of chicken meat products in the PRC. In order to achieve this objective, our Group intends to implement the following plans:

Increase our production capacity

As at the Latest Practicable Date, our Group had one slaughtering and processing facility in the PRC. To meet the increasing market demand, our Group is planning to construct a new slaughtering and processing plant in Longyan adjacent to the existing one. The new slaughtering and processing plant is expected to have a production capacity of approximately 36,000,000 broilers per year.

Our Group is now in the course of preparing for the application of all the necessary approvals and permits. Our Group has already obtained the land use rights of a parcel of land adjacent to our existing production base where our new slaughtering and processing plant will be erected (the “Land”). Save for the aforesaid, we have no other major milestones achieved as far as the new slaughtering and processing plant is concerned.

The new slaughtering and processing plant is expected to be completed by the end of 2011 and the estimated total acquisition and construction cost is approximately RMB250.67 million, which will be financed from internal resources of our Group and debt financing. Given that the cost of the Land in the sum of RMB60 million has already been fully paid and our Group has cash and bank balances of approximately RMB151.70 million as at 30 June 2010, it is our current intention that approximately 60% of the total construction cost (i.e. equivalent to approximately RMB150.4 million) will be financed through project financing from bank(s) or financial institution(s) and the remaining balance of RMB40.27 million will be financed by internal resources of our Group. However, no commitment has been obtained from any bank(s) or financial institution(s) so far, since the approval of such project financing by the bank(s) or financial institution(s) will be subject to our receipt of all the necessary governmental approvals and permits.

We believe that the investments in the construction of another slaughtering and processing plant will enable us to capture more market opportunities and achieve economies of scale.

In order to utilize the increased production capacity of our new slaughtering and processing facilities, we will also have to establish new breeders farms, hatching facilities and broiler breeding farms. Our Group plans to construct 10 new breeder farms, 1 new hatching facility and 10 new broiler breeding farms. The construction of the new hatching facility and the 3 new breeder farms is expected to be completed within the first half of 2011, whilst 5 new broiler breeding farms are expected to be completed by the end of 2011, and the remaining 7 new breeder farms and 5 new broiler breeding farms are expected to be completed by end of 2012. The estimated costs of establishing such new breeders farms, hatching facilities and broiler breeding farms are approximately RMB98 million, RMB17 million and RMB140 million respectively, which will be financed as to RMB227.04 million, assuming that the Over-allotment Option is not exercised and based on the Offer Price of

FUTURE PLANS AND USE OF PROCEEDS

HK\$0.70 per share (being the mid-point of the stated range of the Offer Price of between HK\$0.60 per share and HK\$0.80 per Share) from the proceeds from the Share Offer and as to RMB27.96 million from the internal resources of our Group and debt financing.

The new hatching facility is expected to have a hatching capacity of approximately 38.9 million chicken breeds per year. The 10 new broiler breeding farms are expected to take in 5.5 batches of broilers per year, each batch consisting of approximately 200,000 broilers. The total breeding capacity of 10 new broiler breeding farms is expected to reach approximately 10,000,000 broilers per year, taking into account the number of dead broilers and those broilers with unsatisfactory quality. The 10 new breeder farms are expected to breed approximately 405,000 sets of breeders per year, laying approximately 45,700,000 broiler eggs per year.

The table below sets out our total production capacities before and after the construction of new facilities, the sources of fund for the construction of the new facilities and other relevant information:

Existing facilities	Production capacity of existing facilities per year (approximate)	Utilization rate as at 30 June 2010	New facilities	Total production capacity per year after expansion (including existing facilities) (approximate)	Expected completion date	Estimated capital expenditure (RMB million) (approximate)	Sources of fund (approximate)
1 slaughtering and processing plant	18,000,000 broilers	93.4%	1 new slaughtering and processing plant	54,000,000 broilers	End of 2011	250.67	Internal resources and debt financing
3 breeder farms	210,000 sets <i>(Note)</i>	80.3%	10 new breeder farms	615,000 sets	First half of 2011 (3 breeder farms) By 2012 (7 breeder farms)	98	Proceeds from the Share Offer
1 hatching facility	20,000,000 chicken breeds	91.2%	1 new hatching facility	58,900,000 chicken breeds	First half of 2011	17	Proceeds from the Share Offer
5 broiler breeding farms	5,500,000 broilers	100%	10 new broiler breeding farms	15,500,000 broilers	End of 2011 (5 broiler breeding farms) End of 2012 (5 broiler breeding farms)	140	Proceeds from the Share Offer (as to RMB112 million); Internal resources and debt financing (as to RMB28 million)

FUTURE PLANS AND USE OF PROCEEDS

Note:

Each female breeder that has been matched with a male breeder for fertilization constitutes one set of breeders. Hence, the number of female breeders is equal to the number of the sets of breeders. For the year ended 31 December 2009, the overall proportion of male breeders and female breeders was approximately 1:8.67.

Enhance the quality of our products and increase our product varieties

We plan to adjust and improve the technologies and technical know-how of our existing production facilities in order to fully utilize our production capacity and improve the quality of our products.

During the Track Record Period, most of our products are frozen chicken meat products. In order to increase the varieties of our chicken meat products, we plan to enhance our capability in making seasoned chicken meat products, which requires certain technical know-how, by introducing new equipment and ingredients for the production of seasoned chicken meat products. The revenue derived from the sales of such seasoned chicken meat products represents an insignificant portion of our total revenue and is included in the revenue of our chicken meat products. By doing so, we believe that we will be able to attract other potential customers who/which demand for seasoned chicken meat products to purchase such products from us, which will in turn increase our market coverage.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

The net proceeds from the Share Offer will strengthen our capital base and will provide funding for achieving our business strategy and carrying out its future plans as set out in this section.

Assuming that the Over-allotment Option is not exercised and based on the Offer Price of HK\$0.70 per Offer Share (being the mid-point of the stated range of the Offer Price of between HK\$0.60 per Offer Share and HK\$0.80 per Offer Share), the net proceeds of the Share Offer, after deducting related expenses payable by us, are estimated to be approximately HK\$258 million (equivalent to approximately RMB227.04 million). The Directors presently intend to apply such net proceeds of the Share Offer as follows:

- as to approximately HK\$111.36 million (equivalent to approximately RMB98.00 million) will be used to finance the costs of establishing our new breeders farms;
- as to approximately HK\$19.32 million (equivalent to approximately RMB17.00 million) will be used to finance the costs of establishing our new hatching facilities; and
- as to the balance of approximately HK\$127.32 million (equivalent to approximately RMB112.04 million) will be used to finance the costs of establishing our new broiler breeding farms.

FUTURE PLANS AND USE OF PROCEEDS

In the event that the Offer Price is set at HK\$0.80 per Offer Share, being the high-end of the proposed Offer Price range, our Company will receive additional net proceeds of the Share Offer of approximately HK\$39.00 million (equivalent to approximately RMB34.32 million) when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus, RMB27.96 million of which will be used to finance the cost of establishing our new broiler breeding farms and the remaining sum of RMB6.36 million will be used as working capital of the Group.

In the event that the Offer Price is set at HK\$0.60 per Offer Share, being the low-end of the proposed Offer Price range, the net proceeds of the Share Offer will be decreased by approximately HK\$39.00 million (equivalent to approximately RMB34.32 million) when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus. Under such circumstances, our Company intends to reduce its allocation of the net proceeds to finance the cost of establishing our new broiler breeding farms.

In the event that the Over-allotment Option is exercised in full, and assuming an Offer Price of HK\$0.80 per Offer Share (being the high-end of proposed Offer Price range), the Group will receive additional net proceeds of approximately HK\$46.80 million (equivalent to approximately RMB41.18 million), RMB27.96 million of which will be allocated to finance the cost of establishing our new broiler breeding farms and the remaining sum of RMB13.22 million will be used as working capital of the Group.

In the event that the Over-allotment Option is exercised in full, and assuming an Offer Price of HK\$0.70 per Offer Share (being the mid-point of the stated Offer Price range between HK\$0.60 per Offer Share and HK\$0.80 per Offer Share), the Group will receive additional net proceeds of approximately HK\$40.95 million (equivalent to approximately RMB36.04 million), RMB27.96 million of which will be allocated to finance the cost of establishing our new broiler breeding farms and the remaining sum of RMB8.08 million will be used as working capital of the Group.

In the event that the Over-allotment Option is exercised in full, and assuming an Offer Price of HK\$0.60 per Offer Share (being the low-end of proposed Offer Price range), the Group will receive additional net proceeds of approximately HK\$35.10 million (equivalent to approximately RMB30.89 million), RMB27.96 million of which will be allocated to finance the cost of establishing our new broiler breeding farms and the remaining sum of RMB2.93 million will be used as working capital of the Group.

To the extent that the net proceeds of the Share Offer and the issue of new Shares under the Over-allotment Option are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with financial institutions.

The Directors consider that the net proceeds from the Share Offer, together with internally generated funds and the banking facilities available to our Group, will be sufficient to finance the future business development of our Group as described in this prospectus.

UNDERWRITING

PLACING AND PUBLIC OFFER UNDERWRITERS

Sole Bookrunner and Lead Manager

Kingston Securities Limited

Co-Managers

Christfund Securities Limited
CIMB Securities (HK) Limited
Get Nice Securities Limited
Luen Fat Securities Company Limited

Placing Underwriters

Kingston Securities Limited
Christfund Securities Limited
CIMB Securities (HK) Limited
Get Nice Securities Limited
Luen Fat Securities Company Limited

Public Offer Underwriter

Kingston Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering the Public Offer Shares for subscription, subject to the terms and conditions of this prospectus and the Application Forms relating thereto and the Company is offering the Placing Shares for subscription subject to the terms and conditions of the Placing, in each case, at the Offer Price.

Subject to, among other matters, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein on or before 28 January 2011 (or such later date as the Lead Manager (for itself and on behalf of the other Underwriters) may agree in writing with the Company) and the Offer Price having been determined by the Company and the Lead Manager on or before the Price Determination Date, the Placing Underwriters have severally agreed to subscribe for or procure subscribers to subscribe for the Placing Shares, subject to the terms and conditions of the Placing, and the Public Offer Underwriter has agreed to subscribe for or procure subscribers to subscribe for, on the terms and conditions of this prospectus and the Application Forms relating thereto, the Public Offer Shares now being offered for subscription under the Public Offer and which are not taken up under the Public Offer.

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Grounds for termination

If, at any time prior to 8:00 a.m. on the Listing Date:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any adverse change or prospective adverse change in the business or in the financial or trading position of any member of the Group or the Group taken as a whole; or
 - (b) any change in, or any event or series of events resulting or likely to result in any adverse change or development or local, national or international financial, political, industrial, economic, currency, military, conflict-related, legal, fiscal, exchange control, regulatory, equity or other financial market or other conditions, circumstances or matters (including without limitation any moratorium on, suspension or restriction or commercial banking activities or trading in securities on the Stock Exchange) shall have occurred, happened or come into effect; or
 - (c) any new law or regulation or any change (whether or not forming part of a series of changes) in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority of the Cayman Islands, Hong Kong, the PRC, the BVI or any relevant jurisdiction shall have been introduced or effected; or
 - (d) a general moratorium on commercial banking activities, and/or a change or development occurs involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) in the Cayman Islands, Hong Kong, the PRC, the BVI or elsewhere; or
 - (e) any event, act or omission which gives rise or is likely to give rise to any liability of the Company pursuant to the indemnities contained in the Underwriting Agreement; or
 - (f) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by the United States, the European Union (or any member thereof) or any other country or organisation or the Cayman Islands, Hong Kong, the PRC, the BVI or any other jurisdiction relevant to the Group or any member of the Group; or
 - (g) any event, or series of events, beyond the control of the Underwriters (including without limitation, any act of God, acts of government, acts of war, riot, public disorder, civil commotion, fire, flooding, explosion, terrorism, strikes, lockouts, outbreak of diseases or epidemics including Severe Acute Respiratory Syndrome, streptococcus infection (pig borne disease) and H5N1 and such related/mutated forms or interruption or delay in transportation), shall have occurred, happened or come into effect; or

UNDERWRITING

- (h) any change in the system which the value of the Hong Kong currency is linked to that of the currency of the United States; or
- (i) any change in the conditions or sentiments of the Hong Kong equity securities or other financial markets; or
- (j) any imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (k) a demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity which demand has or could be expected to have an adverse effect on the Group taken as a whole; or
- (l) any litigation against or loss or damages sustained by the Company and/or any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which has or could be expected to have an adverse effect on the Group taken as a whole; or
- (m) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group,

which, in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the other Underwriters),

- (1) is or will be, or is likely to be materially adverse to the general affairs, management, business, financial, trading or other condition or prospects of the Group taken as whole, or to any present or prospective Shareholder in his/her/its capacity as such; or
- (2) has or will have, or is likely to have, a material adverse impact on the success of the Public Offer, the Placing or the level of the Offer Shares being applied for or accepted or purchased or the distribution of the Offer Shares or dealings in the Shares in the secondary market; or
- (3) makes it impracticable, inadvisable or inexpedient to proceed with the Public Offer, the Placing or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

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- (ii) there comes to the notice of the Lead Manager or any of the Underwriters
 - (a) any of the warranties given by the warrantors under the Underwriting Agreement is untrue, inaccurate or misleading in any respect when given or repeated and which is considered by the Lead Manager (for itself and on behalf of the other Underwriters) in its sole and absolute opinion to be materially adverse in the context of the Public Offer and the Placing, or that any of the warrantors is in breach of any provision of this prospectus and the related Application Forms;
 - (b) any statement contained in this prospectus is discovered to be untrue, incorrect or misleading in any respect, or any matter arises or is discovered which would if this prospectus was to be issued at that time, constitute an omission therefrom and is considered by the Lead Manager (for itself and on behalf of the other Underwriters) in its sole and absolute opinion to be material in the context of the Public Offer and the Placing;
 - (c) there has been a breach on the part of any of the warrantors of any of the provisions of the Underwriting Agreement, and such breach is considered by the Lead Manager (for itself and on behalf of the other Underwriters) in its sole and absolute opinion to be materially adverse in the context of the Public Offer and the Placing;
 - (d) any adverse change in the business or in the financial or trading position of any member of the Group which is in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the other Underwriters) to be relevant; or
 - (e) any event, act or omission occurs and/or is discovered which gives or is likely to give rise to any liability of the Company or any other member(s) of the Group, the Directors and/or any substantial Shareholder,

then the Lead Manager may (for itself and on behalf of the other Underwriters) give written notice to the Company (with a copy of such notice to each of the Underwriters) to terminate the Underwriting Agreement with immediate effect.

Undertakings

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances as prescribed under Rule 10.08 of the Listing Rules.

UNDERWRITING

In accordance with Rule 10.07(1)(a) of the Listing Rules, each of our Controlling Shareholders, namely Mr. Lin and Mr. Lin Genghua, has undertaken to the Stock Exchange that except pursuant to the Share Offer, the Capitalization Issue and the Stock Borrowing Agreement:

- (i) he will not, at any time commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares in respect of which he is shown by this prospectus to be the beneficial owner; and
- (ii) he will not, at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he would cease to be a controlling shareholder of our Company.

Note (2) of Rule 10.07 of the Listing Rules provides that Rule 10.07 does not prevent a controlling shareholder from using the Shares owned by him as security (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of our Controlling Shareholders has further undertaken to the Stock Exchange, the Company, the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters that he will, within the period commencing on the date by reference to which disclosure of his shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date:

- (i) when he pledges or charges any Shares or other securities or interests in any securities of our Company beneficially owned by him in favour of any authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or securities of our Company so pledged or charged; and
- (ii) when he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in any securities of our Company will be disposed of, immediately inform us of such indications.

Our Company agrees and undertakes to the Stock Exchange, the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters that upon receiving such information in writing from any of our Controlling Shareholders, we shall, as soon as practicable, notify

UNDERWRITING

the Stock Exchange, the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters and make appropriate disclosures in relation to such information by way of an announcement.

Each of Mr. Lin and Mr. Lin Genghua has jointly and severally undertaken to and covenanted with the Company, the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters that:

- (i) he will not, and will procure that none of his associates (as defined in the Listing Rules) or companies controlled by him will, during the period commencing from the date of this prospectus and ending on the date falling the expiry of the six-month period from the Listing Date, dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any of the Shares or any interests therein owned by him or in which he is, directly or indirectly, interested immediately after the completion of the Share Offer and the Capitalisation Issue (or any other shares or securities of or interest in the Company arising or deriving therefrom) or dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any shares in any company controlled by him which is the beneficial owner of any of such Shares provided that the foregoing restriction shall not apply to any Shares which he or any of his associates (as defined in the Listing Rules) may acquire following the Listing Date;

- (ii) within a further six months commencing on the date of expiry of the six-month period referred to in paragraph (i) above, he will not, and will procure that none of his associates (as defined in the Listing Rules) or the companies controlled by him will, dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any Shares or any interests therein referred to in paragraph (i) above or dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any shares in any company controlled by him which is the beneficial owner of such Shares if, immediately following such disposal, any of them, either individually or taken together with the others, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or cease to hold a controlling interest (that is to say, an interest of at least 30% or such lower percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers (the “Takeover Code”) as being the level for triggering a mandatory general offer) in any of the companies controlled by him which owns any such Shares;

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- (iii) in the event of any disposal of Shares or any such interests referred to in paragraph (ii) above after expiry of the six-month period referred to in paragraph (i) above, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares; and
- (iv) he will, and will procure that his associates (as defined in the Listing Rules) or companies controlled by him will, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him or by the registered holder controlled by him of any Shares.

The Company undertakes to and covenants with the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters that, and each of the executive Directors undertakes and covenants with the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters to procure that, without the prior written consent the Lead Manager (for itself and on behalf of the other Underwriters) (such consent not to be unreasonably withheld or delayed), the Company will not, save pursuant to the Share Offer, the Capitalisation Issue, the grant of any option under the Share Option Scheme or the exercise of any option to be granted under the Share Option Scheme or any scrip dividend schemes or similar schemes under which profits are capitalized and providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with the articles of association of the Company and unless in compliance with the requirements of the Listing Rules, (a) at any time after the Latest Practicable Date up to and including the date falling six months after the Listing Date, issue or agree to issue any shares or securities in the Company or any of its major subsidiaries (as defined in Rule 13.25(2) of the Listing Rules) if such shares or securities of such major subsidiary are not issued to other member of the Group or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for, any securities of the Company or any of its major subsidiaries (as defined aforesaid) if such options, warrants or rights are not granted by such major subsidiary to other member of the Group; and (b) within a further six months following the six-month period referred to in (a) above, issue or agree to issue any shares or securities in the Company or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into or exchange for, any shares or securities in the Company so as to result in Mr. Lin, either taken individually or taken together, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or cease to hold a controlling interest (that is to say, an interest of at least 30% or such lower percentage as may from time to time be specified in the Takeover Code as being the level for triggering a mandatory general offer) in any of the companies controlled by him or her or it which owns any Shares.

Each of the Company and the executive Directors undertakes to and covenants with the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters that save with prior written consent of the Lead Manager (for itself and on behalf of the other Underwriters) (such consent not to be unreasonably withheld or delayed), no company in the Group will within the period of six months from the Listing Date purchase any securities of the Company.

UNDERWRITING

Commission

The Public Offer Underwriter will receive a commission of 2.5% of the aggregate Offer Price of all the Public Offer Shares and the Placing Underwriters will receive an underwriting commission of 2.5% of the aggregate of the Offer Price of all the Placing Shares, out of which they will pay any sub-underwriting commissions. The Sponsor will receive financial advisory and documentation fees. The underwriting commission, financial advisory and documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$22 million (equivalent to approximately RMB19.36 million) in total (based on an Offer Price of HK\$0.70 per Share, being the mid-point of the indicative Offer Price range of between HK\$0.60 and HK\$0.80 per Share), and will be payable by the Company.

Underwriters' interests in the Company

Save as disclosed under the paragraph headed "Sponsor's interests in the Company" below and as contemplated under the Underwriting Agreement, as at the Latest Practicable Date, none of the Underwriters was interested, directly or indirectly, in any shares or securities in any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of the Group.

Sponsor's interests in the Company

Save as pursuant to the Underwriting Agreement, the Compliance Advisor Agreement and as disclosed herein, neither the Sponsor nor any of their associates is interested, directly or indirectly, in any shares or securities in any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of the Group.

No director or employee of any of the Sponsor who is involved in providing advice to the Company has or may, as a result of the Share Offer, have any interest in any class of securities of the Company or any other member of the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for by any such director or employee of the Sponsor pursuant to the Public Offer).

None of the Sponsor or any of their associates has accrued any material benefit as a result of the successful outcome of the Share Offer, including by way of example, the repayment of material outstanding indebtedness or success fees, other than the following:

- (i) by way of underwriting commission to be paid to the Lead Manager for acting as the Public Offer Underwriter and one of the Placing Underwriters pursuant to the Underwriting Agreement;
- (ii) the financial advisory and documentation fees to be paid to the Sponsor; and

UNDERWRITING

- (iii) certain associates of the Sponsor, whose ordinary business involves the trading of and dealing in securities, may be involved in the trading of and dealing in the securities in the Company.

No director or employee of the Sponsor has a directorship in the Company or any other member of the Group.

COMPLIANCE ADVISOR AGREEMENT

The Compliance Advisor Agreement dated 29 December 2010 was entered into between Kingston Corporate Finance Limited (“Kingston”) and the Company, pursuant to which the Company has appointed Kingston and Kingston has agreed to act as the compliance advisor of the Company with effect from the Listing Date until the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date or until the Compliance Advisor Agreement is otherwise terminated pursuant to its terms and conditions. The Company shall pay an agreed fee to Kingston for its provision of services. Details of the terms of the Compliance Advisor Agreement are set out under the paragraph headed “Compliance Advisor” under the section headed “Directors, Senior Management and Staff” of this prospectus.

STRUCTURE OF THE SHARE OFFER

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.80 and is expected to be not less than HK\$0.60 per Offer Share. Based on the maximum Offer Price of HK\$0.80 per Offer Share, plus 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee, the total cost payable for one board lot of 5,000 Offer Shares will amount to a total of HK\$4,040.32. The Application Forms have tables showing the exact amount payable for multiples of the Offer Shares.

The Offer Price is expected to be fixed by an agreement between the Company and the Lead Manager (for itself and on behalf of the other Underwriters) on or before the Price Determination Date, which is expected to be on or before Wednesday, 5 January 2011 or such other date or time as may be agreed between the Company and the Lead Manager (for itself and on behalf of the other Underwriters) but in any event, not later than 12:00 noon on Thursday, 6 January 2011.

If, based on the level of interests expressed by prospective professional, institutional and/or other investors during the book-building process, the Lead Manager (for itself and on behalf of the other Underwriters, and with the consent of the Company) thinks it appropriate (for instance, if the level of interests is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that as stated in this prospectus at any time prior to the morning of the last day for lodging applications. In such case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause notice of the reduction of the indicative Offer Price range to be published in The Standard (in English) and Singpao (in Chinese) and to be posted on our Company's website at www.sumpofood.com and the Stock Exchange's website at www.hkexnews.hk. Such notice will also include any financial information which may change as a result of any such reduction. If applications for the Public Offer Shares have been submitted prior to the morning of the last day for lodging applications under the Public Offer, then even if the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn.

If, for whatsoever reason, the Offer Price is not agreed between the Company and the Lead Manager (for itself and on behalf of the other Underwriters) on or before the Price Determination Date, or such other date or time as may be agreed between the Company and the Lead Manager (for itself and on behalf of the other Underwriters) but in any event, not later than 12:00 noon on Thursday, 6 January 2011, the Share Offer will not become unconditional and will lapse immediately. In such event, the Company will issue an announcement to be published in The Standard (in English) and Singpao (in Chinese).

STRUCTURE OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

Acceptance of your application for the Offer Shares is conditional upon:

1. Listing

the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and

2. Underwriting Agreement

the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated before 8:00 a.m. on the Listing Date. Details of the Underwriting Agreement and its conditions and grounds for termination are set out in the section headed “Underwriting” of this prospectus. If any of these conditions is not fulfilled on or before 28 January 2011 (or such later date as the Lead Manager may agree in writing for itself and on behalf of the other Underwriters with the Company), your application money will be returned to you, without interest. The terms on which your money will be returned to you are set out in the paragraph headed “Refund of your application money” on the Application Forms. In the meantime, your money will be held in one or more separate bank accounts with the receiving banker or other licensed bank or banks in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

OFFER MECHANISM

This prospectus is published in connection with the Share Offer, which comprises the Placing and the Public Offer. Initially, 360,000,000 Shares (subject to reallocation and the Over-allotment Option) are to be offered pursuant to the Placing to professional, institutional and private investors and 40,000,000 Shares (subject to reallocation) are to be offered to the public in Hong Kong under the Public Offer. References herein to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer. The Offer Shares will represent 25% of the Company’s enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue.

The Placing is fully underwritten by the Placing Underwriters on a several basis and the Public Offer is fully underwritten by the Public Offer Underwriter.

Information relating to the underwriting arrangements in respect of the Share Offer is set out in the paragraph headed “Underwriting Arrangements and Expenses” in the section headed “Underwriting” of this prospectus. The Share Offer is sponsored by the Sponsor and managed by the Lead Manager and the Sole Bookrunner.

Investors may apply for Public Offer Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

STRUCTURE OF THE SHARE OFFER

PLACING

The Company is initially offering, subject to the Over-allotment Option and possible reallocation on the basis discussed below, 360,000,000 Shares, representing 90% of the total number of Shares being offered under the Share Offer, for subscription by way of the Placing. Under the Placing, the Placing Underwriters, on behalf of the Company, will conditionally place the Placing Shares with professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole. Investors allocated with the Placing Shares cannot apply for the Public Offer Shares under the Public Offer. The Placing is conditional on the fulfillment of all the conditions stated in the paragraph headed “Conditions of the Share Offer” above.

PUBLIC OFFER

The Company is initially offering 40,000,000 Shares at the Offer Price under the Public Offer, representing 10% of the total number of Shares being offered under the Share Offer for subscription in Hong Kong, subject to reallocation as mentioned in this section. The Public Offer is managed by the Lead Manager and is fully underwritten by the Public Offer Underwriter.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Applicants for the Public Offer Shares under the Public Offer may not apply for Placing Shares under the Placing. Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The Public Offer will be subject to the conditions stated in the paragraph headed “Conditions of the Share Offer” above.

For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will consist of 20,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) or less. The Public Offer Shares available in pool B will consist of 20,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for Public Offer Shares in the value of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the total initial value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be

STRUCTURE OF THE SHARE OFFER

transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100 per cent. of the Public Offer Shares initially available under pool A or pool B will be rejected. Multiple applications or suspected multiple applications within either pool and between pools will also be rejected.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of Shares between the Public Offer and the Placing is subject to the reallocation adjustment which in turn depends on the level of subscription of the Public Offer. The reallocation will be made on the following basis:

- (i) if the number of Public Offer Shares validly applied for under the Public Offer equals or exceeds 600,000,000 Shares (being 15 times of the number of Public Offer Shares initially available for public subscription under the Public Offer) but is less than 2,000,000,000 Shares (being 50 times of the number of Public Offer Shares initially available for public subscription under the Public Offer), then the number of Shares available for public subscription under the Public Offer will be increased to 120,000,000 Shares, representing 30% of the 400,000,000 Shares available under the Share Offer (assuming the Over-allotment Option will not be exercised);
- (ii) if the number of Public Offer Shares validly applied for under the Public Offer equals or exceeds 2,000,000,000 Shares (being 50 times of the number of Public Offer Shares initially available for public subscription under the Public Offer) but is less than 4,000,000,000 Shares (being 100 times of the number of Public Offer Shares initially available for public subscription under the Public Offer), then the number of Public Offer Shares available for public subscription under the Public Offer will be increased to 160,000,000 Shares, representing 40% of the 400,000,000 Shares available under the Share Offer (assuming the Over-allotment Option will not be exercised); and
- (iii) if the number of Public Offer Shares validly applied for under the Public Offer equals or exceeds 4,000,000,000 Shares (being 100 times of the number of Public Offer Shares initially available for public subscription under the Public Offer), then the number of Public Offer Shares available for public subscription under the Public Offer will be increased to 200,000,000 Shares, representing 50% of the 400,000,000 Shares available under the Share Offer (assuming the Over-allotment Option will not be exercised). In all cases, the additional Shares reallocated to the Public Offer will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced.

If either the Public Offer or the Placing is not fully subscribed, the Lead Manager will have the discretion to reallocate all or any unsubscribed Shares originally included in the Public Offer to the Placing (or vice versa, as appropriate) in such proportion and manner as it considers appropriate.

STRUCTURE OF THE SHARE OFFER

OVER-SUBSCRIPTION

Allocation of Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by each applicant. However, this may involve balloting, which would mean that some applicants may be allotted more Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, we are expected to grant an Over-allotment Option to the Underwriters exercisable by the Lead Manager (for itself and on behalf of the other Underwriters).

Pursuant to the Over-allotment Option, the Lead Manager has the right, exercisable at any time from the Listing Date until the date falling 30 days after the date of this prospectus, to require the Company to issue the Over-allotment Shares at the Offer Price, representing 15% of the initial Offer Shares to, among other things, cover over-allocations in the Placing and/or the obligations of the Lead Manager to return securities borrowed under the Stock Borrowing Agreement. If the Over-allotment Option is exercised in full, the additional Shares will represent approximately 3.61% of the enlarged issued share capital of the Company immediately following the completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimize and, if possible, prevent a decline in the market price of the securities below the initial offering price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the initial offering price.

In connection with the Share Offer, Kingston Securities Limited (“Stabilizing Manager”), its affiliates or any person acting for it, on behalf of the other Underwriters, may over-allocate or effect transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period commencing from the Listing Date.

Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. The number of Shares that may

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be over-allocated will not be greater than the number of Shares which may be allotted and issued upon exercise of the Over-allotment Option, being 60,000,000 Shares, which is 15% of the Shares initially available under the Share Offer.

The Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; and/or
- (ii) in connection with any action described in paragraph (i) above:
 - (A) (1) over-allocate the Shares; or
 - (2) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;
 - (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Shares in order to close out any position established under paragraph (ii)(A) above;
 - (C) sell or agree to sell any of the Shares acquired by it in the course of the stabilizing action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and/or
 - (D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager, its affiliates or any person acting for it, which may include a decline in the market price of the Shares.

Stabilization cannot be used to support the price of the Shares for longer than the stabilization period, which begins on the day on which dealings in the Shares commence on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Public Offer. The stabilization period is expected to expire on Thursday, 3 February 2011. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilization period. Stabilization bids or market

STRUCTURE OF THE SHARE OFFER

purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring the Shares.

All stabilizing actions will be taken in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

STOCK BORROWING ARRANGEMENT

In connection with the Share Offer, the Lead Manager (for itself and on behalf of the other Underwriters) may over-allocate up to but not more than 60,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Lead Manager may borrow up to 60,000,000 Shares from Mr. Lin, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

A summary of the stock borrowing arrangement is set out as follows:

- the Stock Borrowing Agreement will only be effected by the Lead Manager for settlement of over-allocation in connection with the Placing;
- the maximum number of Shares to be borrowed from Mr. Lin by the Lead Manager will be limited to the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option which is 60,000,000 Shares;
- the same number of Shares so borrowed must be returned to Mr. Lin or its nominee(s), as the case may be, on or before the third business day following the earlier of (i) the last day on which the Shares may be issued by the Company pursuant to the Over-allotment Option or (ii) the day on which the Over-allotment Option is exercised in full;
- the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements; and
- no payment or other benefit will be made to Mr. Lin by the Lead Manager under the stock borrowing arrangement.

HOW TO APPLY FOR PUBLIC OFFER SHARES

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

There are three ways to make an application for the Public Offer Shares. You may apply for the Public Offer Shares by either (i) using a **WHITE** or **YELLOW** Application Form; (ii) applying online through designated website of the HK eIPO White Form Service Provider, referred herein as the “HK eIPO White Form Service” (www.hkeipo.hk), or (iii) by giving **Electronic Application Instructions** to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, **you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying using a WHITE or YELLOW Application Form or applying online through HK eIPO White Form Service or by giving Electronic Application Instructions to HKSCC.**

Who can apply for the Offer Shares

- (a) You, the applicant(s), and any person(s) for whose benefit you are applying, must be 18 years of age or above and must have a Hong Kong address.
- (b) If you are a firm, the application must be made in the name(s) of the individual member(s), not in the firm’s name.
- (c) If you are a body corporate, the application must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.
- (d) Save under the circumstances permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you or any person(s) for whose benefit you are applying is/are:
 - an existing beneficial owner of the shares in the Company or any of its subsidiaries;
 - the chief executive or a director of the Company or any of its subsidiaries;
 - an associate (as defined in the Listing Rules) of any of the above;
 - within the United States or a U.S. person(s) as defined in Regulation S of the U.S. Securities Act 1933, as amended;
 - a connected person (as defined in the Listing Rules) of the Company or a person who will become a connected person of the Company (as defined in the Listing Rules) immediately upon completion of the Share Offer;
 - a legal or natural person of the PRC (other than Hong Kong, Macau and Taiwan);
 - a person who does not have a Hong Kong address; or

HOW TO APPLY FOR PUBLIC OFFER SHARES

- have been allotted or have applied for or indicated an interest in any Placing Shares under the Placing.

(e) The total number of joint applicants may not exceed four.

If you wish to apply for the Offer Shares online through the **HK eIPO White Form Service**, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

Which application method to use

(a) **WHITE Application Form**

Use a **WHITE** Application Form if you want the Public Offer Shares to be issued in your own name.

(b) **HK eIPO White Form**

Instead of using a **WHITE** Application Form, you may apply for the Public Offer Shares by means of the **HK eIPO White Form Service** by submitting an application online through the designated website at www.hkeipo.hk. Use the **HK eIPO White Form Service** if you want the Shares to be registered in your own name.

(c) **YELLOW Application Form**

Use a **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees and to be deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(d) *Give Electronic Application Instructions to HKSCC via CCASS*

Instead of using a **YELLOW** Application Form, you may give **Electronic Application Instruction** to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participants stock account or your designated CCASS Participant's stock account.

The Public Offer Shares are not available to the directors, and chief executive of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules).

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. APPLYING BY USING A WHITE OR YELLOW APPLICATION FORM

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

If your application is made through a duly authorised attorney, the Company, the Lead Manager, the Sole Bookrunner, the Underwriters and their respective agents or nominees as agent for the Company will have full discretion to reject or accept any application, in full or in part, without assigning any reasons therefor and subject to any conditions they think fit, including, without limitation, requiring the production of evidence of the authority of your attorney.

Where to collect this prospectus and the WHITE and YELLOW Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Thursday, 30 December 2010 until 12:00 noon on Tuesday, 4 January 2011 from any of the following addresses:

Kingston Securities Limited

Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Christfund Securities Limited

26th Floor, 100 Queen's Road Central
Hong Kong

CIMB Securities (HK) Limited

25th Floor, Central Tower, 28 Queen's Road Central
Hong Kong

Get Nice Securities Limited

10th Floor, Cosco Tower, Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

Luen Fat Securities Company Limited

6th Floor, New Henry House
10 Ice House Street
Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

or any of the following branches of:

Bank of Communications Co., Ltd. Hong Kong Branch

District	Branch Name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Quarry Bay Sub-Branch	G/F., 981 C, King's Road
	Hennessy Road Sub-Branch	G/F., Bank of Communications Building, 368 Hennessy Road
	Kennedy Town Sub-Branch	G/F., 113-119 Belcher's Street
Kowloon	Kowloon Sub-Branch	G/F., 563 Nathan Road
	Jordan Road Sub-Branch	1/F, Booman Building, 37U Jordan Road
	Tsimshatsui Sub-Branch	Shop 1-3, G/F., 22-28 Mody Road
New Territories	Tsuen Wan Sub-Branch	G/F., Shop G9B-G11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road
	Yuen Long Sub-Branch	Shop B-F, G/F., 2-14 Tai Fung Street, Yuen Long
	Shatin Sub-Branch	Shop No. 193, Level 3, Lucky Plaza

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Thursday, 30 December 2010 until 12:00 noon on Tuesday, 4 January 2011 from:

- (i) the **Depository Counter of HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; and
- (ii) your broker, who may have such Application Forms and this prospectus available.

You should note that by completing and submitting the **WHITE** or **YELLOW** Application Form, you (and if you are joint applicants, each of you jointly and severally), for yourself or as agent or nominee and on behalf of each person for whom you as agent or nominee, amongst other things:

- (i) **agree** with the Company, for itself and on behalf of each Shareholder, and the Company agrees with each Shareholder, to observe and comply with the Companies Ordinance, the memorandum of association of the Company and the Articles;
- (ii) **agree** with the Company and each of the Shareholder that the Shares are freely transferable by the holder thereof;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (iii) **confirm** that you have received a copy of this prospectus, and have only relied on the information and representations in this prospectus and the Application Form in making your application and that you will not rely on any other information and/or representations save as set out in any supplement to this prospectus;
- (iv) **agree** that the Company, the Directors, the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters (or their respective agents and nominees) and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus and any supplement to this prospectus;
- (v) **agree** (without prejudice to any other rights you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation other than as provided in this prospectus;
- (vi) (if the application is made for your own benefit) **warrant** that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC via CCASS or to the **HK eIPO White Form Service Provider** via **HK eIPO White Form Service** (www.hkeipo.hk);
- (vii) (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (viii) (if you are making the application as agent for the benefit of another person) **warrant** that reasonable enquiries have been made of that other person and that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by way of giving **Electronic Application Instructions** to HKSCC via CCASS or to the **HK eIPO White Form Service Provider** via the **HK eIPO White Form Service** (www.hkeipo.hk), and that you are duly authorised to sign the Application Form as that other person's agent;
- (ix) **warrant** the truth and accuracy of the information contained in the Application Form;
- (x) **agree** to disclose to the Company, the Company's Hong Kong branch share registrar and transfer office, the receiving banker, the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters (and their respective agents, advisors or nominees) personal data and any information which they require about you or the person(s) for whose benefit you have made the application;

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- (xi) **agree** that the processing of your application, including the despatch of refund cheques (where applicable), may be done by any of the Company's receiving bankers and is not restricted to the bank at which your Application Form was lodged;
- (xii) **instruct** and **authorise** the Company, the Lead Manager, the Sole Bookrunner, the Underwriters (or their respective agents or nominees) each acting as an agent of the Company to do on your behalf all things necessary to register any Public Offer Shares allotted to you in your name(s) or the name of HKSCC Nominees, as the case may be, and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
- (xiii) **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares to be allotted to you, and as required by the memorandum of association of the Company and the Articles;
- (xiv) **represent, warrant** and **undertake** that you are not restricted by any applicable laws of Hong Kong or elsewhere from making this application, pay any application monies for, or being allotted or taking up any Public Offer Shares; and you understand that the Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended and you are not a U.S. person (as defined in Regulation S of the U.S. Securities Act 1933, as amended) or a person to or by whom the allotment of or application for the Public Offer Shares is made would require the Company, the Sponsor, the Lead Manager, the Sole Bookrunner and/or the Public Offer Underwriter to comply with any requirement under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;
- (xv) **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xvi) **undertake** and **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xvii) **authorise** the Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of the Company as the holders(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any refund cheque (where applicable) to you or the first-named applicant in the Application Form (in case of joint applicants) by ordinary post at your own risk to the address stated in your application form (except that if you have applied for 1,000,000 Public Offer Shares or more and have indicated in your Application Form that you will collect your share certificate(s) and/or refund cheque(s) (if any) in person, you can collect your share certificate(s)

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and/or refund cheque(s) (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Monday, 10 January 2011 from Tricor Investor Services Limited;

- (xviii) **understand** that these declarations and representations will be relied upon by the Company, the Directors, the Lead Manager, the Sole Bookrunner and the Underwriters and their respective agents or nominees in deciding whether or not to allocate any Public Offer Shares in response to your application and that you may be prosecuted for making any false declaration; and
- (xix) if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Sponsor, the Underwriters and other parties involved in the Share Offer nor any of their respective directors, employees, partners, agents, officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Forms.

In order for the **YELLOW** Application Form to be valid:

The applicant(s) must complete the **YELLOW** Application Form as indicated below and sign on the first page of the **YELLOW** Application Form. Only written signatures will be accepted.

- (i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant)**, the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.
- (ii) **If the application is made by an individual CCASS Investor Participant:**
 - (a) the Application Form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and
 - (b) the CCASS Investor Participant must insert his participant I.D. in the appropriate box in the Application Form.
- (iii) **If the application is made by a joint individual CCASS Investor Participant:**
 - (a) the Application Form must contain all joint CCASS Investor Participants' full names and the Hong Kong identity card numbers of all joint CCASS Investor Participants; and
 - (b) the participant I.D. must be inserted in the appropriate box in the Application Form.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iv) **If the application is made by a corporate CCASS Investor Participant:**

- (a) the Application Form must contain the company name and Hong Kong business registration number; and
- (b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission of details of the CCASS Participant including participant I.D. and/or company chop bearing its company name or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked “For nominees” account numbers or other identification code for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner.

If you apply for the Public Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to above, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following:

- (i) **agree** that any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election in the Application Form;
- (ii) **agree** that each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of the Public Offer Shares allocated to you issued in the name of HKSCC Nominees or not to accept such Public Offer Shares for deposit into CCASS; (2) to cause such allotted Public Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; and (3) to cause such allotted Public Offer Shares to be issued in your name (or, if you are a joint applicant, in the name of the first-named applicant) and in such a case, to post the certificates for such allotted Public Offer Shares at your own risk to the address stated in the Application Form by ordinary post or to make available the same for your collection;
- (iii) **agree** that each of HKSCC and HKSCC Nominees may adjust the number of Public Offer Shares allocated to you and issued in the name of HKSCC Nominees;
- (iv) **agree** that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (v) **agree** that neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

How to make payment for the application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- (i) be in Hong Kong dollars;
- (ii) be drawn on your Hong Kong dollar bank account in Hong Kong;
- (iii) show your account name (or, in the case of joint applicants, the name of the first-named applicant) (either pre-printed on the cheque or endorsed on the back of the cheque by an authorised signatory of the bank on which it is drawn), which must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);
- (iv) be made payable to “Bank of Communications (Nominee) Co. Ltd. – Sumpo Food Public Offer”;**
- (v) be crossed “Account Payee Only”; and
- (vi) not be post-dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonoured on first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- (i) be in Hong Kong dollars;
- (ii) be issued by a licensed bank in Hong Kong and have your name certified on the back of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;
- (iii) be made payable to “Bank of Communications (Nominee) Co. Ltd. – Sumpo Food Public Offer”**
- (iv) be crossed “Account Payee Only”; and
- (v) not be post-dated.

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Your application may be rejected if your banker's cashier order does not meet all of these requirements. The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Tuesday, 4 January 2011. The Company will not give you a receipt for your payment. The Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

Members of the public – time for applying for Public Offer Shares

Completed **WHITE** or **YELLOW** Application Forms, with payment in Hong Kong dollars for the full amount on application attached, must be lodged by **12:00 noon on Tuesday, 4 January 2011**, or, if the application lists are not open on that day, then by 12:00 noon on the next Business Day the lists are open.

Your completed **WHITE** or **YELLOW** Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any of the branches of Bank of Communications Co., Ltd. Hong Kong Branch listed on the paragraph headed "Where to collect this prospectus and the **WHITE** and **YELLOW** Application Forms" of this section.

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 4 January 2011.

Application for the Public Offer Shares will not be processed, and no allotment of any such Public Offer Shares will be made, until the close of the application lists.

2. APPLYING THROUGH HK eIPO WHITE FORM

General

- (i) You may apply through **HK eIPO White Form** by submitting an application through the designated website at **www.hkeipo.hk** if you satisfy the relevant eligibility criteria for this as set out in the sub-paragraph headed "Who can apply for the Offer Shares" and on the same website. If you apply through **HK eIPO White Form**, the Shares will be issued in your own name.
- (ii) Detailed instructions for application through the **HK eIPO White Form** Service are set out on the designated website at **www.hkeipo.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated HK eIPO White Form Service Provider and may not be submitted to the Company.

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- (iii) If you give **Electronic Application Instructions** through the designated website at www.hkeipo.hk, you will have authorised the designated HK eIPO White Form Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **HK eIPO White Form Service**.
- (iv) In addition to the terms and conditions set out in this prospectus, the designated HK eIPO White Form Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form Service**. Such terms and conditions are set out on the designated website at www.hkeipo.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (v) By submitting an application to the designated HK eIPO White Form Service Provider through the **HK eIPO White Form Service**, you are deemed to have authorised the designated HK eIPO White Form Service Provider to transfer the details of your application to the Company and the registrars.
- (vi) You may submit an application through the **HK eIPO White Form Service** in respect of a minimum of 5,000 Offer Shares. Each **Electronic Application Instruction** in respect of more than 5,000 Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.hkeipo.hk.
- (vii) You should give **Electronic Application Instructions** through **HK eIPO White Form** at the times set out in the paragraph headed “Time for applying for the Public Offer Shares” in this section below.
- (viii) You should make payment for your application made by **HK eIPO White Form Service** in accordance with the methods and instructions set out in the designated website at www.hkeipo.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Tuesday, 4 January 2011 or such later time as described under the paragraph headed “Effect of bad weather on electronic applications under HK eIPO White Form” in this section below, the designated HK eIPO White Form Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk. You will not be permitted to submit your application to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.**

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- (ix) Once you have completed payment in respect of any **Electronic Application Instruction** given by you or for your benefit to the designated **HK eIPO White Form** Service Provider to make an application for Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **Electronic Application Instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular payment application reference number will not constitute an actual application.
- (x) Warning: The application for Offer Shares through the **HK eIPO White Form** Service is only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. **The Company, the Directors, the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the HK eIPO White Form Service will be submitted to the Company or that you will be allotted any Offer Shares.**

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** Service, you are advised not to wait until the last day for submitting applications in the Public Offer to submit your **Electronic Application Instructions**. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted **Electronic Application Instructions** and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give **Electronic Application Instructions** to HKSCC via CCASS.

Conditions of the **HK eIPO White Form** Service

In using the **HK eIPO White Form** Service to apply for the Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- **applies** for the desired number of Offer Shares on the terms and conditions of this prospectus and **HK eIPO White Form** subject to the memorandum of association of the Company and the Articles;
- **undertakes** and **agrees** to accept the Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- **declares** that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instruction** to

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HKSCC or to the HK eIPO White Form Service Provider under the **HK eIPO White Form** Service, to benefit the applicant or the person for whose benefit the applicant is applying;

- **undertakes and confirms** that the applicant and the person for whose benefit the applicant is applying has not applied for or taken up, or indicated an interest for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor otherwise participate in the Placing;
- **understands** that the declaration and representation made in the **HK eIPO White Form will be relied upon by the Company in deciding whether or not to make any allotment of Offer Shares in response to such application;**
- **authorizes** the Company to place the applicant's name on the register of members of the Company as the holder of any Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in this prospectus) to send any share certificates and/or any refund cheque(s) by ordinary post at the applicant's own risk to the address given on the **HK eIPO White Form** except where the applicant has applied for 1,000,000 or more Offer Shares and that applicant collects any share certificate(s) and/or refund cheque(s) in person in accordance with the procedures prescribed in the **HK eIPO White Form** and this prospectus;
- **requests** that any e-auto refund payment instruction(s)/refund cheque(s) be made payable to the applicant; and (subject to the terms and conditions set out in this prospectus) to send any refund cheques by ordinary post and at the applicant's own risk to the address given on the **HK eIPO White Form** (except where the applicant has applied for 1,000,000 or more Offer Shares and collects any refund cheque(s) in person in accordance with the procedures prescribed in the **HK eIPO White Form** and this prospectus);
- **has read** the terms and conditions and application procedures set out in/on the **HK eIPO White Form**, this prospectus and the **HK eIPO White Form** website and agree to be bound by them;
- **represents, warrants and undertakes** that the applicant, and any persons for whose benefit the applicant is applying are non-U.S. person(s) outside the United States (as defined in Regulation S), when completing and submitting the **HK eIPO White Form** or is a person described in paragraph (h)(3) of Rule 902 of Regulation S or the allotment of or application for the Offer Shares to or by whom or for whose benefit the application is made would not require the Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and

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- **agrees** that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the laws of Hong Kong.

Supplemental Information

If any supplement to this prospectus is issued, applicant(s) who have already submitted an electronic application instruction through the **HK eIPO White Form Service** may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **HK eIPO White Form Service** that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **HK eIPO White Form Service** is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

Effect of bad weather on electronic applications under HK eIPO White Form Service

The latest time for submitting an application to the designated HK eIPO White Form Service Provider through **HK eIPO White Form Service** will be 11:30 a.m. on Tuesday, 4 January 2011 and the latest time for completing full payment of application monies will be 12:00 noon on Tuesday, 4 January 2011. If there is:

- a tropical cyclone warning signal number eight or above; or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 January 2011, the latest time to complete the application and the latest time to complete payment will be postponed to 11:30 a.m. and 12:00 noon respectively on the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

Effect of completing and submitting an application through the HK eIPO White Form service

By completing and submitting an application through the **HK eIPO White Form service**, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- **instruct** and **authorize** the Company, the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters as agents for the Company (or their respective agents or nominees) to do on your behalf all things necessary to register any Offer Shares allotted to you in your name as required by the

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Articles and otherwise to give effect to the arrangements described in this prospectus and the **HK eIPO White Form** designated website at **www.hkeipo.hk**;

- **confirm** that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- **agree** that the Company and the Directors are liable only for the information and representations contained in this prospectus and any supplement thereto;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** Service;
- (if you are an agent for another person) **warrant** reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** Service, and that you are duly authorised to submit the application as that other person's agent;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the Placing;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **agree** to disclose to the Company, and/or its registrars, receiving bankers, the Sponsor, the Lead Manager, the Sole Bookrunner, the Underwriters and their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;

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- **agree** with the Company and each shareholder of the Company, and the Company agrees with each of its shareholder, to observe and comply with the Companies Ordinance, the memorandum of association of the Company and the Articles;
- **agree** with the Company and each shareholder of the Company that the Shares in the Company are freely transferable by the holders thereof;
- **represent, warrant and undertake** that you are not, and none of the other person(s) for whose benefit you are applying, is a U.S. person (as defined in Regulation S);
- **represent** and **warrant** that you understand that the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus, the **HK eIPO White Form** designated website at **www.hkeipo.hk** and agree to be bound by them;
- **undertake** and **agree** to accept the Shares applied for, or any lesser number allocated to you under your application; and
- if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus, the **HK eIPO White Form** designated website at **www.hkeipo.hk**.

The Company, the Directors, the Sponsor, the Lead Manager, the Sole Bookrunner, the Underwriters and their respective directors, officers, employees, partners, agents, advisors, and any other parties involved in the Share Offer are entitled to rely on any warranty, representation or declaration made by you in such application.

In the event of an application being made by joint applicants, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given and assumed by and imposed on the applicants jointly and severally.

For the purposes of allocating the Offer Shares, each applicant giving electronic application instructions through **HK eIPO White Form** Service to the HK eIPO White Form Service Provider through the designated website at **www.hkeipo.hk** will be treated as an applicant.

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If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated HK eIPO White Form Service Provider, it may adopt alternative arrangements for the refund of application monies to you. Please refer to the additional information provided by the designated HK eIPO White Form Service Provider on the designated website at www.hkeipo.hk.

Otherwise, any application monies payable to you due to a refund for other reasons are set out below in the paragraph headed “Despatch/collection of share certificates, e-auto refund payment instructions and refund cheques” of this section below.

3. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **Electronic Application Instructions** to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **Electronic Application Instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **Electronic Application Instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F., Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Copies of this prospectus are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **Electronic Application Instructions** via CCASS terminals to apply for Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and the Company’s Hong Kong branch share registrar and transfer office.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Application for the Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **Electronic Application Instructions** to apply for the Public Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
 - **agrees** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input **Electronic Application Instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - **undertakes** and **agrees** to accept the Public Offer Shares in respect of which that person has given **Electronic Application Instructions** or any lesser number;
 - **undertakes** and **confirms** that that person has not indicated an interest for, applied for or taken up any Offer Shares under the Placing and will not apply for or take up or indicate any interest in any of the Placing Shares, nor otherwise participated in the Placing;
 - (if the **Electronic Application Instructions** are given for that person's own benefit) warrants that only one set of **Electronic Application Instructions** has been given for that person's benefit on a **WHITE** or **YELLOW** application form or by giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider under the **HK eIPO White Form Service**;
 - (if that person is an agent for another person) **warrant** that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC or to the designated HK eIPO White Form Service Provider via **HK eIPO White Form Service** and that you are duly authorised to sign this Application Form as that other person's agent;
 - **understands** that the above declaration will be relied upon by the Company, the Directors, the Sponsor, the Lead Manager, the Sole Bookrunner and/or the Underwriters in deciding whether or not to make any allocation of the Public Offer Shares in respect of the **Electronic Application Instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

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- **authorises** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allotted in respect of that person's **Electronic Application Instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;
- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- **confirms** that that person has only relied on the information and representations in this prospectus (and any supplement thereto) in giving that person's **Electronic Application Instructions** or instructing that person's broker or custodian to give **Electronic Application Instructions** on that person's behalf;
- **agrees** that the Company, the Directors, the Sponsor, the Lead Manager, the Sole Bookrunner, the Underwriters, their respective directors, officers, employees, advisors and any other parties involved in the Share Offer are not liable for the information and representations not so contained in this prospectus and any supplement thereto;
- **agrees** to disclose that person's personal data to the Company, its registrars, receiving bankers, the Lead Manager, the Sole Bookrunner, the Underwriters and any of their respective agents and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **Electronic Application Instructions** given by that person is irrevocable before the expiration of the fifth day after the time of opening of the application lists or such later date as the application lists may open as described under "Effect of bad weather on the opening of the application lists" below, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the expiration of the fifth day after the time of opening of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the end of the fifth day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or

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limits the responsibility of that person for this prospectus (for the purpose of this paragraph, the term “day” shall be construed to exclude any Saturday, Sunday or public holiday in Hong Kong);

- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **Electronic Application Instructions** given by that person is irrevocable, save as provided for in this prospectus;
- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person’s **Electronic Application Instruction** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by the Company;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **Electronic Application Instructions** relating to the Public Offer Shares;
- **agrees** with the Company, for itself and for the benefit of each of the Shareholders (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each of the Shareholders, with each CCASS Participant giving **Electronic Application Instructions**), to observe and comply with the Companies Ordinance, the memorandum of association of the Company and the Articles;
- **agrees** with the Company (for itself and for the benefit of each of the Shareholders) that the Shares are freely transferable by the holders thereof; and
- **agrees** that that person’s application, any acceptance of it and the resulting contract will be governed by and constructed in accordance with the laws of Hong Kong.

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Effect of giving electronic application instructions to HKSCC

By giving **Electronic Application Instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- **instructed** and **authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the Offer Price is less than the maximum offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and
- **instructed** and **authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Minimum subscription amount and permitted multiples

You may give or cause your broker or a custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **Electronic Application Instructions** in respect of a minimum of 5,000 Public Offer Shares. Such instructions in respect of more than 5,000 Public Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms. No application for any number of the Public Offer Shares will be considered and any such application is liable to be rejected.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **Electronic Application Instructions** to make an application for Public Offer Share given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. Further information in this regard is set forth under the paragraph headed “How many applications you may make” below.

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Effect of bad weather on the opening of application lists

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, 4 January 2011, the last application day. If there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 January 2011, the last application day will be postponed to the next Business Day which does not have either of these warning signals in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

Allocation of the Public Offer Shares

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **Electronic Application Instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Personal Data

The paragraph headed “Personal Data” in the Application Forms applies to any personal data held by the Company, its registrars, receiving banker, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **Electronic Application Instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

The application for the Public Offer Shares by giving **Electronic Application Instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Sponsor, the Lead Manager, the Sole Bookrunner and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participants will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **Electronic Application Instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **Electronic Application Instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System/CCASS Internet

HOW TO APPLY FOR PUBLIC OFFER SHARES

System for submission of **Electronic Application Instructions**, they should either (i) submit the **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form for **Electronic Application Instructions** before 12:00 noon on Tuesday, 4 January 2011 or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists" below.

HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Public Offer Shares if you are a nominee. You may both give **Electronic Application Instructions** to HKSCC (if you are a CCASS participant) and lodge more than one application in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- (i) an account number; or
- (ii) some other identification code for **each** beneficial owner. If you do not include this information, the application will be treated as being for your own benefit.

It will be a term and condition of all applications that by completing and delivering an Application Form, or submitting an **Electronic Application Instruction** to HKSCC you:

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your own benefit on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC or to the HK eIPO White Form Service Provider via the HK eIPO White Form Service; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** Service and that you are duly authorized to sign the Application Form as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, **all** of your applications may be rejected as multiple applications if you, or you and/or your joint applicants together:

- make more than one application on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** Service; or

HOW TO APPLY FOR PUBLIC OFFER SHARES

- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **Electronic Application Instructions** to HKSCC or to the **HK eIPO White Form** Service Provider in the **HK eIPO White Form** Service; or
- apply on one **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC or to the **HK eIPO White Form** Services Provider via the **HK eIPO White Form** Service for more than 100% of the Public Offer Shares initially available under pool A and pool B as referred to in the section headed “Structure of the Share Offer” in this prospectus; or
- have applied for or taken up, or indicated an interest in applying for or taking up or have been allotted or will be allotted Placing Shares under the Placing.

All of your applications will also be rejected as multiple applications if more than one application (i) on a **WHITE** or **YELLOW** Application Form and/or (ii) by giving **Electronic Application Instructions** to HKSCC and/or (iii) to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** Service is made for your benefit (including the part of the application made by HKSCC acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR PUBLIC OFFER SHARES

HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price is HK\$0.80 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for every 5,000 Public Offer Shares, you will pay HK\$4,040.32. Each Application Form has a table showing the exact amount payable for certain multiples of the Public Offer Shares. You must pay the maximum Offer Price, the brokerage, the Stock Exchange trading fee and the SFC transaction levy in full when you apply for the Public Offer Shares.

If your application is successful, the brokerage is paid to participants of the Stock Exchange, the transaction levy is paid to the Stock Exchange collecting on behalf of the SFC, and the trading fee is paid to the Stock Exchange. If the Offer Price as finally determined is less than HK\$0.80 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interests. Details of the procedures for refund are contained below in the section headed “Despatch/ collection of share certificates, e-auto refund payment instructions and refund cheques”.

The Company will not issue temporary documents of title, evidence of title or receipt for payment.

TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

WHITE and YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Tuesday, 4 January 2011, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the application lists”.

Your completed Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any one of the branches of the Bank of Communications Co., Ltd. Hong Kong Branch listed under the paragraph headed “Where to collect this prospectus and the **WHITE** and **YELLOW** Application Forms” above at the following times:

Thursday, 30 December 2010 – 9:00 a.m. to 5:00 p.m.
Friday, 31 December 2010 – 9:00 a.m. to 5:00 p.m.
Monday, 3 January 2011 – 9:00 a.m. to 5:00 p.m.
Tuesday, 4 January 2011 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 4 January 2011.

HOW TO APPLY FOR PUBLIC OFFER SHARES

HK eIPO White Form

You may submit your application to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. on Thursday, 30 December 2010 until 11:30 a.m. on Tuesday, 4 January 2011 or such later time as described under the paragraph headed “Effect of bad weather on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 4 January 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the application lists” below.

You will not be permitted to submit your application to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an payment reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Tuesday, 4 January 2011, or such later time as described under the sub-paragraph headed “Effects of bad weather on the opening of the Application Lists”, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk.

Electronic Application Instructions to HKSCC

CCASS Clearing/Custodian Participants can input **Electronic Application Instructions** via CCASS at the following times on the following dates:

Thursday, 30 December 2010 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 31 December 2010 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Monday, 3 January 2011 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 4 January 2011 – 8:00 a.m.⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **Electronic Application Instructions** from 9:00 a.m. on Thursday, 30 December 2010 until 12:00 noon on Tuesday, 4 January 2011 (24 hours daily, except the last application date).

The latest time for inputting your **Electronic Application Instructions** (if you are a CCASS Participant) is 12:00 noon on Tuesday, 4 January 2011 or, if the application lists are not open on that day, by the time and date stated under the paragraph headed “Effect of bad weather on the opening of the application lists” below.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Application Lists

Subject to the events as described in the paragraph headed “Effect of bad weather on the opening of the application lists” below, the application lists will open at 11:45 a.m. and close at 12:00 noon on Tuesday, 4 January 2011.

No proceedings will be taken on application for the Shares and no allotment of any such Shares will be made until the closing of the application lists.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number eight or above, or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 January 2011.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated the Public Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note, in particular, the following two situations in which the Public Offer Shares will not be allocated to you:

If your application is revoked

By completing and submitting an Application Form, or by giving or submitting **Electronic Application Instructions** to HKSCC, or by completing and submitting an application online through the designated website at **www.hkeipo.hk**, you agree that you cannot revoke your application or the application made by HKSCC Nominees on your behalf on or before the expiration of the fifth day after the time of the opening of the application lists.

This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or submit your **Electronic Application Instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the end of the fifth day after the time of opening of the application lists except by means of one of the procedures referred to in this prospectus.

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Your application or the application made by HKSCC Nominees on your behalf may be revoked on or before the fifth day after the time of the closing of the application lists, if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

For the purpose of the above paragraphs, the term “day” shall be construed to exclude any Saturday, Sunday or public holiday in Hong Kong.

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. Acceptance of application which are not rejected will be constituted by notification in the announcement of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

Full discretion of the Company, the Lead Manager, the Sole Bookrunner, the HK eIPO White Form Service Provider and their respective agents to reject or accept your application

The Company, the Lead Manager, the Sole Bookrunner, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

If the allotment of Public Offer Shares is void

Any allotment of the Public Offer Shares to you or to HKSCC Nominees (if you give **Electronic Application Instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Stock Exchange does not grant the approval of the listing of, and permission to deal in, the Shares either:

- within three weeks from the closing date of the application lists of the Public Offer; or
- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists of the Public Offer.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If your application is rejected

Your application will be rejected if:

- it is a multiple application or a suspected multiple application; or
- you or the person(s) for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have received or have been or will be placed or allotted (including conditionally and/or provisionally) Placing Shares. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received the Placing Shares; and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer; or
- your Application Form is not completed correctly or fully completed (if you apply by an Application Form); or
- your **Electronic Application Instructions** to the **HK eIPO White Form Service** are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.hkeipo.hk**; or
- your payment is not made in the correct form or amount; or
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or
- the Company, the Sponsor, the Lead Manager, the Sole Bookrunner and/or the Underwriters or their respective agents or nominees as the agent of the Company believe that by accepting your application, they would violate the applicable securities laws or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located; or
- your application is for more than 20,000,000 Public Offer Shares, being 50% of the Public Offer Shares initially available for subscription under the Public Offer.

Your application will not be accepted

Your application (including the part of an application made by HKSCC Nominees acting upon **Electronic Application Instructions**) will not be accepted if either:

- the Underwriting Agreement does not become unconditional in accordance with its terms and conditions; or
- the Underwriting Agreement is terminated in accordance with its terms and conditions.

HOW TO APPLY FOR PUBLIC OFFER SHARES

DESPATCH/COLLECTION OF SHARE CERTIFICATES, E-AUTO REFUND PAYMENT INSTRUCTIONS AND REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.80 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed “Conditions of the Share Offer” under the section headed “Structure of the Share Offer” in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (a) for applications on **WHITE** Application Forms or by giving **Electronic Application Instructions** through **HK eIPO White Form Service**:
 - (i) share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or
 - (ii) share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful; and/or
- (b) for wholly successful and partially successful applications on **YELLOW** Application Forms: share certificates for the Shares successfully applied for will be deposited into CCASS as described below; and/or
- (c) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the final Offer Price and the Offer Price of HK\$0.80 per Offer Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interests; and/or
- (d) for applicants applying through the **HK eIPO White Form Service** by paying the application monies through a single bank account and applicant’s application is wholly or partially unsuccessful and/or the final Offer Price being different from

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the maximum Offer Price initially paid on applicant's application, e-auto refund payment instructions (if any) will be despatched to application payment bank account on or around Monday, 10 January 2011; and/or

- (e) for applicants applying through the **HK eIPO White Form** Service by paying the application monies through multiple bank accounts and applicant's application is wholly or partially unsuccessful and/or the final Offer Price being different from the maximum Offer Price initially paid on applicant's application, refund cheque(s) will be sent to the address specified in applicant's application instructions to the designated HK eIPO White Form Service Provider on or around Monday, 10 January 2011, by ordinary post and at applicant's own risk.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms or by giving **Electronic Application Instructions** through **HK eIPO White Form** Service; and share certificates for wholly and partially successful applicants under **WHITE** Application Forms or by giving **Electronic Application Instructions** through **HK eIPO White Form** Service are expected to be posted on or around Monday, 10 January 2011. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

Pursuant to a new measure to improve security as agreed and adopted by The Hong Kong Association of Banks, the Hong Kong Monetary Authority, the Federation of Share Registrars and the SFC with effect from 2 April 2007, refund cheques will be printed with part of your Hong Kong identity card number or passport number. For joint applicants, the identity information of the first-named applicant will be printed. When a refund cheque is presented to a bank, the bank will cross-check both the name and the printed part of the Hong Kong identity card or passport number of the payee shown on the cheque against the bank's own record on the information of the account holder. Such data would also be transferred to a third party for refund purpose. If there is a discrepancy, the bank might request other proof of identity or take other steps for verification. If the bank is unable to be satisfied with the identity of the payee, the bank might reject the deposit of the refund cheque concerned. You are therefore advised to ensure that your identification numbers are accurately filled in on your Application Form to avoid delay in cashing your refund cheques. A cheque deposit might be rejected if you fail to fill in correct identity information.

Share certificates will only become valid certificates of title at 8:00 a.m. on Tuesday, 11 January 2011 provided that the Share Offer has become unconditional in all respects and the rights of termination described in the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus has not been exercised.

You will receive one share certificate for all the Offer Shares issued to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Form or by **Electronic Application Instructions** to HKSCC where share certificates will be deposited in CCASS).

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WHITE Application Form

If you have applied for 1,000,000 Public Offer Shares or above and have indicated on your Application Form that you will collect your share certificate(s) (where applicable) and/or refund cheque (if any) in person, you may collect it/them from:

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

between 9:00 a.m. and 1:00 p.m. on Monday, 10 January 2011 or any other date notified by the Company in the newspaper as the date of despatch of share certificates and refund cheques.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must, in any event, produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your share certificate(s) and/or refund cheque (if any) within the time for collection specified above, they will be sent to you by ordinary post to the address as specified in your Application Form (or the address of the first-named applicant in case of a joint application) and at your own risk shortly after the time for collection.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect your share certificate(s) and/or refund cheque (if any) in person; or if you have applied for less than 1,000,000 Public Offer Shares; or if your application is rejected, not accepted or accepted in part only; or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed "Conditions of the Share Offer" under the section headed "Structure of the Share Offer" in this prospectus, or if any application is revoked or any allotment pursuant thereto has become void, then your share certificate(s) (where applicable) and/or refund cheque (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage, Stock Exchange trading fee and SFC transaction levy (without interest) will be sent to the address on your Application Form (or the address of the first-named applicant in case of a joint application) Monday, 10 January 2011 by ordinary post and at your own risk.

If you apply through HK eIPO White Form

If you apply for 1,000,000 Public Offer Shares or more through the **HK eIPO White Form Service** by submitting an **Electronic Application Instructions** to the designated **HK eIPO White Form Service Provider** through the designated website at www.hkeipo.hk and

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your application is wholly or partially successful, you may collect your share certificate(s) in person from Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Monday, 10 January 2011.

If you do not collect your share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk on Monday, 10 January 2011 by ordinary post and at your own risk.

If you paid the application monies from a single bank account and your application is wholly or partially unsuccessful and/ or the Offer Price is different from the initial price paid on your application, e-auto payment instructions (if any) will be dispatched to your application payment bank account on Monday, 10 January 2011.

If you used multi-bank accounts to pay the application monies and your application is wholly or partially unsuccessful and/ or the Offer Price is different from the initial price paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on Monday, 10 January 2011 by ordinary post and at your own risk.

YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or above and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Offer Shares or above and have not indicated on your Application Forms that you will collect refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed “Conditions of the Share Offer” under the section headed “Structure of the Share Offer” in this prospectus, or if any application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, Stock Exchange trading fee, SFC transaction levy (without interest) will be sent to the address on your Application Form by ordinary post and at your own risk.

If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you on Monday, 10 January 2011, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

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If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for the Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of the Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS investor participant:

- the Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the newspaper on Monday, 10 January 2011. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 10 January 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the "CCASS Phone System" and "CCASS Internet System" (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you apply by giving Electronic Application Instructions to HKSCC

If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **Electronic Application Instructions** on your behalf or your CCASS Investor Participant's stock account on Monday, 10 January 2011, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

The Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner, where supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner described in the paragraph headed "Publication of results" in this prospectus on Monday, 10 January 2011. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 10 January 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **Electronic Application Instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures

HOW TO APPLY FOR PUBLIC OFFER SHARES

contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 10 January 2011. Immediately after the credit of the Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 10 January 2011. No interests will be paid thereon.

PUBLICATION OF RESULTS

The Company expects to release an announcement of the Offer Price, the level of indication of interest in the Placing, the basis of allocation and the results of applications for the Public Offer Shares to be published in The Standard (in English) and Singpao (in Chinese) on Monday, 10 January 2011 and to be posted on our Company's website at www.sumpofood.com and the Stock Exchange's website at www.hkexnews.hk.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where supplied) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, by giving **Electronic Application Instructions** to HKSCC or to the **HK eIPO White Form** Service Provider under the **HK eIPO White Form**, will be made available at the times and dates and in the manner specified below:

- on the website of the Company at www.sumpofood.com and the Stock Exchange's website at www.hkexnews.hk from Monday, 10 January 2011 onward;
- on the Company's Public Offer results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Monday, 10 January 2011 to 12:00 midnight on Friday, 14 January 2011. The user will be required to key in the Hong Kong Identity card/passport/Hong Kong business registration certificate number provided in his/her/its application form to search for his/her its own allocation result;
- from the Company's Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of the Public Offer Shares allocated to them, if any, by calling 369-18-488 between 9:00 a.m. and 6:00 p.m. from Monday, 10 January 2011 to Thursday, 13 January 2011 (excluding Saturday, Sunday and Public holiday); and
- from special allocation results booklets which set out the results of allocations and will be available for inspection during opening hours of the designated branches of the receiving banker of the Public Offer from Monday, 10 January

HOW TO APPLY FOR PUBLIC OFFER SHARES

2011 to Thursday, 13 January 2011 at the addresses set forth in the sub-paragraph headed “Where to collect this prospectus and the **WHITE** and **YELLOW** Application Forms” in this section above.

COMMENCEMENT OF DEALINGS IN THE SHARES

The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Monday, 10 January 2011. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, 11 January 2011. Shares will be traded in board lots of 5,000 Shares. The stock code of the Shares is 1089.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval of the listing of, and permission to deal in, the Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisors for details of the settlement arrangements, as such arrangements will affect their rights and interests.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.



Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

30 December 2010

The Directors
Sumpo Food Holdings Limited
Kingston Corporate Finance Limited

Dear Sirs,

We set out below our report on the financial information of Sumpo Food Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), prepared on the basis set out in Note 3 of Section II below, for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the “Track Record Period”) (the “Financial Information”) for inclusion in the prospectus of the Company dated 30 December 2010 (the “Prospectus”) in connection with the listing of shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on 22 February 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the “Reorganisation”), as more fully explained in the paragraph headed “Corporate Reorganisation” in Appendix VI to the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group as set out in Note 2 of Section II. The Reorganisation became effective on 20 December 2010.

All companies now comprising the Group have adopted 31 December as their financial year end date. No audited financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

The statutory audited financial statements of Sumpo International Holdings Limited (“Sumpo Holdings”) for the year ended 31 December 2007 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and were audited by C.F. Chu & Co, certified public accountants registered in Hong Kong. No statutory audited financial statements for the years ended 31 December 2008 and 2009 have been prepared as there are no statutory requirements for Sumpo Holdings to prepare audited financial statements.

The statutory audited financial statements of Fujian Sumpo Food Holdings Co., Ltd (“Fujian Sumpo”), Longyan Baotai Agricultural Company (“Longyan Baotai”) and Xiamen Sumpo Trading Limited (“Xiamen Sumpo Trading”) for the years ended 31 December 2007 and 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Ascenda Certified Public Accountants (天健光華(北京)會計師事務所), certified public accountants registered in the PRC. The statutory audited financial statements for the year ended 31 December 2009 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Xiamen Zhongweijingxian Certified Public Accountants Co., Ltd (廈門中威敬賢會計師事務所有限公司), certified public accountants registered in the PRC.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the Financial Information for the Track Record Period based on the audited financial statements or unaudited financial statements of the Company and its subsidiaries comprising the Group, after making adjustments as are appropriate, in accordance with HKFRSs issued by the HKICPA and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

RESPONSIBILITY OF THE DIRECTORS

The directors of the Company during the Track Record Period are responsible for the preparation and the true and fair presentation of the financial statements of the respective companies in accordance with HKFRSs and the Listing Rules. The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs and the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements and the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

RESPONSIBILITY OF REPORTING ACCOUNTANTS

For the Financial Information for the Track Record Period, our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the relevant audited financial statements or, where appropriate, the relevant unaudited financial statements of the Group for the Track Record Period, and carried out such procedures as are necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

For the purpose of this report, we have reviewed the unaudited financial information of the Group including the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows for the six months ended 30 June 2009, together with the notes thereto (the “Unaudited Comparative Financial Information”), for which the directors of the Company are responsible, in accordance with

Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the Unaudited Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Unaudited Comparative Financial Information.

OPINION AND REVIEW CONCLUSION

In our opinion, the Financial Information for the Track Record Period, for the purpose of this report and prepared on the basis of presentation and preparation set out in Note 3 of Section II below, gives a true and fair view of the combined state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 and of the combined results and cash flows of the Group for the Track Record Period.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Unaudited Comparative Financial Information is not prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below which are in conformity with HKFRSs.

I. FINANCIAL INFORMATION

The following table presents a summary of the Group's combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the Group's combined statements of financial position as of 31 December 2007, 2008 and 2009 and 30 June 2010 and the statement of financial position of the Company as of 30 June 2010.

Combined Statements of Comprehensive Income

		Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations						
Revenue	5	436,419	587,743	569,242	260,659	299,659
Cost of sales		<u>(347,012)</u>	<u>(491,148)</u>	<u>(472,545)</u>	<u>(226,423)</u>	<u>(244,586)</u>
Gross profit		89,407	96,595	96,697	34,236	55,073
Other revenue and gains	7	12,638	15,174	13,700	5,658	7,189
Change in fair value less costs to sell of biological assets	24	3,058	(2,191)	3,388	(145)	(4,032)
Fair value of agricultural produce on initial recognition	23	34,880	55,786	57,952	28,960	28,363
Reversal of fair value of agricultural produce due to hatch and disposals	23	(34,021)	(53,884)	(60,083)	(29,416)	(27,513)
Selling and distribution expenses		(8,354)	(9,481)	(9,295)	(4,763)	(4,160)
Administrative expenses		(23,951)	(19,444)	(22,406)	(10,286)	(16,418)
Finance costs	8	(4,522)	(9,133)	(8,906)	(4,825)	(5,833)
Other operating expenses		<u>(11,293)</u>	<u>(17,663)</u>	<u>(15,470)</u>	<u>(8,140)</u>	<u>(8,415)</u>
Profit before taxation		57,842	55,759	55,577	11,279	24,254
Taxation	9	<u>(13,693)</u>	<u>(7,107)</u>	<u>(5,553)</u>	<u>(1,407)</u>	<u>(1,446)</u>
Profit for the period/year from continuing operations	12	44,149	48,652	50,024	9,872	22,808

		Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Discontinued operation						
Profit/(loss) for the period/year from discontinued operation	11	—	(2,716)	9,371	(10,512)	—
Profit/(loss) for the period/year		44,149	45,936	59,395	(640)	22,808
Other comprehensive (expenses)/income						
Exchange differences on translation of foreign operations		1,033	875	131	(4)	(75)
Other comprehensive (expenses)/income for the period/year, net of tax		1,033	875	131	(4)	(75)
Total comprehensive income/(expenses) for the period/year		<u>45,182</u>	<u>46,811</u>	<u>59,526</u>	<u>(644)</u>	<u>22,733</u>

	Year ended 31 December 2007 RMB'000	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Six months ended 30 June 2009 RMB'000 (unaudited)	Six months ended 30 June 2010 RMB'000
For continuing and discontinued operations Profit/(loss) attributable to:					
Owners of the Company	42,502	39,715	56,985	(671)	19,746
Non-controlling interests	1,647	6,221	2,410	31	3,062
	<u>44,149</u>	<u>45,936</u>	<u>59,395</u>	<u>(640)</u>	<u>22,808</u>
For continuing operations Profit attributable to:					
Owners of the Company	42,502	42,431	47,614	8,886	19,746
Non-controlling interests	1,647	6,221	2,410	986	3,062
	<u>44,149</u>	<u>48,652</u>	<u>50,024</u>	<u>9,872</u>	<u>22,808</u>
Dividends	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>
Earnings/(loss) per share					
From continuing and discontinued operations					
Basic and diluted (RMB cents)	<u>2.66</u>	<u>2.48</u>	<u>3.56</u>	<u>(0.04)</u>	<u>1.23</u>
From continuing operations					
Basic and diluted (RMB cents)	<u>2.66</u>	<u>2.65</u>	<u>2.98</u>	<u>0.56</u>	<u>1.23</u>

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Financial Position

		As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 June 2010
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets					
Property, plant and equipment	19	230,517	316,339	104,734	97,444
Investment property	20	1,175	1,139	1,103	1,085
Biological assets	24	10,729	12,822	12,015	9,041
Prepaid lease payments	21	43,728	42,794	9,566	9,422
Held-to-maturity investments	29	–	–	–	1,000
Deferred tax assets	10	438	932	901	885
		<u>286,587</u>	<u>374,026</u>	<u>128,319</u>	<u>118,877</u>
Current assets					
Inventories	23	41,818	77,990	38,835	35,860
Biological assets	24	3,617	4,820	5,096	5,191
Trade and other receivables	25	53,835	76,425	68,247	42,875
Prepaid lease payments	21	1,048	930	290	290
Amount due from a shareholder	26	–	–	17,854	5,433
Amounts due from related parties	27	8,152	4,464	232,715	204,619
Financial assets at fair value through profit or loss	28	156	66	115	94
Held-to-maturity investment	29	–	–	6,000	6,000
Income tax recoverable		–	1,630	–	–
Pledged bank deposits	30	–	–	–	47,451
Cash and bank balances	30	43,893	19,787	61,259	104,246
		<u>152,519</u>	<u>186,112</u>	<u>430,411</u>	<u>452,059</u>
Current liabilities					
Trade and other payables	31	62,441	76,313	67,742	134,182
Amount due to a shareholder	32	–	–	23,994	–
Amounts due to related parties	33	742	4,894	9,997	2,341
Financial guarantee liabilities	34	3,098	–	1,612	–
Bank borrowings	35	98,190	167,695	136,850	144,000
Dividend payable		–	–	60,000	16,606
Current tax liabilities		10,268	–	3,801	790
		<u>174,739</u>	<u>248,902</u>	<u>303,996</u>	<u>297,919</u>

APPENDIX I

ACCOUNTANTS' REPORT ON OUR GROUP

		As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 June 2010
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net current assets/(liabilities)		<u>(22,220)</u>	<u>(62,790)</u>	<u>126,415</u>	<u>154,140</u>
Total assets less current liabilities		<u>264,367</u>	<u>311,236</u>	<u>254,734</u>	<u>273,017</u>
Equity					
Share capital	37	1	1	34	–
Reserves	38	<u>123,803</u>	<u>162,143</u>	<u>194,994</u>	<u>210,312</u>
Equity attributable to owners of the Company		123,804	162,144	195,028	210,312
Non-controlling interests		<u>5,723</u>	<u>13,344</u>	<u>13,843</u>	<u>16,905</u>
Total equity		<u>129,527</u>	<u>175,488</u>	<u>208,871</u>	<u>227,217</u>
Non-current liabilities					
Amount due to a shareholder	32	57,900	23,900	–	–
Bank borrowings	35	72,890	100,560	41,260	41,260
Deferred revenue	36	<u>4,050</u>	<u>11,288</u>	<u>4,603</u>	<u>4,540</u>
		<u>134,840</u>	<u>135,748</u>	<u>45,863</u>	<u>45,800</u>
Total equity and non-current liabilities		<u>264,367</u>	<u>311,236</u>	<u>254,734</u>	<u>273,017</u>

The accompanying notes form an integral part of the Financial Information.

Statement of Financial Position of the Company

	<i>Notes</i>	As at 30 June 2010 RMB'000
Current liability		
Amount due to a subsidiary		<u>66</u>
		<u><u>66</u></u>
Net current liability		<u><u>(66)</u></u>
Net liability		<u><u>(66)</u></u>
Equity		
Share capital	37	–
Accumulated losses		<u>(66)</u>
Total equity		<u><u>(66)</u></u>

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Changes in Equity

	Equity attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
				Note 38(a)	Note 38(b)	Note 38(c)				
As at 1 January 2007	-	-	259	3,239	3,788	-	59,600	66,886	17,268	84,154
Profit for the year	-	-	-	-	-	-	42,502	42,502	1,647	44,149
Other comprehensive income for the year	-	-	-	1,033	-	-	-	1,033	-	1,033
Total comprehensive income for the year	-	-	-	1,033	-	-	42,502	43,535	1,647	45,182
Transfer to statutory reserve	-	-	-	-	5,793	-	(5,793)	-	-	-
Transfer from retained earnings to capital reserve	-	-	17,164	-	-	-	(6,206)	10,958	-	10,958
Issue of shares	1	-	-	-	-	-	-	1	-	1
Acquisition of additional interests in subsidiaries	-	-	-	-	-	2,424	-	2,424	(18,842)	(16,418)
Disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	5,650	5,650
As at 31 December 2007	1	-	17,423	4,272	9,581	2,424	90,103	123,804	5,723	129,527
Profit for the year	-	-	-	-	-	-	39,715	39,715	6,221	45,936
Other comprehensive income for the year	-	-	-	875	-	-	-	875	-	875
Total comprehensive income for the year	-	-	-	875	-	-	39,715	40,590	6,221	46,811
Capital injection	-	-	-	-	-	-	-	-	1,400	1,400
Transfer to statutory reserve	-	-	-	-	3,255	-	(3,255)	-	-	-
Dividend to a minority shareholder of a subsidiary	-	-	-	-	-	-	(2,250)	(2,250)	-	(2,250)
As at 31 December 2008	1	-	17,423	5,147	12,836	2,424	124,313	162,144	13,344	175,488
Profit for the year	-	-	-	-	-	-	56,985	56,985	2,410	59,395
Other comprehensive income for the year	-	-	-	131	-	-	-	131	-	131
Total comprehensive income for the year	-	-	-	131	-	-	56,985	57,116	2,410	59,526

	Equity attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Total RMB'000	RMB'000	
				Note 38(a)	Note 38(b)	Note 38(c)				
Issue of shares	33	-	-	-	-	-	-	33	-	33
Share issue expenses	-	35,735	-	-	-	-	-	35,735	-	35,735
Transfer to statutory reserve	-	-	-	-	4,968	-	(4,968)	-	-	-
Disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	(1,911)	(1,911)
Dividend paid	-	-	-	-	-	-	(60,000)	(60,000)	-	(60,000)
As at 31 December 2009	34	35,735	17,423	5,278	17,804	2,424	116,330	195,028	13,843	208,871
Profit for the period	-	-	-	-	-	-	19,746	19,746	3,062	22,808
Other comprehensive income for the period	-	-	-	(75)	-	-	-	(75)	-	(75)
Total comprehensive income for the period	-	-	-	(75)	-	-	19,746	19,671	3,062	22,733
Transfer to statutory reserve	-	-	-	-	7,471	-	(7,471)	-	-	-
Effect of Group Reorganisation	(34)	(35,735)	-	-	-	35,769	-	-	-	-
Dividend paid to a minority shareholder of a subsidiary	-	-	-	-	-	-	(4,387)	(4,387)	-	(4,387)
As at 30 June 2010	-	-	17,423	5,203	25,275	38,193	124,218	210,312	16,905	227,217
As at 1 January 2009	1	-	17,423	5,147	12,836	2,424	124,313	162,144	13,344	175,488
(Loss)/profit for the period	-	-	-	-	-	-	(671)	(671)	31	(640)
Other comprehensive expense for the period	-	-	-	(4)	-	-	-	(4)	-	(4)
Total comprehensive (expense)/income for the period	-	-	-	(4)	-	-	(671)	(675)	31	(644)
Transfer to statutory reserve	-	-	-	-	1,028	-	(1,028)	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	5,000	5,000
As at 30 June 2009 (unaudited)	1	-	17,423	5,143	13,864	2,424	122,614	161,469	18,375	179,844

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Cash Flows

	Year ended 31 December 2007 RMB'000	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Six months ended 30 June 2009 RMB'000 (unaudited)	Six months ended 30 June 2010 RMB'000
Operating activities					
Profit/(loss) before taxation:					
– Continuing operations	57,842	55,759	55,577	11,279	24,254
– Discontinued operation	–	(2,716)	9,371	(10,512)	–
Adjustments for:					
Interest income	(302)	(328)	(878)	(45)	(426)
Interest expenses	4,522	11,691	17,058	9,283	5,833
Net foreign exchange (gain)/loss	(21)	–	12	(11)	72
Loss/(gain) on disposal of property, plant and equipment	138	(37)	71	–	(421)
Gain on disposal of subsidiaries	–	–	(34,969)	–	–
Provision for inventories obsolescence	–	34	–	–	–
Loss/(gain) on issue of financial guarantee	3,098	(3,098)	1,612	–	(1,612)
Loss on disposal of biological assets	–	368	741	–	–
Loss on disposal of prepaid lease payments	–	4	6	5	–
Depreciation and amortization	16,957	22,505	26,501	13,369	7,503
Gain on disposal of financial assets at fair value through profit or loss	–	–	(7)	–	–
Impairment losses recognised on trade and other receivables	–	900	–	–	–
Reversal of impairment loss recognised on other receivables	–	–	(47)	–	–
Fair values of agricultural produce on initial recognition	(34,880)	(55,786)	(57,952)	(28,960)	(28,363)
Reversal of fair value of agricultural produce due to hatch and disposals	34,021	53,884	60,083	29,416	27,513
Change in fair values of financial assets at fair value through profit or loss	(366)	90	(49)	(40)	21
Loss on disposal of investment	2,575	–	–	–	–
Change in fair values less costs to sell of biological assets	(3,058)	2,335	(3,388)	(486)	4,032

	Year ended 31 December 2007 <i>RMB'000</i>	Year ended 31 December 2008 <i>RMB'000</i>	Year ended 31 December 2009 <i>RMB'000</i>	Six months ended 30 June 2009 <i>RMB'000</i> <i>(unaudited)</i>	Six months ended 30 June 2010 <i>RMB'000</i>
Operating cash flows before movements in working capital (Increase)/decrease in biological assets	80,526	85,605	73,742	23,298	38,406
Increase in deferred assets	(1,748)	(5,631)	1,913	1,753	(1,153)
Decrease/(increase) in trade and other receivables	–	–	–	(1,362)	–
Decrease/(increase) in inventories	48,367	(22,590)	(81,653)	(50,165)	25,398
(Increase)/decrease in amounts due from related parties	4,118	(36,206)	5,573	(10,267)	2,975
(Decrease)/increase in amounts due to related parties	(7,886)	3,688	(130,251)	(13,116)	28,096
(Decrease)/increase in trade and other payables	(30,847)	4,152	141,639	52,499	(12,043)
Increase/(decrease) in deferred revenue	(27,950)	13,872	12,289	90,214	66,440
	<u>1,750</u>	<u>7,238</u>	<u>(126)</u>	<u>332</u>	<u>(63)</u>
Cash generated from operations	66,330	50,128	23,126	93,186	148,056
Interest paid	(4,522)	(11,691)	(17,058)	(9,135)	(5,833)
Income tax paid	(8,651)	(19,499)	(91)	(1,527)	(4,441)
Net cash generated from operating activities	<u>53,157</u>	<u>18,938</u>	<u>5,977</u>	<u>82,524</u>	<u>137,782</u>
Investing activities					
Interest received	302	328	344	45	401
Proceeds from disposal of property, plant and equipment	373	2,106	4,006	–	1,349
Purchase of property, plant and equipment	(155,505)	(109,312)	(39,001)	(20,797)	(981)
Purchase of prepaid lease payments	(4,648)	–	–	(1,012)	–
Purchase of an investment property	(1,187)	–	–	–	–
Purchase of financial assets at fair value through profit or loss	(146)	–	(500)	(500)	–
Purchase of held-to-maturity financial assets	–	–	(6,000)	(6,000)	(1,000)
Acquisition for additional interest of a subsidiary	(55)	–	–	–	–
Proceeds from disposal of interest in a subsidiary	10,986	–	–	–	–

	Year ended 31 December 2007 <i>RMB'000</i>	Year ended 31 December 2008 <i>RMB'000</i>	Year ended 31 December 2009 <i>RMB'000</i>	Six months ended 30 June 2009 <i>RMB'000</i> <i>(unaudited)</i>	Six months ended 30 June 2010 <i>RMB'000</i>
Net cash inflow from disposal of subsidiaries	-	-	16,572	-	-
Proceeds from disposal of financial assets at fair value through profit or loss	1,862	-	507	-	-
Increase in pledged bank deposits	-	-	-	-	(47,451)
Net cash used in investing activities	<u>(148,018)</u>	<u>(106,878)</u>	<u>(24,072)</u>	<u>(28,264)</u>	<u>(47,682)</u>
Financing activities					
Proceeds from borrowings	150,190	195,365	175,050	40,490	85,950
Repayments of borrowings	(33,750)	(98,190)	(132,695)	(54,440)	(78,800)
Repayment of amount due to a shareholder	(18,170)	(34,000)	(17,760)	(2,197)	(54,967)
Proceeds from non-controlling interests of a subsidiary	-	-	-	3,000	-
Proceeds from issue of ordinary shares, net	-	-	35,768	-	-
Net cash generated from/(used in) financing activities	<u>98,270</u>	<u>63,175</u>	<u>60,363</u>	<u>(13,147)</u>	<u>(47,817)</u>
Net increase/(decrease) in cash and cash equivalents	3,409	(24,765)	42,268	41,113	42,283
Cash and cash equivalents at the beginning of the period/year	40,734	43,893	19,787	19,787	61,259
Effect of foreign exchange rate changes	<u>(250)</u>	<u>659</u>	<u>(796)</u>	<u>(446)</u>	<u>704</u>
Cash and cash equivalents at the end of the period/year	<u><u>43,893</u></u>	<u><u>19,787</u></u>	<u><u>61,259</u></u>	<u><u>60,454</u></u>	<u><u>104,246</u></u>

The accompanying notes form an integral part of the Financial Information.

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 February 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. It became the holding company of the Group as a result of the Reorganisation as described in the paragraph headed "Corporate reorganisation" in Appendix VI "Statutory and General Information" to the Prospectus.

2. REORGANISATION

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent the Reorganisation, as a result of the Company became a holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal steps:

- (a) On 18 November 2009, Sumpo Holdings allotted and issued 3,000 shares, 680 shares and 320 shares at the consideration of US\$3,000, US\$680 and US\$320 to Mr. Lin, Mr. Lin Genghua and Success Dragon respectively.
- (b) On 20 November 2009, Golden Prince, King & Queen, Sumpo Holdings, Mr. Lin, Mr. Lin Genghua and Success Dragon entered into a subscription agreement in respect of the shares in Sumpo Holdings, pursuant to which each of Golden Prince and King & Queen has agreed to subscribe for, and Sumpo Holdings has agreed to allot and issue to each of Golden Prince and King & Queen, 450 shares in Sumpo Holdings at a consideration of HK\$20,250,000, representing 9% of the entire issued share capital as enlarged by the new shares.
- (c) On 1 December 2009, Fujian Sumpo entered into a share transfer agreement with Xiamen Sumpo, pursuant to which Fujian Sumpo agreed to sell its 98% equity interest in Fujian Sumhua to Xiamen Sumpo at a consideration of RMB98,000,000. The disposal was completed on 16 December 2009.
- (d) On 1 December 2009, Longyan Baotai entered into a share transfer agreement with Xiamen Sumpo, pursuant to which Longyan Baotai agreed to sell its 2% equity interest in Fujian Sumhua to Xiamen Sumpo at a consideration of RMB2,000,000. The disposal was completed on 16 December 2009.
- (e) On 18 December 2009, Fujian Sumpo entered into a share transfer agreement with Fujian Sumhua, pursuant to which Fujian Sumpo agreed to sell its 70% equity interest in Fujian Sumhui at a consideration of RMB21,000,000. The disposal was completed on 30 December 2009.
- (f) On 5 February 2010, Mr. Lin transferred 328 shares in Sumpo Holdings to Robust China, representing 6.56% of the entire share capital of Sumpo Holdings at a consideration of HK\$24,928,000.
- (g) On 5 February 2010, Mr. Lin transferred 72 shares in Sumpo Holdings to Success Dragon, representing 1.44% of the entire issued share capital of Sumpo Holdings at a consideration of HK\$5,472,000.
- (h) On 22 February 2010, the Company was incorporated in the Cayman Islands with Mr. Lin Qinglin holding 1 share.
- (i) On 17 December 2010, the Company increased its authorised share capital from HK\$380,000 to HK\$400,000,000.
- (j) On 17 December 2010, the Company allotted and issued 2,674, 697, 400, 450, 450, 328 shares nil paid to Mr. Lin Qinglin, Mr. Lin Genghua, Success Dragon, Golden Prince, King & Queen and Robust China (collectively referred to as the "Existing Shareholders").

- (k) On 20 December 2010, in exchange and as consideration for the acquisition of the entire issued share capital of 5,000 shares of HK\$0.1 each in the capital of Sumpo Holdings from the Existing Shareholders, the Company applied the sum of HK\$499.90 to pay up in full at par the 4,999 shares which were issued to the Existing Shareholders nil paid on 17 December 2010.

Upon the completion of the Reorganisation on 20 December 2010, the Company became the holding company of the companies now comprising the Group.

The direct and indirect interests in the following subsidiaries held by the Company during the Track Record Period and at the date of this report are as follows:

Name of subsidiary	Incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest held by the Company					At the date of this report	Principal activities
			As at 31 December 2007 %	2008 %	2009 %	As at June 2010 %			
<i>Directly held:</i>									
Sumpo Holdings (notes (a) and (i))	The British Virgin Island, 5 April 2000	US\$5,000	100	100	100	100	100	Investment holding	
<i>Indirectly held:</i>									
Fujian Sumpo (notes (b) and (i))	The PRC, 7 September 1998	RMB112,500,000	90	90	90	90	90	Manufacturing and trading of animal feeds, trading of poultry, processing and trading of meat and meat product	
Longyan Baotai (notes (b) and (i))	The PRC, 1 November 2005	RMB32,000,000	90	90	90	90	90	Breeding and sales of poultry, commodity broilers, chicken breeds, aquatic products and provision of breeding techniques consultancy services	
Xiamen Sumpo Trading (notes (b) and (i))	The PRC, 19 October 2005	RMB10,000,000	90	90	90	90	90	Sale of packaged food products	
Fujian Hetai (notes (c) and (i))	The PRC, 8 June 2010	RMB20,000,000	N/A	N/A	N/A	90	90	Dormant	
Fujian Baojiashun (notes (d) and (i))	The PRC, 14 July 2010	RMB120,000,000	N/A	N/A	N/A	N/A	90	Dormant	

The following companies were subsidiaries of the Group during the Track Record Period and until their respective dates of disposals to third parties in 2009 (note 18):

Name of subsidiary	Incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest held by the Company					At the date of this report	Principal activities
			As at 2007 %	31 December 2008 %	2009 %	As at June 2010 %	At the date of this report %		
<i>Indirectly held and disposed:</i>									
Fujian Sumhua (notes (e) and (i))	The PRC, 18 April 2005	RMB100,000,000	88	88	90	N/A	N/A	Slaughtering and processing of livestock, production and sales of meat products	
Longyan Baoxing (notes (f) and (i))	The PRC, 18 April 2008	RMB10,000,000	N/A	88	90	N/A	N/A	Breeding and sales of crossbreed pigs and commodity pig breeds	
Fujian Sumhui (notes (g) and (i))	The PRC, 2 March 2009	RMB30,000,000	N/A	N/A	63	N/A	N/A	Sales of commodity pig breeds	
Fujian Senhong (notes (h) and (i))	The PRC, 17 June 2009	RMB10,000,000	N/A	N/A	72	N/A	N/A	Dormant	

The English name of the Company's subsidiaries in the PRC represents the translated name of the company as no English name has been registered, except for Fujian Sumpo.

As at the date of this report, no statutory audited financial information have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

Notes:

- (a) The statutory audited financial statements for the year ended 31 December 2007 were prepared in accordance with HKFRSs and were audited by C.F. Chu & Co, certified public accountants registered in Hong Kong. No statutory audited financial statements for the years ended 31 December 2008 and 2009 have been prepared as there are no statutory requirements for Sumpo Holdings to prepare audited financial statements.
- (b) The statutory audited financial statements for the years ended 31 December 2007 and 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Ascenda Certified Public Accountants (天健光華(北京)會計師事務所), certified public accountants registered in the PRC. The statutory audited financial statements for the year ended 31 December 2009 was prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Xiamen Zhongweijingxian Certified Public Accountants Co., Ltd (廈門中威敬賢會計師事務所有限公司), certified public accountants registered in the PRC.
- (c) Fujian Hetai was incorporated on 8 June 2010. No statutory financial statements for the six months ended 30 June 2010 had been prepared by the Company.
- (d) Fujian Baojiashun was incorporated on 14 July 2010. No statutory financial statements for the six months ended 30 June 2010 had been prepared by the Company.

- (e) The statutory audited financial statements for the years ended 31 December 2007 and 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Ascenda Certified Public Accountants (天健光華(北京)會計師事務所), certified public accountants registered in the PRC. No statutory audited financial statements for the eleven months ended 30 November 2009 have been prepared by the Company.
- (f) The statutory audited financial statements for the year ended 31 December 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Ascenda Certified Public Accountants (天健光華(北京)會計師事務所), certified public accountants registered in the PRC. No statutory audited financial statements for the eleven months ended 30 November 2009 have been prepared by the Company.
- (g) Fujian Sumhui was incorporated on 2 March 2009. No statutory audited financial statements for the eleven months ended 30 November 2009 have been prepared by the Company.
- (h) Fujian Senhong was incorporated on 17 June 2009. No statutory audited financial statements for the eleven months ended 30 November 2009 have been prepared by the Company.
- (i) The Directors are of the opinion that the Company, controlled these entities during the period from the date of their establishment or acquisition by the Group to 30 June 2010 or to the date that these companies were ceased to be controlled by the Group. Therefore the financial statements of these companies are consolidated by the Company during the period from the date of their establishment or acquisition by the Group to 30 June 2010 or to the date that these companies were ceased to be controlled by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Introduction

The Financial Information has been prepared under the historical cost convention except for biological assets and agricultural produce, which are measured at fair value, as explained in the accounting policies set out below. The accounting policies set out below have been consistently applied throughout the Track Record Period. The Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise stated.

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The HKICPA has issued a number of new and revised HKFRSs that are effective for the Group’s annual periods beginning on or after 1 January 2007. For the purpose of preparing the Financial Information, the Group has adopted all these new and revised HKFRSs consistently throughout the Track Record Period except for those new and revised HKFRSs that are not yet effective for any of the Track Record Period as explained below.

(b) Adoption of New and Revised Standards and Interpretations

At the date of this report, the Group has not applied the following new or revised standards, amendments and interpretations that have been issued by the HKICPA but are not yet effective, in the Financial Information:

HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendment)	Classification of Rights Issues ¹
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets) ⁴
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

Apart from the above, the HKICPA has issued the third batch of Improvements to HKFRSs in May 2010. Except for the amendments to HKFRS 3 and HKAS 27 which are effective for annual periods beginning on or after 1 July 2010, amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC) – Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

¹ Effective for annual periods beginning on or after 1 February 2010.

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 January 2011.

⁴ Effective for annual periods beginning on or after 1 January 2013.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 9 may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

(c) Basis of presentation

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group by (i) allotting and issuing 2,674, 697, 400, 450, 450, 328 shares nil paid to the Existing Shareholders on 17 December 2010 (ii) in exchange and as consideration for the acquisition of the entire issued share capital of 5,000 shares of HK\$0.1 each in the capital of Sumpo Holdings from the Existing Shareholders, the Company applied the sum of HK\$499.90 to pay up in full at par for the 4,999 shares which were issued to the Existing Shareholders nil paid on 17 December 2010. Since Mr. Lin Qinglin controlled the Group before and after the Reorganisation, the Reorganisation is accounted for as reorganisation under common control using the principles of merger accounting in accordance with the Accounting Guidance 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

Acquisitions under common control which is treated as business combination under common control are accounted for using merger accounting principles. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or business first came under the control of the controlling party. The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The Financial Information includes the combined statements of comprehensive income, changes in equity, cash flows and statements of financial position of the companies now comprising the Group, as if the current group structure resulted from the Reorganisation had been in existence throughout the Track Record Period, or since their respective dates of incorporation, whichever is a shorter period. The combined statements of financial position of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 have been prepared to present the combined assets and liabilities of the Group at the end of those reporting periods.

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of (other than business combinations involving entities under common control) during the Track Record Period are included in the combined income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions and balances between the group companies are eliminated in full on combination.

Non-controlling interests in the net assets of combined subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

(d) Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the combined statement of comprehensive income.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised, if after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The non-controlling interests in the acquiree is initially measured at the non-controlling's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(e) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of income to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(f) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the combined statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the combined statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(g) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the combined statement of comprehensive income as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income

Rental income received under operating leases is recognised in the combined statement of comprehensive income on a straight-line basis over the term of lease. Contingent rentals are recognised income in the accounting period in which they are earned.

(iii) *Interest income*

Interest income from a financial asset (other than a financial asset at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(h) **Research and development costs**

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

(i) **Leasing**

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the Track Record Period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(j) **Foreign currencies**

In preparing the Financial Information of each individual group entities, transactions in currencies other than that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the Track Record Period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the Financial Information and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the Track Record Period except for differences arising on the retranslation of non-monetary items in respect of which gain and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

For the purpose of presenting Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average

exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange difference arising are recognised in the foreign currency translation reserve.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the Track Record Period in which they are incurred.

(l) Government grants

Government grants are recognised in profit or loss on a systematic basis over the Track Record Period in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred revenue in the combined statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the Track Record Period necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the Track Record Period in which they become receivable.

The benefit of a government loan at a below-market rate of interest (received on or after 1 January 2009) is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan on initial recognition.

(m) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

For defined contribution retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the combined statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from profit as reported in the combined statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(o) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use and depreciates on the same basis as other property assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the Track Record Period in which the item is derecognised.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10 – 30 years
Machinery and equipment	3 – 10 years
Motor vehicles	5 – 8 years
Tools	3 – 5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(p) Investment property

Investment property is a building component held for long-term rental yields and is not occupied by the Group.

The investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated using a straight-line method to allocate the depreciable amount over the estimated useful lives of 30 years.

(q) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is computed using the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Agricultural produce is included under inventories at its fair value less costs to sell at the point of lay, subsequently included under inventory and stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the Track Record Period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the Track Record Period in which the reversal occurs.

(r) Biological assets and agricultural produce

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the combined statement of comprehensive income. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

Agricultural produce, which comprises broiler eggs is initially measured at its fair value less costs to sell at the point of lay. Any resultant gain or loss recognised in combined statement of comprehensive income.

(s) Prepaid lease payments

Prepaid lease payments represent the purchase costs of land use rights and are amortized on a straight-line basis over the Track Record Period of land use rights. Land use rights are carried at cost less accumulated amortization and impairment losses.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

(u) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss (FVTPL), held-to-maturity investment and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities with the Group's management have the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amount due from a shareholder, amount due from related parties and cash and bank balances) are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 71 – 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities (including trade and other payables, amounts due to related parties and bank borrowings) are subsequently measured at amortized cost using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. At the end of the reporting period, the Group measures the financial guarantee contract at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37; and
- the amount initially recognised less, where appropriate, cumulative amortization recognised in accordance with HKAS 18.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it

may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(v) Related parties transactions

For the purpose of this Financial Information, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the combined financial statements.

(a) Impairment of property, plant and equipment and investment property

The Group reviews its property, plant and equipment and investment property for indications of impairment at each reporting period. In analysing potential impairments identified, the Group uses projections of future cash flows from the assets based on management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of the reporting period to ensure inventories are shown at the lower of cost and net realisable value.

(c) Impairment of trade and other receivables

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the require payments. The estimate is based on the ageing of the trade receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual write-offs would be higher than estimated.

(d) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Income taxes

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(f) Fair values of biological assets and agricultural produce

The fair value less costs to sell of breeders is determined using the income approach. The income approach focuses on the income-producing capability of the breeders. It assumes the value of breeders can be measured by the present worth of the net economic benefit to be received over the useful life of breeders. Discounted cash flow method had been used in the valuation. The value depends on the present worth of future economic benefits to be derived from the ownership of breeders. The value is calculated by discounting future cash flows generated from the asset to their present worth at a market-derived rate of return appropriate for the risks and hazards of investing in similar asset.

The fair value less costs to sell of Parent Stock Day-Old Chicks, chicken breeds and pig breeders are determined using the direct comparison approach. The direct comparison approach assumes sales of Parent Stock Day-Old Chicks, chicken breeds and pig breeders in their existing state and making reference to similar sales or offerings or listings of comparable assets on the market.

The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets and agricultural produce. Details of the assumptions used are disclosed in note 24.

(g) Provision for financial guarantee

The Group follows the guidance of HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" on determining the provision for guarantees. Provision have been made based on management's best estimates and judgments if it is probable that an outflow of resources will be required to settle the defaulted guarantees and the amount of such provision can be measured reliably.

5. REVENUE

The principal activities of the Group are the trading and manufacturing of poultry and chilled meat, chicken breeding and trading and manufacturing of animal feeds. The amount of each significant category of turnover recognised during the Track Record Period is as follows:

	Year ended 31 December			Six months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Continuing operations					
Sales of chicken meat	331,446	362,104	364,395	158,164	201,736
Sales of chicken breed	32,526	36,821	38,587	19,127	17,672
Sales of animal feeds	72,447	188,818	166,260	83,368	80,251
	<u>436,419</u>	<u>587,743</u>	<u>569,242</u>	<u>260,659</u>	<u>299,659</u>
Discontinued operation					
Sales of pork	<u>—</u>	<u>334,764</u>	<u>520,031</u>	<u>259,788</u>	<u>—</u>
Total	<u>436,419</u>	<u>922,507</u>	<u>1,089,273</u>	<u>520,447</u>	<u>299,659</u>

6. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are prepared in accordance with accounting policies which conform to HKFRSs that are regularly reviewed by the chief operating decision maker in order to allocate resources to the reportable segments and to assess their performance.

For the purpose of resources allocation and performance assessment, the Group's executive directors view operating results and financial information by divisions, which are organised by business lines. Where any group company is operating in similar business model, selling similar products and subject to a similar target group of customers, they are aggregated into the following reportable segments according to the nature of each company:

Chicken meat: The chicken meat segment carries on the business of slaughtering, production and sales of chicken meat.

Chicken breed: The chicken breed segment carries on the business of hatching of broiler eggs and breeding of Parent Stock Day-Old Chicks.

Animal feeds: The animal feeds segment carries on the business of feeds production.

Pork: The pork segment carries on the business of slaughtering, production and sales of pork.

During the year ended 31 December 2009, the Group had disposed of its pork segment.

The Group's revenue, assets, liabilities and capital expenditure are principally attributable to a single geographical region, which is the PRC and accordingly, no further geographical segment information is presented.

(i) 31 December 2007

	Continuing operations				Discontinued operation		Total RMB'000
	Chicken meat RMB'000	Chicken breed RMB'000	Animal feeds RMB'000	Elimination RMB'000	Sub- total RMB'000	Pork RMB'000	
Segment results							
External segment revenue	331,446	32,526	72,447	–	436,419	–	436,419
Inter-segment revenue	<u>380,865</u>	<u>30,463</u>	<u>29,236</u>	<u>(440,564)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Segment revenue	<u>712,311</u>	<u>62,989</u>	<u>101,683</u>	<u>(440,564)</u>	<u>436,419</u>	<u>–</u>	<u>436,419</u>
Segment results	67,550	21,393	4,381	–	93,324	–	93,324
Unallocated revenue and gains							12,638
Unallocated operating expenses							<u>(43,598)</u>
Profit from operations							62,364
Finance costs – net							<u>(4,522)</u>
Profit before taxation							<u>57,842</u>
	Continuing operations				Discontinued operation		Total RMB'000
	Chicken meat RMB'000	Chicken breed RMB'000	Animal feeds RMB'000	Elimination RMB'000	Sub- total RMB'000	Pork RMB'000	
Other segment items included in the combined statement of comprehensive income							
Interest income	139	13	–	–	152	–	152
Interest expenses	3,390	1,132	–	–	4,522	–	4,522
Depreciation of property, plant and equipment	3,145	11,114	619	–	14,878	–	14,878
Amortization of prepaid lease payments	<u>117</u>	<u>25</u>	<u>86</u>	<u>–</u>	<u>228</u>	<u>–</u>	<u>228</u>
Segment assets and liabilities							
Segment assets	77,512	76,333	49,437	–	203,282	–	203,282
Unallocated assets							<u>235,824</u>
Total assets							<u>439,106</u>
Segment liabilities	21,537	21,719	25,352	–	68,608	–	68,608
Unallocated liabilities							<u>240,971</u>
Total liabilities							<u>309,579</u>
Capital expenditures	<u>5,450</u>	<u>6,437</u>	<u>18,594</u>	<u>–</u>	<u>30,481</u>	<u>–</u>	<u>30,481</u>

(ii) 31 December 2008

	Continuing operations				Discontinued operation		Total RMB'000
	Chicken meat RMB'000	Chicken breed RMB'000	Animal feeds RMB'000	Elimination RMB'000	Sub- total RMB'000	Pork RMB'000	
Segment results							
External segment revenue	362,104	36,821	188,818	–	587,743	334,764	922,507
Inter-segment revenue	<u>416,510</u>	<u>35,026</u>	<u>78,902</u>	<u>(530,438)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Segment revenue	<u>778,614</u>	<u>71,847</u>	<u>267,720</u>	<u>(530,438)</u>	<u>587,743</u>	<u>334,764</u>	<u>922,507</u>
Segment results	46,088	22,224	27,994	–	96,306	8,705	105,011
Unallocated revenue and gains							20,558
Unallocated operating expenses							<u>(60,835)</u>
Profit from operations							64,734
Finance costs – net							<u>(11,691)</u>
Profit before taxation							<u>53,043</u>
	Continuing operations				Discontinued operation		Total RMB'000
	Chicken meat RMB'000	Chicken breed RMB'000	Animal feeds RMB'000	Elimination RMB'000	Sub- total RMB'000	Pork RMB'000	
Other segment items included in the combined statement of comprehensive income							
Impairment of trade receivables	325	–	–	–	325	–	325
Impairment of other receivables	280	–	–	–	280	–	280
Provision for inventories obsolescence	–	–	–	–	–	34	34
Interest income	226	21	–	–	247	78	325
Interest expenses	7,548	1,585	–	–	9,133	2,558	11,691
Depreciation of property, plant and equipment	3,304	8,934	1,306	–	13,544	6,707	20,251
Amortization of prepaid lease payments	<u>117</u>	<u>25</u>	<u>148</u>	<u>–</u>	<u>290</u>	<u>758</u>	<u>1,048</u>
Segment assets and liabilities							
Segment assets	81,836	82,144	45,424	–	209,404	322,791	532,195
Unallocated assets							<u>27,943</u>
Total assets							<u>560,138</u>
Segment liabilities	15,842	31,210	21,170	–	68,222	181,730	249,952
Unallocated liabilities							<u>134,698</u>
Total liabilities							<u>384,650</u>
Capital expenditures	<u>1,600</u>	<u>13,276</u>	<u>1,551</u>	<u>–</u>	<u>16,427</u>	<u>83,490</u>	<u>99,917</u>

(iii) 31 December 2009

	Continuing operations				Discontinued operation		Total RMB'000
	Chicken meat RMB'000	Chicken breed RMB'000	Animal feeds RMB'000	Elimination RMB'000	Sub- total RMB'000	Pork RMB'000	
Segment results							
External segment revenue	364,395	38,587	166,260	–	569,242	520,031	1,089,273
Inter-segment revenue	<u>464,093</u>	<u>37,302</u>	<u>59,559</u>	<u>(560,954)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Segment revenue	<u>828,488</u>	<u>75,889</u>	<u>225,819</u>	<u>(560,954)</u>	<u>569,242</u>	<u>520,031</u>	<u>1,089,273</u>
Segment results	50,768	25,917	21,269	–	97,954	16,603	114,557
Gain on disposal of discontinued operation							34,969
Unallocated revenue and gains							18,252
Unallocated operating expenses							<u>(85,772)</u>
Profit from operations							82,006
Finance costs – net							<u>(17,058)</u>
Profit before taxation							<u>64,948</u>
	Continuing operations				Discontinued operation		Total RMB'000
	Chicken meat RMB'000	Chicken breed RMB'000	Animal feeds RMB'000	Elimination RMB'000	Sub- total RMB'000	Pork RMB'000	
Other segment items included in the combined statement of comprehensive income							
Interest income	853	7	–	–	860	18	878
Interest expenses	6,927	1,979	–	–	8,906	8,152	17,058
Depreciation of property, plant and equipment	3,432	7,729	1,379	–	12,540	10,706	23,246
Amortization of prepaid lease payments	<u>117</u>	<u>25</u>	<u>148</u>	<u>–</u>	<u>290</u>	<u>640</u>	<u>930</u>
Segment assets and liabilities							
Segment assets	104,756	77,377	48,367	–	230,500	–	230,500
Unallocated assets							<u>328,230</u>
Total assets							<u>558,730</u>
Segment liabilities	29,588	30,752	17,614	–	77,954	–	77,954
Unallocated liabilities							<u>271,905</u>
Total liabilities							<u>349,859</u>
Capital expenditures	<u>2,777</u>	<u>2,161</u>	<u>501</u>	<u>–</u>	<u>5,439</u>	<u>29,557</u>	<u>34,996</u>

(iv) 30 June 2010

	Continuing operations				Discontinued operation		Total RMB'000
	Chicken meat RMB'000	Chicken breed RMB'000	Animal feeds RMB'000	Elimination RMB'000	Sub- total RMB'000	Pork RMB'000	
Segment results							
External segment revenue	201,736	17,672	80,251	–	299,659	–	299,659
Inter-segment revenue	<u>233,318</u>	<u>17,083</u>	<u>44,095</u>	<u>(294,496)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Segment revenue	<u>435,054</u>	<u>34,755</u>	<u>124,346</u>	<u>(294,496)</u>	<u>299,659</u>	<u>–</u>	<u>299,659</u>
Segment results	37,184	8,665	6,042	–	51,891	–	51,891
Unallocated revenue and gains							7,189
Unallocated operating expenses							<u>(28,993)</u>
Profit from operations							30,087
Finance costs – net							<u>(5,833)</u>
Profit before taxation							<u>24,254</u>

	Continuing operations				Discontinued operation		Total RMB'000
	Chicken meat RMB'000	Chicken breed RMB'000	Animal feeds RMB'000	Elimination RMB'000	Sub- total RMB'000	Pork RMB'000	
Other segment items included in the combined statement of comprehensive income							
Interest income	126	5	–	–	131	–	131
Interest expenses	3,516	1,163	–	–	4,679	–	4,679
Depreciation of property, plant and equipment	1,770	3,698	682	–	6,150	–	6,150
Amortization of prepaid lease payments	<u>58</u>	<u>12</u>	<u>74</u>	<u>–</u>	<u>144</u>	<u>–</u>	<u>144</u>
Segment assets and liabilities							
Segment assets	82,658	71,654	36,453	–	190,765	–	190,765
Unallocated assets							<u>380,171</u>
Total assets							<u>570,936</u>
Segment liabilities	69,060	29,767	14,206	–	113,033	–	113,033
Unallocated liabilities							<u>230,686</u>
Total liabilities							<u>343,719</u>
Capital expenditures	<u>682</u>	<u>257</u>	<u>–</u>	<u>–</u>	<u>939</u>	<u>–</u>	<u>939</u>

(v) 30 June 2009 (unaudited)

	Continuing operations				Discontinued operation		Total RMB'000
	Chicken meat RMB'000	Chicken breed RMB'000	Animal feeds RMB'000	Elimination RMB'000	Sub- total RMB'000	Pork RMB'000	
Segment results							
External segment revenue	158,164	19,127	83,368	–	260,659	259,788	520,447
Inter-segment revenue	<u>256,329</u>	<u>18,490</u>	<u>47,467</u>	<u>(322,286)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Segment revenue	<u>414,493</u>	<u>37,617</u>	<u>130,835</u>	<u>(322,286)</u>	<u>260,659</u>	<u>259,788</u>	<u>520,447</u>
Segment results	12,912	11,134	9,589	–	33,635	9,643	43,278
Unallocated revenue and gains							5,658
Unallocated operating expenses							<u>(38,886)</u>
Profit from operations							10,050
Finance costs – net							<u>(9,283)</u>
Profit before taxation							<u>767</u>

Other information**Revenue from major products**

The Group's revenue from its major products are as follows:

	Year ended 31 December			Six months months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000	2010 RMB'000
Chicken meat	331,446	362,104	364,395	158,164	201,736
Chicken breed	32,526	36,821	38,587	19,127	17,672
Animal feeds	<u>72,447</u>	<u>188,818</u>	<u>166,260</u>	<u>83,368</u>	<u>80,251</u>
	<u>436,419</u>	<u>587,743</u>	<u>569,242</u>	<u>260,659</u>	<u>299,659</u>

Information about major customers

Includes in revenues arising from chicken meat of approximately RMB331,446,000, RMB362,104,000, RMB364,395,000, RMB158,164,000 and RMB201,736,000 during the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 are revenues of approximately RMB115,666,000, RMB138,687,000, RMB125,204,000, RMB64,657,000 and RMB64,762,000 which arose from sales to the Group's top five customers.

7. OTHER REVENUE AND GAINS

	Year ended 31 December			Six months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Continuing operations					
Interest income on:					
Bank deposits	302	250	593	36	132
Held-to-maturity investment	–	–	267	–	294
Total interest income	302	250	860	36	426
Sales of side products and related products, net	5,995	8,197	9,821	4,605	3,872
Gain on disposal of property, plant and equipment	88	263	–	3	421
Net foreign exchange gain	33	1,246	–	–	–
Government grants	2,889	943	1,987	623	333
Amortization of financial guarantee liabilities	–	3,098	–	–	1,612
Reversal of impairment loss recognised on other receivables	–	–	47	–	–
Net gain/(loss) arising on change in fair value of financial assets at fair value through profit or loss	366	(90)	49	40	(21)
Sundry income	2,965	1,267	936	351	546
	<u>12,638</u>	<u>15,174</u>	<u>13,700</u>	<u>5,658</u>	<u>7,189</u>

8. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Continuing operations					
Interests on:					
– Bank borrowings wholly repayable within five years	6,012	9,133	8,906	4,825	5,833
Less: capitalised interest expenses	(1,490)	–	–	–	–
	<u>4,522</u>	<u>9,133</u>	<u>8,906</u>	<u>4,825</u>	<u>5,833</u>
Discontinued operation					
Interests on:					
– Bank borrowings wholly repayable within five years	–	8,431	8,152	4,458	–
Less: capitalised interest expenses	–	(5,873)	–	–	–
	<u>–</u>	<u>2,558</u>	<u>8,152</u>	<u>4,458</u>	<u>–</u>

9. TAXATION

	Year ended 31 December			Six months ended	
	2007	2008	2009	30 June	
	RMB'000	RMB'000	RMB'000	2009	2010
				RMB'000	RMB'000
				<i>(unaudited)</i>	
PRC enterprise income tax					
– current period/year	14,131	7,601	5,522	1,391	1,430
Deferred income tax (note 10)	(438)	(494)	31	16	16
	<u>13,693</u>	<u>7,107</u>	<u>5,553</u>	<u>1,407</u>	<u>1,446</u>

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits/(loss) of the combined entities, as follows:

	Year ended 31 December			Six months ended	
	2007	2008	2009	30 June	
	RMB'000	RMB'000	RMB'000	2009	2010
				RMB'000	RMB'000
				<i>(unaudited)</i>	
Profit/(loss) before taxation					
– Continuing operations	57,842	55,759	55,577	11,279	24,254
– Discontinued operation	–	(2,716)	9,371	(10,512)	–
	<u>57,842</u>	<u>53,043</u>	<u>64,948</u>	<u>767</u>	<u>24,254</u>
Tax at the applicable income tax rate	14,461	13,192	16,246	192	2,267
Tax exemption for subsidiaries operating in the PRC	(2,632)	(3,463)	(5,195)	(1,563)	(2,505)
Tax effect of the expenses not deductible for tax purpose	1,775	1,190	181	298	2,122
Tax effect of income not taxable for tax purpose	(417)	(4,219)	(12,324)	(89)	(1,219)
Utilisation of tax losses previously not recognised	(324)	(90)	–	–	–
Under/(over) provision for previous year	–	247	(56)	–	–
Under/(over) provision for the period/year	(168)	65	–	–	–
Tax effect of tax loss not recognised	1,436	679	6,399	2,388	–
Tax effect of unrecognised temporary difference	(438)	(494)	302	181	781
Income tax expenses	<u>13,693</u>	<u>7,107</u>	<u>5,553</u>	<u>1,407</u>	<u>1,446</u>

Notes:

- Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI during the Track Record Period.
- No provision for Hong Kong profits tax has been made as the Group did not have assessable profits subject to Hong Kong profits tax during the Track Record Period.

- (c) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC enterprise income tax at a tax rate of 27% for the year ended 31 December 2007 and at a tax rate of 25% for the years ended 31 December 2008 and 2009, except for the following:
- (i) Pursuant to the Ministry of Finance's Notice on Preferential Enterprise Income Tax on Agricultural Products (《國家稅務總局關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)》的通知) ("Order [2008] No. 149"), issued on 20 November 2008, effective on 1 January 2008, Fujian Sumpo Food Holdings Co., Ltd ("Fujian Sumpo") is entitled to enterprise income tax exemption with respect to the income derived from the processing of frozen chicken meat products during the period between 1 January 2008 and 7 September 2018.
- (ii) Pursuant to the Ministry of Finance's Notice on Enterprise Income Tax (《國家稅務總局關於企業所得稅若干優惠政策的通知》) ("Order [1994] No. 001"), issued on 29 March 1994, effective on 1 January 1994, and the Ministry of Finance's Approval on the Implementation of Preferential Income Tax for Newly Established Enterprises (《國家稅務總局關於新辦企業所得稅優惠執行口徑的批覆》) ("Order [2003] No. 1239"), issued on 18 November 2003, Longyan Baotai Agriculture Company Limited ("Longyan Baotai") is entitled to enterprise income tax exemption with respect to the income derived from broilers breeding during the period between 1 January 2006 and 31 December 2010. Longyan Baotai is also entitled to exemption from the value-added tax during the period between 1 December 2005 and 1 November 2025.
- (iii) According to the notice issued by the State Council (the "Notice"), enterprises which are entitled to enjoy tax incentive shall have a grace period of five years commencing from 1 January 2008 before they are required to pay the corporate income tax at the rate of 25%. Before the promulgation of the new PRC Enterprise Income Tax Law, as Xiamen Sumpo Food Trading Limited ("Xiamen Sumpo Trading") is located in the Xiamen Special Economic Zone, it was only required to pay corporate income tax at the reduced rate of 15%. As a result of the new PRC tax law and the Notice, it was required to pay corporate income tax at the reduced rate of 18% for the year ended 31 December 2008, 20% for the year ended 31 December 2009, 22% for the year ending 31 December 2010, 24% for the year ending 31 December 2011 and 25% for the year ending 31 December 2012.
- (d) Pursuant to the new PRC Enterprise Income Tax Law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividends derived from sources in the PRC. Distributions of the pre-2008 earnings are exempt from the above-mentioned withholding tax. Dividends received by the Group from its PRC subsidiaries are subject to the above-mentioned withholding tax.

No deferred tax liabilities were provided in respect of the tax that would be payable on the distribution of the retained profits as the Group determined that the retained profits as at 30 June 2010 would not be distributed in the foreseeable future.

10. DEFERRED TAX ASSETS

The movements in the deferred tax assets during the Track Record Period are as follows:

	As at 31 December			As at 30
	2007	2008	2009	June
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred revenue				
At the beginning of the period/year	–	438	932	901
Credit/(charge) to profit or loss	438	494	(31)	(16)
At the end of the period/year	<u>438</u>	<u>932</u>	<u>901</u>	<u>885</u>

11. DISCONTINUED OPERATION

Disposal of pork operation

The pork operation include Fujian Sumhua Enterprise Limited ("Fujian Sumhua"), Longyan Baoxing Agriculture Co. Limited ("Longyan Baoxing") and Fujian Senhong Food Development Co. Limited ("Fujian Senhong") (collectively referred to as the "Fujian Sumhua Group") and Fujian Sumhui Agriculture Development Limited ("Fujian Sumhui").

On 1 December 2009, Fujian Sumpo, a subsidiary of the Group, entered into a share transfer agreement with Xiamen Sumpo Group Limited ("Xiamen Sumpo") to dispose of its 98% equity interest in Fujian Sumhua Group to Xiamen Sumpo at a consideration of RMB98,000,000. The disposal was completed on 16 December 2009. According to the agreement and as agreed by both parties, the transfer of equity interest was effective on 30 November 2009.

On the same date, Longyan Baotai, a subsidiary of the Group, entered into a share transfer agreement with Xiamen Sumpo, to dispose of its 2% equity interest in Fujian Sumhua Group to Xiamen Sumpo at a consideration of RMB2,000,000. The disposal was completed on 16 December 2009. According to the agreement and as agreed by both parties, the transfer of equity interest was effective on 30 November 2009.

On 18 December 2009, Fujian Sumpo entered into a share transfer agreement with Fujian Sumhua to disposed of its 70% interest in Fujian Sumhui at a consideration of RMB21,000,000. The disposal was completed on 30 December 2009. According to the agreement and as agreed by both parties, the transfer of equity interest was effective on 31 December 2009.

The loss for the Track Record Period from the discontinued operation which has been included in the combined statements of comprehensive income and combined statements of cash flows are set out below:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Loss for the year from discontinued operation					
Revenue	–	334,764	520,031	259,788	–
Cost of sales	–	(325,915)	(503,428)	(250,776)	–
Other revenue and gains	–	5,384	4,552	631	–
Expenses	–	(16,949)	(46,753)	(20,155)	–
Loss for the period/year	–	(2,716)	(25,598)	(10,512)	–
Gain on disposal of operation (note 18(c))	–	–	34,969	–	–
	–	(2,716)	9,371	(10,512)	–

	Year ended 31 December			Six months ended	
	2007	2008	2009	30 June	
	RMB'000	RMB'000	RMB'000	2009	2010
				<i>(unaudited)</i>	
Cash flows from discontinued operation					
Net cash (used in)/generated from operating activities	–	(76,498)	45,929	(8,165)	–
Net cash used in investing activities	–	(83,389)	(28,244)	(1,598)	–
Net cash generated from/ (used in) financing activities	–	164,600	(8,000)	10,000	–
Net cash inflows	–	4,713	9,685	237	–

12. PROFIT FOR THE PERIOD/YEAR FROM CONTINUING OPERATIONS

Profit for the period/year from continuing operations has been arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Staff costs including directors' remuneration (note 13)	7,508	7,525	8,913	4,218	5,345
Contributions to retirement schemes	1,180	1,324	1,482	739	720
Total staff costs	8,688	8,849	10,395	4,957	6,065
Depreciation of property, plant and equipment	16,076	14,714	14,835	7,408	7,341
Amortization of investment property	12	36	36	18	18
Amortization of prepaid lease payments	869	290	290	144	144
Total depreciation and amortization	16,957	15,040	15,161	7,570	7,503
Auditors' remuneration	300	370	129	–	–
Impairment losses recognised on trade and other receivables	–	900	–	–	–
Research and development costs	875	1,500	1,634	880	991
Operating lease rental expenses	516	202	226	119	428

13. DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Directors' fees	–	–	–	–	66
Salaries, allowances and benefits in kind	70	136	150	68	129
Discretionary bonus	–	–	–	–	–
Retirement schemes contributions	3	4	5	3	3
	<u>73</u>	<u>140</u>	<u>155</u>	<u>71</u>	<u>198</u>

Details for the emoluments of each director of the Company during the Track Record Period are as follows:

	Year ended 31 December 2007				
	Directors' fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive director:					
Mr. Lin Qinglin	–	–	–	–	–
Mr. Wu Shiming	–	–	–	–	–
Mr. Yin Shouhong	–	70	–	3	73
Independent non-executive director:					
Mr. Chau On Ta Yuen	–	–	–	–	–
Mr. Hu Chung Ming	–	–	–	–	–
Mr. Liao Yuan	–	–	–	–	–
	<u>–</u>	<u>70</u>	<u>–</u>	<u>3</u>	<u>73</u>

Year ended 31 December 2008					
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive director:					
Mr. Lin Qinglin	–	–	–	–	–
Mr. Wu Shiming	–	–	–	–	–
Mr. Yin Shouhong	–	136	–	4	140
Independent non-executive director:					
Mr. Chau On Ta Yuen	–	–	–	–	–
Mr. Hu Chung Ming	–	–	–	–	–
Mr. Liao Yuan	–	–	–	–	–
	–	136	–	4	140

Year ended 31 December 2009					
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive director:					
Mr. Lin Qinglin	–	–	–	–	–
Mr. Wu Shiming	–	–	–	–	–
Mr. Yin Shouhong	–	150	–	5	155
Independent non-executive director:					
Mr. Chau On Ta Yuen	–	–	–	–	–
Mr. Hu Chung Ming	–	–	–	–	–
Mr. Liao Yuan	–	–	–	–	–
	–	150	–	5	155

	Six months ended 30 June 2009 (unaudited)				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
Executive director:					
Mr. Lin Qinglin	-	-	-	-	-
Mr. Wu Shiming	-	-	-	-	-
Mr. Yin Shouhong	-	68	-	3	71
Independent non-executive director:					
Mr. Chau On Ta Yuen	-	-	-	-	-
Mr. Hu Chung Ming	-	-	-	-	-
Mr. Liao Yuan	-	-	-	-	-
	-	68	-	3	71

	Six months ended 30 June 2010				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Retirement scheme contribution	Total
Executive director:					
Mr. Lin Qinglin	-	-	-	-	-
Mr. Wu Shiming	-	-	-	-	-
Mr. Yin Shouhong	-	129	-	3	132
Independent non-executive director:					
Mr. Chau On Ta Yuen	22	-	-	-	22
Mr. Hu Chung Ming	22	-	-	-	22
Mr. Liao Yuan	22	-	-	-	22
	66	129	-	3	198

14. EMPLOYEES EMOLUMENTS

The five highest paid employees of the Group during the Track Record Period are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors	73	140	155	71	132
Non-directors	417	769	910	397	825
	490	909	1,065	468	957

Details of the remuneration of the above non-director, highest paid employees during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Salaries and other benefits	368	664	805	343	781
Retirement scheme contributions	49	105	105	54	44
	<u>417</u>	<u>769</u>	<u>910</u>	<u>397</u>	<u>825</u>

The number of these non-directors, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Nil to RMB880,000 (equivalents to HK\$1,000,000)	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the Track Record Period.

15. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Dividends	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>

During the year ended 31 December 2009, the Company declared a dividend of RMB60,000,000 in respect of the year ended 31 December 2008 to a shareholder of the Company.

The rate of dividend per share is not presented as it is not indicative of the rate at which future dividends will be declared.

16. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the Track Record Period is based on the profit attributable to the owners of the Company for the Track Record Period and on the assumptions that the proposed 1,600,000,000 ordinary shares in issue as at the date of listing of the Company's shares on the Stock Exchange as described in the sub-section headed "Shareholders' resolutions of the Company passed on 17 December 2010" under the section headed "Statutory and General Information" in Appendix VI to the Prospectus, as if the shares were outstanding throughout the entire Track Record Period.

Diluted earnings/(loss) per share were same as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares in existence during the Track Record Period.

17. ACQUISITIONS OF ADDITIONAL INTERESTS IN SUBSIDIARIES**(a) Acquisition of Xiamen Sumpo Food Trading Limited (“Xiamen Sumpo Trading”)**

On 12 April 2007, the Group had entered into the following agreements:

- (i) Fujian Sumpo entered into a share transfer agreement to acquire from Xiamen Sumpo, in which beneficially owned 58.29% by Mr. Lin Qinglin, 5% equity interest in Xiamen Sumpo Trading at a consideration of RMB500,000, which was equivalent to 5% of the amount of the registered capital of Xiamen Sumpo Trading. According to the agreement and as agreed by both parties, the transfer of equity interest from Xiamen Sumpo to Fujian Sumpo was effective on 30 April 2007. As at the date of transfer of equity interest from Xiamen Sumpo to Fujian Sumpo, the cost of the acquisition and the cash paid was RMB500,000. The fair value of underlying assets and liabilities attributable to the additional interest was approximately RMB258,000. A difference of approximately RMB242,000 was charged to non-controlling interests of the equity.
- (ii) Fujian Sumpo entered into a share transfer agreement to acquire from 楊初添 5% equity interest in Xiamen Sumpo Trading at a consideration of RMB500,000, which was equivalent to 5% of the amount of the registered capital of Xiamen Sumpo Trading. According to the agreement and as agreed by both parties, the transfer of equity interest from 楊初添 to Fujian Sumpo was effective on 30 April 2007. As at the date of transfer of equity interest from Xiamen Sumpo to Fujian Sumpo, the cost of the acquisition and the cash paid was RMB500,000. The fair value of underlying assets and liabilities attributable to the additional interest was approximately RMB258,000.00. A difference of approximately RMB242,000 was charged to non-controlling interests of the equity.
- (iii) Fujian Sumhua, a subsidiary of the Group, entered into a share transfer agreement to acquire from Xiamen Sumpo 40% equity interest in Xiamen Sumpo Trading at a consideration of RMB4,000,000, which was equivalent to 40% of the amount of the registered capital of Xiamen Sumpo Trading. According to the agreement and as agreed by both parties, the transfer of equity interest from Xiamen Sumpo to Fujian Sumhua was effective on 30 April 2007. As at the date of transfer of equity interest from Xiamen Sumpo to Fujian Sumhua, the cost of the acquisition and the cash paid was RMB4,000,000. The fair values of underlying assets and liabilities attributable to the additional interest was approximately RMB2,060,000. A difference of approximately RMB1,940,000 was charged to non-controlling interests of the equity. The equity interest was then transferred to Fujian Sumpo.

(b) Acquisition of Longyan Baotai

On 20 July 2007, Fujian Sumpo entered into a share transfer agreement with Xiamen Yi Cheng Trading Company (“Xiamen Yi Cheng”) to acquired the remaining 20% equity interest in Longyan Baotai at a consideration of RMB7,488,242. According to the agreement and as agreed by both parties, the transfer of equity interest from Xiamen Yi Cheng to Fujian Sumpo was effective on 30 April 2007. As at the date of transfer of equity interest from Xiamen Yi Cheng to Fujian Sumpo, the cost of acquisition and the cash paid was RMB7,488,242. The fair value of underlying assets and liabilities attributable to the additional interest was RMB7,488,242. No difference was charge to the equity.

(c) Acquisition of Fujian Sumhua

On 25 July 2007, Fujian Sumpo entered into a share transfer agreement with Xiamen Sumpo to acquired 38% equity interest in Fujian Sumhua at a consideration of RMB11,400,000. According to the agreement and as agreed by both parties, the transfer of equity interest from Xiamen Sumpo to Fujian Sumpo was effective on 31 July 2007. As at the date of transfer of equity interest from Xiamen Sumpo to Fujian Sumpo, the cost of acquisition and the cash paid was RMB11,400,000. The fair value of underlying assets and liabilities attributable to the additional interest was RMB11,400,000. No difference was charge to the equity.

18. DISPOSAL OF SUBSIDIARIES

(a) Disposal of 95% equity interest in Xiamen Yi Cheng (now known as Xiamen Sumpo Electronic Technology Group Limited)

On 20 February 2007, Fujian Sumpo and Xiamen Sumpo entered into a share transfer agreement to dispose of its 95% equity interest in Xiamen Yi Cheng to Xiamen Sumpo Group at the consideration of RMB19,000,000. According to the agreement and as agreed by both parties, the consideration of the disposal was subject to the result of the audited financial statements of Xiamen Yi Cheng for the year ended 31 December 2006. The date for the transfer of control and equity interest was effective on 31 December 2006. Subject to the completion of the PRC audit of Xiamen Yi Cheng, Fujian Sumpo and Xiamen Sumpo entered into a supplemental share transfer agreement on 25 July 2007 to dispose of its 95% equity interest in Xiamen Yi Cheng to Xiamen Sumpo at a final consideration of RMB29,090,863 which was determined with reference to the audited net assets value of Xiamen Yi Cheng as at 31 December 2006. The net cash inflow arising on the disposal was RMB2,175,000. No gain or loss arose from the disposal of 95% equity interest in Xiamen Yi Cheng was recognised on the disposal.

The aggregate amounts of net assets and liabilities of Xiamen Yi Cheng at the date of disposal were:

	2006
	<i>RMB'000</i>
NET ASSETS DISPOSED OF:	
Property, plant and equipment, net	46
Investment in subsidiaries	6,400
Inventories, net	31,722
Trade and other receivables	33,233
Cash and bank	26,915
Trade and other payables	(62,695)
Short-term bank borrowings	<u>(5,000)</u>
	30,621
Less: Non-controlling interests	<u>(1,531)</u>
Total consideration	<u><u>29,090</u></u>
Consideration satisfied by, cash	<u><u>29,090</u></u>
Net cash inflow arising on disposal:	
Cash consideration received	29,090
Cash and bank balances disposed of	<u>(26,915)</u>
	<u><u>2,175</u></u>

(b) Disposal of 10% equity interest in Fujian Sumpo

On 19 July 2007, the Company and Longyan Hui Ren Investment Limited ("Longyan Investment"), was beneficially owned 50% equity interest by Mr. Lin Qingrong who is the brother of Mr. Lin Qinglin, entered into a share transfer agreement to disposed of its 10% equity interest in Fujian Sumpo to Longyan Investment at a consideration of RMB10,985,632. Such consideration was determined with reference to the net assets value of Fujian Sumpo after deducting the retained profits as at 31 December 2006. Fujian Sumpo was thereafter transformed from a wholly-owned foreign enterprise to a sino-foreign joint venture enterprise. According to the agreement and as agreed by both parties, the transfer of equity interest was effective on 31 July 2007.

The aggregate amounts of net assets and liabilities of Fujian Sumpo at the date of disposal were:

	2007
	<i>RMB'000</i>
NET ASSETS DISPOSED OF:	
10% equity interest in Fujian Sumpo	13,561
Loss on disposal	<u>(2,575)</u>
Total consideration	<u>10,986</u>
Consideration satisfied by cash	<u>10,986</u>
Net cash inflow arising on disposal:	
Cash consideration received	<u>10,986</u>

(c) Disposal of Fujian Sumhua

On 1 December 2009, Fujian Sumpo, a subsidiary of the Group, entered into a share transfer agreement with Xiamen Sumpo to dispose of its 98% equity interest in Fujian Sumhua Group to Xiamen Sumpo at a consideration of RMB98,000,000. Such consideration is determined with reference to the registered capital of Fujian Sumhua Group. The disposal was on completed 16 December 2009. According to the agreement and as agreed by both parties, the transfer of control and equity interest was effective on 30 November 2009.

On the same date, Longyan Baotai, a wholly-owned subsidiary of the Group, entered into a share transfer agreement with Xiamen Sumpo, pursuant to which Longyan Baotai agreed to sell its 2% equity interest in Fujian Sumhua Group to Xiamen Sumpo at a consideration of RMB2,000,000. The disposal was completed on 16 December 2009. After the aforesaid transfers, Fujian Sumhua Group became a wholly-owned subsidiary of Xiamen Sumpo. According to the agreement and as agreed by both parties, the transfer of control and equity interest was effective on 30 November 2009.

The aggregate amounts of net assets and liabilities of Fujian Sumhua Group at the date of disposal were:

	2009
	<i>RMB'000</i>
NET ASSETS DISPOSED OF:	
Property, plant and equipment, net	220,151
Construction in progress	842
Biological assets	2,006
Prepaid lease payments	32,932
Inventories, net	33,202
Trade and other receivables	68,171
Cash and bank	6,004
Trade and other payables	(20,680)
Short-term bank borrowings	(35,000)
Deferred revenue	(6,559)
Long-term payable	(136,536)
Long-term bank borrowings	<u>(97,500)</u>
	67,033
Non-controlling interests	(2,002)
Gain on disposal	<u>34,969</u>
Total consideration	<u><u>100,000</u></u>
Consideration satisfied by cash	<u><u>100,000</u></u>
Net cash outflow arising on disposal:	
Cash consideration received	2,000
Cash and bank balances disposed of	<u>(6,004)</u>
	<u><u>(4,004)</u></u>

(d) Disposal of Fujian Sumhui

On 18 December 2009, Fujian Sumpo entered into a share transfer agreement with Fujian Sumhua to disposed of its 70% equity interest in Fujian Sumhui at a consideration of RMB21,000,000. The disposal was completed on 30 December 2009. According to the agreement and as agreed by both parties, the transfer of control and equity interest was effective on 18 December 2009. No gain or loss arose from the disposal of 70% equity interest in Fujian Sumhui.

	2009
	<i>RMB'000</i>
NET ASSETS DISPOSED OF:	
Property, plant and equipment, net	1,058
Construction in progress	909
Prepaid lease payments	3,677
Cash and bank	2,388
Prepayments and other receivables	22,148
Trade and other payables	<u>(180)</u>
	30,000
Non-controlling interests	<u>(9,000)</u>
Total consideration	<u><u>21,000</u></u>
Consideration satisfied by cash	<u><u>21,000</u></u>
Net cash inflow arising on disposal:	
Cash consideration received	21,000
Cash and bank balances disposed of	<u>(424)</u>
	<u><u>20,576</u></u>

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Tools	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost						
As at 1 January 2007	61,762	43,611	5,311	2,073	6,010	118,767
Additions	42,521	23,321	3,172	1,633	84,858	155,505
Disposals	–	(316)	(833)	(1)	–	(1,150)
Transfer	13,287	23,883	–	–	(37,170)	–
	<u>117,570</u>	<u>90,499</u>	<u>7,650</u>	<u>3,705</u>	<u>53,698</u>	<u>273,122</u>
As at 31 December 2007 and 1 January 2008	117,570	90,499	7,650	3,705	53,698	273,122
Additions	183	2,507	10,898	2,277	93,447	109,312
Disposals	(5,119)	(1,004)	(1,084)	(14)	–	(7,221)
Transfer	123,239	21,804	–	–	(145,043)	–
	<u>235,873</u>	<u>113,806</u>	<u>17,464</u>	<u>5,968</u>	<u>2,102</u>	<u>375,213</u>
As at 31 December 2008 and 1 January 2009	235,873	113,806	17,464	5,968	2,102	375,213
Additions	2,980	21,000	4,346	1,372	9,303	39,001
Disposals	(4,422)	(59)	(1,920)	(44)	–	(6,445)
Disposal of subsidiaries	(163,474)	(67,934)	(3,559)	(3,132)	(843)	(238,942)
Transfer	10,435	90	–	16	(10,541)	–
	<u>81,392</u>	<u>66,903</u>	<u>16,331</u>	<u>4,180</u>	<u>21</u>	<u>168,827</u>
As at 31 December 2009 and 1 January 2010	81,392	66,903	16,331	4,180	21	168,827
Additions	427	441	98	15	–	981
Disposals	(11)	(126)	(1,921)	–	–	(2,058)
Transfer	21	–	–	–	(21)	–
	<u>81,829</u>	<u>67,218</u>	<u>14,508</u>	<u>4,195</u>	<u>–</u>	<u>167,750</u>
As at 30 June 2010	<u>81,829</u>	<u>67,218</u>	<u>14,508</u>	<u>4,195</u>	<u>–</u>	<u>167,750</u>

	Buildings	Machinery and equipment	Motor vehicles	Tools	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accumulated depreciation						
As at 1 January 2007	9,353	14,588	1,695	1,532	–	27,168
Provided for the year	7,478	7,314	832	452	–	16,076
Disposals	–	(165)	(473)	(1)	–	(639)
As at 31 December 2007 and 1 January 2008	16,831	21,737	2,054	1,983	–	42,605
Provided for the year	7,724	11,629	1,328	740	–	21,421
Disposals	(3,841)	(621)	(677)	(13)	–	(5,152)
As at 31 December 2008 and 1 January 2009	20,714	32,745	2,705	2,710	–	58,874
Provided for the year	10,933	11,150	2,248	1,204	–	25,535
Disposals	(1,844)	(394)	(184)	–	–	(2,422)
Disposal of subsidiaries	(7,121)	(9,739)	(362)	(672)	–	(17,894)
As at 31 December 2009 and 1 January 2010	22,682	33,762	4,407	3,242	–	64,093
Provided for the period	2,937	3,113	957	334	–	7,341
Disposals	(12)	(120)	(996)	–	–	(1,128)
As at 30 June 2010	<u>25,607</u>	<u>36,755</u>	<u>4,368</u>	<u>3,576</u>	<u>–</u>	<u>70,306</u>
Net book values						
As at 30 June 2010	<u>56,222</u>	<u>30,463</u>	<u>10,140</u>	<u>619</u>	<u>–</u>	<u>97,444</u>
As at 31 December 2009	<u>58,710</u>	<u>33,141</u>	<u>11,924</u>	<u>938</u>	<u>21</u>	<u>104,734</u>
As at 31 December 2008	<u>215,159</u>	<u>81,061</u>	<u>14,759</u>	<u>3,258</u>	<u>2,102</u>	<u>316,339</u>
As at 31 December 2007	<u>100,739</u>	<u>68,762</u>	<u>5,596</u>	<u>1,722</u>	<u>53,698</u>	<u>230,517</u>

20. INVESTMENT PROPERTY

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Cost				
At the beginning of the period/year	–	1,187	1,187	1,187
Addition	1,187	–	–	–
At the end of the period/year	<u>1,187</u>	<u>1,187</u>	<u>1,187</u>	<u>1,187</u>
Accumulated depreciation				
At the beginning of the period/year	–	12	48	84
Charge for the period/year	12	36	36	18
At the end of the period/year	<u>12</u>	<u>48</u>	<u>84</u>	<u>102</u>
Net book values	<u>1,175</u>	<u>1,139</u>	<u>1,103</u>	<u>1,085</u>

The investment property is located in Mainland China, on land with land use right of 30 years.

The fair value of the investment property was RMB2,570,000, RMB2,600,000, RMB2,720,000 and RMB2,770,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. The fair value of the investment property of the Group at 31 December 2007, 2008 and 2009 and 30 June 2010 has been arrived at on the basis of a valuation carried out at that date by the Valuer and have appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

21. PREPAID LEASE PAYMENTS

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Cost				
At the beginning of the period/year	41,583	46,231	46,226	11,246
Additions	4,648	–	–	–
Disposals	–	(5)	(34,980)	–
At the end of the period/year	<u>46,231</u>	<u>46,226</u>	<u>11,246</u>	<u>11,246</u>
Accumulated amortization				
At the beginning of the period/year	586	1,455	2,502	1,390
Charge for the period/year	869	1,048	930	144
Disposals	–	(1)	(2,042)	–
At the end of the period/year	<u>1,455</u>	<u>2,502</u>	<u>1,390</u>	<u>1,534</u>
Net book values	<u>44,776</u>	<u>43,724</u>	<u>9,856</u>	<u>9,712</u>
Analysed for reporting purposes as:				
Current assets	1,048	930	290	290
Non-current assets	<u>43,728</u>	<u>42,794</u>	<u>9,566</u>	<u>9,422</u>
	<u>44,776</u>	<u>43,724</u>	<u>9,856</u>	<u>9,712</u>

The leases are held under long term leases and are situated in the PRC.

The prepaid lease payments with net book amount of approximately RMB44,776,000, RMB43,724,000 and RMB9,856,000 and RMB9,712,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, are pledged as collaterals for the Group's bank borrowings. Please refer to note 35 for details.

22. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2007, 2008 and 2009 and 30 June 2010 are as follows:

Name of subsidiary	Place of incorporation	Percentage of equity interest attributable to the company		Principal activities
		Direct %	Indirect %	
Fujian Sumpo (<i>note (a)</i>)	PRC	90	–	Manufacturing and trading of animal feeds, trading of poultry, processing and trading of meat and meat product
Longyan Baotai (<i>note (b)</i>)	PRC	–	90	Breeding and sales of poultry, commodity broilers, chicken breeds, aquatic products and provision of breeding techniques consultancy services
Xiamen Sumpo Trading (<i>note (c)</i>)	PRC	–	90	Sale of packaged food products
Fujian Sumhua (<i>note (d)</i>)	PRC	–	90	Slaughtering and processing of livestocks, production and sales of meat products
Longyan Baoxing (<i>note (e)</i>)	PRC	–	90	Breeding and sales of crossbreed pigs and commodity pig breeds
Fujian Senhong (<i>note (f)</i>)	PRC	–	72	Dormant
Fujian Sumhui (<i>note (g)</i>)	PRC	–	63	Sales of commodity pig breeds
Fujian Hetai (<i>note (h)</i>)	PRC	–	90	Dormant

Notes:

- Fujian Sumpo was a limited liability company established in the PRC on 7 September 1998, which was transformed into a joint stock company on 10 July 2007.
- Longyan Baotai was a company established in the PRC on 1 November 2005 with a registered capital of RMB32,000,000 and a wholly-owned subsidiary of Fujian Sumpo.
- Xiamen Sumpo Trading was a limited liability company established in the PRC on 19 October 2005 with a registered capital of RMB10,000,000 and a wholly-owned subsidiary of Fujian Sumpo.
- Fujian Sumhua was a limited liability company established in the PRC on 18 April 2005, with a registered capital of RMB100,000,000 which were owned by Fujian Sumpo and Longyan Baotai as to 98% and 2% respectively before the transfer of its equity interest to Xiamen Sumpo (see note 18(c)).

- e. Longyan Baoxing was a company established in the PRC on 18 April 2008 with a registered capital of RMB10,000,000 and a wholly-owned subsidiary of Fujian Sumhua. The Group did not hold any equity interest of Longyan Baoxing after the disposal of Fujian Sumhua (see note 18(c)).
- f. Fujian Senhong was a company established in the PRC on 17 June 2009 with a registered capital of RMB10,000,000 and a wholly-owned subsidiary of Fujian Sumhua. The Group did not hold any equity interest of Fujian Senhong after the disposal of Fujian Sumhua (see note 18(c)).
- g. Fujian Sumhui was a sino-foreign equity joint venture enterprise established in the PRC on 2 March 2009, which was owned by Fujian Sumpo and an individual as to 70% and 30% respectively. The Group transferred all its equity interest of Fujian Sumhui to Fujian Sumhua (see note 18(d)).
- h. Fujian Hetai was a company established in the PRC on 8 June 2010 with a registered capital of RMB20,000,000 and a wholly-owned subsidiary of Fujian Sumpo.

23. INVENTORIES

- (a) Inventories in the combined statement of financial position comprise:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Frozen and chilled meats	17,198	46,962	16,075	15,920
Animal feeds	4,393	2,844	4,158	1,900
Processed foods	811	2,375	636	570
Agricultural produce	3,095	4,997	2,866	3,716
Raw materials (<i>note</i>)	15,141	18,584	13,819	12,629
Consumables	707	1,327	849	739
Packaging	473	935	432	386
	41,818	78,024	38,835	35,860
Less: Provision for inventories obsolescence	—	(34)	—	—
	<u>41,818</u>	<u>77,990</u>	<u>38,835</u>	<u>35,860</u>

Note: Included in the raw materials were mainly raw materials for the production of animal feeds, such as corn, wheat, soya meal and additives.

- (b) The analysis of the amount of inventories recognised as an expense is as follows:

	Year ended 31 December			Six months ended
	2007	2008	2009	30 June 2010
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold				
– continuing operations	319,368	486,537	452,976	224,698
– discontinued operation	–	313,899	507,641	–
	<u>319,368</u>	<u>800,436</u>	<u>960,617</u>	<u>224,698</u>
Fair value of agricultural produce on initial recognition	(34,880)	(55,786)	(57,952)	(28,363)
Reversal of fair value of agricultural produce due to hatch and disposals	<u>34,021</u>	<u>53,884</u>	<u>60,083</u>	<u>27,513</u>
	<u><u>318,509</u></u>	<u><u>798,534</u></u>	<u><u>962,748</u></u>	<u><u>223,848</u></u>

- (c) Production quantities of agricultural produce:

	As at 31 December			As at
	2007	2008	2009	30 June 2010
	Broiler eggs (units)	<u>17,472,449</u>	<u>22,314,230</u>	<u>23,180,983</u>

- (d) Movements of the agricultural produce, representing broiler eggs, are summarised as follows:

	As at 31 December			As at
	2007	2008	2009	30 June 2010
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the period/year	2,236	3,095	4,997	2,866
Increase due to lay	34,880	55,786	57,952	28,363
Decrease due to hatch and disposals	<u>(34,021)</u>	<u>(53,884)</u>	<u>(60,083)</u>	<u>(27,513)</u>
At the end of the period/year	<u><u>3,095</u></u>	<u><u>4,997</u></u>	<u><u>2,866</u></u>	<u><u>3,716</u></u>

A provision of RMB34,000 was made against those inventories with net realisable value lower than the carrying values as at 31 December 2008. Other than this provision, none of the inventories as at 31 December 2007, 2008 and 2009 and 30 June 2010 were carried at net realisable value.

24. BIOLOGICAL ASSETS

Movements of the biological assets are summarised as follows:

	Parent Stock Day-Old Chicks and immature breeders	Mature breeders	Chicken breeds	Pig breeders	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2007	2,134	2,870	4,536	–	9,540
Increase due to purchases	1,565	–	–	–	1,565
Increase due to raising (Feeding cost and others)	3,038	–	60,372	–	63,410
Transfer	(5,590)	5,590	–	–	–
Decrease due to retirement and deaths	–	(1,909)	–	–	(1,909)
Decrease due to sales	–	–	(61,318)	–	(61,318)
Change in fair value less costs to sell	<u>3,385</u>	<u>(354)</u>	<u>27</u>	<u>–</u>	<u>3,058</u>
As at 31 December 2007 and 1 January 2008	4,532	6,197	3,617	–	14,346
Increase due to purchases	4,681	–	–	1,420	6,101
Increase due to raising (Feeding cost and others)	2,655	–	87,650	2,276	92,581
Transfer	(4,115)	4,115	–	–	–
Decrease due to retirement and deaths	–	(6,209)	–	(398)	(6,607)
Decrease due to sales	–	–	(86,444)	–	(86,444)
Change in fair value less costs to sell	<u>(2,097)</u>	<u>(91)</u>	<u>(3)</u>	<u>(144)</u>	<u>(2,335)</u>
As at 31 December 2008 and 1 January 2009	5,656	4,012	4,820	3,154	17,642
Increase due to purchases	2,720	–	–	155	2,875
Increase due to raising (Feeding cost and others)	4,287	–	91,203	1,625	97,115
Transfer	(8,919)	8,919	–	–	–
Decrease due to retirement and deaths	–	(6,470)	–	(2,928)	(9,398)
Decrease due to sales	–	–	(92,505)	–	(92,505)
Disposal of subsidiaries	–	–	–	(2,006)	(2,006)
Change in fair value less costs to sell	<u>2,144</u>	<u>(334)</u>	<u>1,578</u>	<u>–</u>	<u>3,388</u>
As at 31 December 2009 and 1 January 2010	5,888	6,127	5,096	–	17,111
Increase due to purchases	911	–	–	–	911
Increase due to raising (Feeding cost and others)	1,486	–	50,587	–	52,073
Transfer	(2,326)	2,326	–	–	–
Decrease due to retirement and deaths	–	(2,934)	–	–	(2,934)
Decrease due to sales	–	–	(48,897)	–	(48,897)
Change in fair value less costs to sell	<u>(1,413)</u>	<u>(1,024)</u>	<u>(1,595)</u>	<u>–</u>	<u>(4,032)</u>
As at 30 June 2010	<u>4,546</u>	<u>4,495</u>	<u>5,191</u>	<u>–</u>	<u>14,232</u>

The numbers of biological assets are summarised as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	'000	'000	'000	2010
Parent Stock Day-Old Chicks and immature breeders	56	96	62	64
Mature breeders	136	122	127	154
Chicken breeds	735	768	662	643
Pig breeders	–	1	–	–
At the end of the period/year	<u>927</u>	<u>987</u>	<u>851</u>	<u>861</u>

Analysed for reporting purposes as:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Current assets	3,617	4,820	5,096	5,191
Non-current assets	<u>10,729</u>	<u>12,822</u>	<u>12,015</u>	<u>9,041</u>
At the end of the period/year	<u>14,346</u>	<u>17,642</u>	<u>17,111</u>	<u>14,232</u>

The chicken breeds are primarily held for further growth for the production of chicken meat and is classified as current assets. The immature breeders are primarily bred for further growth into mature breeders. The mature breeders are primarily held to produce agricultural produce. Both immature breeders and mature breeders are classified as non-current assets.

The fair value of biological assets of the Group at 31 December 2007, 2008 and 2009 and 30 June 2010 has been arrived at on the basis of a valuation carried out at that date by the Valuer and have appropriate qualifications and recent experiences in the valuation of similar assets.

The fair value less costs to sell of chicken breeds and pig breeders is determined using the direct comparison approach. The direct comparison approach assumes sales of chicken breeds and pig breeders in their existing state and making reference to similar sales or offerings or listings of comparable assets on the market.

Under the prevailing market, only Parent Stock Day-Old Chicks or mature breeders having their egg laying cycles terminated after breeding for 66 weeks are normally transacted on the market. Therefore, the breeders are seldom transacted on the market and their market determined prices are unavailable. In this regard, it is appropriate for the Company to estimate their fair value less costs to sell by using the income approach rather than the direct comparison approach. The fair value less costs to sell under income approach is measured by discounted cash flow (“DCF”) model. Despite the short production cycle of breeders, the DCF model is considered an appropriate method of valuation as there is time lag between cash outflows and cash inflows of the operations where negative net cash flows are observed during the initial stage of the breeding cycle. By discounting all future cash flows into present values, for the same dollar amount, the model can reflect the difference in values of cash flows happened in different points of time along the breeding cycle. The DCF model focuses on the income-producing capability of the breeders. Cash inflows of the model comprise the fair value of broiler eggs to be laid by the breeders from the valuation date to the end of the expected egg laying period and the terminal value of the mature breeders having their egg laying cycles terminated (based on their disposal values). Cash outflows comprise the breeding costs (based on actual costs incurred) as well as costs allowed for wastage due to natural mortality and infertility. The DCF model involves specific assumptions such as the discount rate, yield of egg production per breeder, mortality rate and infertility rate, market price of broiler eggs and related production costs.

The discount rate adopted in the DCF model for each of the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2009 and 2010 is 24.84%, 23.73%, 24.77%, 24.18% and 24.48% respectively.

In addition, the following principal assumptions have been adopted by Asset Appraisal:

- there will be no major change in the existing political, legal and economic conditions in the PRC;
- save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the Group;
- the interest rates and exchange rates will not differ materially from those presently prevailing;
- the breeders are free from any animal diseases, including but not limiting to avian influenza such that they are all healthy and are capable to generate valuable outputs in line with normal expectations and subject to normal operating expenses;
- the life cycle, natural mortality rates and infertility rates of that particular breed of breeders as given by the Group are fair and reasonable and egg laying pattern of that particular breed of breeders is not materially different from that as shown in the Arbor Acres Plus (AA+) Parent Stock Performance Objectives as published by Aviagen Group which is the developer of AA+ branded chicken;
- the availability of finance will not be a constraint on the breeding of the breeders;
- the production facilities, systems and the technology utilized by the Group in carrying out its breeding operations do not infringe any relevant regulations and law;
- the Group has obtained or shall have no impediment to obtain all necessary governmental permits and approvals to carry out its breeding operations in the PRC;
- the breeders are not subject to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date;
- the Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding operations; and
- the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the fair value of the breeders.

25. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Trade receivables	22,628	45,301	49,498	25,494
Less: Impairment loss recognised	—	(325)	(325)	(325)
	<u>22,628</u>	<u>44,976</u>	<u>49,173</u>	<u>25,169</u>
Deposits paid, prepayments and other receivables	31,207	32,024	19,602	18,234
Less: Impairment loss recognised	—	(575)	(528)	(528)
	<u>31,207</u>	<u>31,449</u>	<u>19,074</u>	<u>17,706</u>
	<u><u>53,835</u></u>	<u><u>76,425</u></u>	<u><u>68,247</u></u>	<u><u>42,875</u></u>

Trade receivables

The fair values of trade receivables approximate their carrying amounts.

The Group normally allows a credit period ranging from 15 to 70 days. The ageing analysis of trade receivables, net of impairment is as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Within 30 days	7,797	24,077	37,051	23,947
31 days to 70 days	13,730	16,941	11,077	1,062
71 days to 180 days	129	1,188	842	5
Over 180 days	<u>972</u>	<u>2,770</u>	<u>203</u>	<u>155</u>
Total	<u><u>22,628</u></u>	<u><u>44,976</u></u>	<u><u>49,173</u></u>	<u><u>25,169</u></u>

Certain trade receivables that are past due are not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Within 30 days	—	—	—	—
31 days to 70 days	75	312	127	369
71 days to 180 days	129	1,188	842	5
Over 180 days	<u>972</u>	<u>2,770</u>	<u>203</u>	<u>155</u>
	<u><u>1,176</u></u>	<u><u>4,270</u></u>	<u><u>1,172</u></u>	<u><u>529</u></u>

As of 31 December 2008, trade receivables of approximately RMB325,000 was impaired, and had been fully provided for. These receivables mainly relate to wholesalers in unexpected difficult economic situations. The ageing of these receivables are as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Over 180 days	–	325	325	325

Movements of impairment loss recognised on trade receivables:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
At the beginning of period/year	–	–	325	325
Impairment loss recognised	–	325	–	–
At the end of period/year	–	325	325	325

The creation and release of provision for impairment of trade receivables have been included in general and administrative expenses. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The trade receivables are denominated in RMB.

There is no concentration of credit risk with respect to trade receivable as the Group has a large number of customers.

Other receivables

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
IPO deposits paid	–	–	2,445	3,693
Advances to staff	1,439	1,791	4,960	1,101
VAT recoverable	356	6,170	1,241	291
Other receivables	394	4,753	543	1,862
Suppliers' deposits	1,985	1,995	2,179	4,381
Deposits paid for purchase of property, plant and equipment	20,337	8,650	5,654	3,721
Deposits paid and prepayments	6,696	8,665	2,580	3,185
	31,207	32,024	19,602	18,234
Less: Impairment loss recognised	–	(575)	(528)	(528)
	31,207	31,449	19,074	17,706

The fair values of other receivables approximate their carrying amounts.

The other receivables are denominated in RMB.

Movements of impairment loss recognised on other receivables are as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
At the beginning of period/year	–	–	575	528
Impairment loss recognised	–	575	–	–
Reversal of impairment loss recognised	–	–	(47)	–
	<u>–</u>	<u>–</u>	<u>(47)</u>	<u>–</u>
At the end of period/year	<u>–</u>	<u>575</u>	<u>528</u>	<u>528</u>

26. AMOUNT DUE FROM A SHAREHOLDER

Name of company	Maximum	As at 31	Maximum	As at 31	Maximum	As at 31	Maximum	As at
	balance	December	balance	December	balance	December	balance	30 June
	outstanding	2007	outstanding	2008	outstanding	2009	outstanding	2010
	during	RMB'000	during	RMB'000	during	RMB'000	during	RMB'000
	the year		the year		the year		the year	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Golden Prince Group								
Limited	–	–	–	–	17,854	17,854	–	–
Mr. Lin Qinglin	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,178</u>	<u>5,433</u>
		<u>–</u>		<u>–</u>		<u>17,854</u>		<u>5,433</u>

The amount due from a shareholder was unsecured, interest-free and recoverable on demand during the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010.

The directors represented that such amount due from a shareholder was settled prior to the Listing.

27. AMOUNTS DUE FROM RELATED PARTIES

Name of related party	Relationship	Maximum balance	Maximum balance		Maximum balance		Maximum balance		As at 30 June 2010
		outstanding during the year	As at 31 December 2007	outstanding during the year	As at 31 December 2008	outstanding during the year	As at 31 December 2009	outstanding during the period	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Lin Qingrong	Director of a subsidiary	1,283	1,283	2,643	2,643	2,643	169	134	36
Mr. Ke Mingxing	Director of a subsidiary	273	273	969	969	989	60	–	–
Ms. Fu Jian Ping	Relative of a director	–	–	–	–	–	–	1,280	119
Mr. Lai Youhui	Director of a subsidiary	50	50	50	7	50	–	–	–
林耿輝	Relative of a director of a subsidiary	1	1	–	–	–	–	–	–
林金英	Relative of a director of a subsidiary	3,716	3,716	3,716	845	844	258	–	–
Fujian Sumhua (note (a))	Common director in a related company	–	–	–	–	123,790	123,552	125,770	85,631
Fujian Sumhui	Common director in a related company	–	–	–	–	2,072	2,072	–	–
Longyan Baoxing	Common director in a related company	–	–	–	–	9,625	9,625	9,634	795
Longyan Investment	Shareholder of a subsidiary	2,250	2,250	–	–	50	50	–	–
Xiamen Oporto Catering Management Co. Limited ("Xiamen Oporto")	Common director in a related company	–	–	–	–	–	–	137	24
Xiamen Sumpo (note (b))	Common director in a related company	579	579	–	–	101,929	96,929	148,014	118,014
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
			8,152		4,464		232,715		204,619

The amounts due from related parties which were in trade nature are unsecured, interest-free and have a credit period of 30 days.

The amounts due from related parties which were in non-trade nature are unsecured, interest-free and recoverable on demand.

The directors represented that such amounts due from related parties were settled prior to the Listing.

Note:

- (a) Subsequent to the reporting date as of 30 June 2010, the amount due from Fujian Sumhua would be partly settled by way of transfer of 68% equity interest in Fujian Baojiashun Food Development Company Limited ("Fujian Baojiashun"). On 13 August 2010, Fujian Sumpo entered into a share transfer agreement to acquire 68% equity interest in Fujian Baojiashun from Fujian Sumhua at a consideration of RMB81,600,000. The transfer of 68% equity interest in Fujian Baojiashun was completed on 16 August 2010.

The directors represented that such amount due from Fujian Sumhua was settled prior to the Listing.

The major assets of Fujian Baojiashun comprises of land use rights and buildings located in the PRC. The fair value of the land use rights and buildings amounting to approximately RMB61,335,000 and RMB19,746,000 respectively as at 18 May 2010 has been arrived at on the basis of a valuation carried out by an independent PRC professional valuers.

- (b) The amount due from Xiamen Sumpo represents the amount receivable in relation to deferred cash consideration receivable on the disposal of 100% equity interest in Fujian Sumhua Group and 70% equity interest in Fujian Sumhui at RMB100,000,000 and RMB21,000,000 respectively, and net of the amount due to Xiamen Sumpo at the year ended date. For details of the disposals, please refer to note 18 (c) and (d).

The directors represented that such amount due from Xiamen Sumpo was settled prior to the Listing.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Held for trading:				RMB'000
Listed securities:				
– Equity securities listed in the PRC	156	66	115	94

Fair value is determined with reference to quoted market bid prices.

29. HELD-TO-MATURITY INVESTMENT

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Unlisted debt securities (note)				RMB'000
– current assets	–	–	6,000	6,000
– non-current assets	–	–	–	1,000
	<u>–</u>	<u>–</u>	<u>6,000</u>	<u>7,000</u>

Note: Held-to-maturity debt securities are measured at amortized cost less any impairment losses. They had fixed interests and will mature in 2010 and 2012.

30. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	As at 31 December			As at 30
	2007	2008	2009	June
	RMB'000	RMB'000	RMB'000	2010
Cash and bank balances	43,893	19,787	61,259	104,246
Pledged bank deposits (note 45)	—	—	—	47,451
	<u>43,893</u>	<u>19,787</u>	<u>61,259</u>	<u>151,697</u>

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at the prevailing market rates which at 0.72% per annum during the years ended 31 December 2007 and 2008 and at 0.36% per annum during the year ended 31 December 2009 and during the six months ended 30 June 2010. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in the cash and bank balances as at 31 December 2007, 2008 and 2009 and 30 June 2010 were amounts in RMB of approximately RMB43,330,000, RMB19,787,000, RMB46,334,000 and RMB147,641,000 which are not freely convertible into other currencies.

31. TRADE AND OTHER PAYABLES

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Trade payables	36,837	49,740	30,512	23,028
Bills payables	13,000	—	26,950	94,038
Deposits received	924	1,204	293	219
Accruals and other payables	11,680	25,369	9,987	16,897
	<u>62,441</u>	<u>76,313</u>	<u>67,742</u>	<u>134,182</u>

The ageing analysis of trade payables is as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Within 30 days	31,670	38,779	17,644	20,717
31 days to 90 days	2,043	5,954	5,738	1,589
91 days to 180 days	695	429	246	386
Over 180 days	2,429	4,578	6,884	336
Total	<u>36,837</u>	<u>49,740</u>	<u>30,512</u>	<u>23,028</u>

The average credit period on purchases of certain goods is generally within 15 days to three months.

32. AMOUNT DUE TO A SHAREHOLDER

Name of a shareholder	At as 31 December			As at 30
	2007	2008	2009	June
	RMB'000	RMB'000	RMB'000	2010
Mr. Lin Qinglin				RMB'000
– current liability	–	–	23,994	–
– non-current liability	57,900	23,900	–	–
	<u>57,900</u>	<u>23,900</u>	<u>23,994</u>	<u>–</u>

The amount due to a shareholder classified as current liability is unsecured, interest free and repayable on demand.

The amount due to a shareholder classified as non-current liability is unsecured, interest-free and has no fixed terms of repayment.

The directors represented that such amount due to a shareholder was settled prior to the Listing.

33. AMOUNTS DUE TO RELATED PARTIES

Name of related party	Relationship	At as 31 December			As at 30
		2007	2008	2009	June
		RMB'000	RMB'000	RMB'000	2010
李德貞	Director of a subsidiary	65	65	–	–
Xiamen Sumpo	Common director in a related company	677	834	–	–
華紹桂	Director of a subsidiary	–	95	100	97
Longyan Investment	Shareholder of a subsidiary	–	3,900	–	2,200
陳宏偉	Director of a subsidiary	–	–	47	44
Fujian Senhong	Common director in a related company	–	–	9,850	–
		<u>742</u>	<u>4,894</u>	<u>9,997</u>	<u>2,341</u>

The amounts due to related parties are unsecured, interest free and repayable on demand. The directors represented that such amounts due to related parties were settled prior to the Listing of the Company's shares on the Hong Kong Stock Exchange.

34. FINANCIAL GUARANTEE LIABILITIES

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
At the beginning of the period/year	–	3,098	–	1,612
Fair value of the financial guarantee at date of grant	3,098	–	1,612	–
Amortization of financial guarantee liabilities	<u>–</u>	<u>(3,098)</u>	<u>–</u>	<u>(1,612)</u>
At the end of the period/year	<u>3,098</u>	<u>–</u>	<u>1,612</u>	<u>–</u>

During the year ended 31 December 2007, Fujian Sumpo provided guarantees for banking facilities of RMB130,000,000 and bank loans of RMB65,000,000 to Xiamen Sumpo. The financial guarantees were released during the year ended 31 December 2008.

During the year ended 31 December 2009, Fujian Sumpo provided guarantees for bank loans of RMB160,000,000 to Fujian Sumhua. The financial guarantees were released during the six months ended 30 June 2010.

The above balances represented the fair values of the financial guarantees.

35. BANK BORROWINGS

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Bank borrowings – secured	148,190	245,005	175,050	162,200
Bank borrowings – unsecured	<u>17,500</u>	<u>17,500</u>	<u>–</u>	<u>20,000</u>
Total bank borrowings	165,690	262,505	175,050	182,200
Loan from other banking facilities	<u>5,390</u>	<u>5,750</u>	<u>3,060</u>	<u>3,060</u>
	<u>171,080</u>	<u>268,255</u>	<u>178,110</u>	<u>185,260</u>

Carrying amount repayable:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
On demand or within one year	98,190	167,695	136,850	144,000
More than one year but less than two years	13,590	14,060	40,630	40,000
More than two years but less than five years	<u>59,300</u>	<u>86,500</u>	<u>630</u>	<u>1,260</u>
	171,080	268,255	178,110	185,260
Less: Amounts due within one year shown under current liabilities	<u>98,190</u>	<u>167,695</u>	<u>136,850</u>	<u>144,000</u>
	<u>72,890</u>	<u>100,560</u>	<u>41,260</u>	<u>41,260</u>

Bank borrowings at:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
– floating interest rate	110,000	107,500	40,000	40,000
– fixed interest rate	<u>61,080</u>	<u>160,755</u>	<u>138,110</u>	<u>145,260</u>
	<u>171,080</u>	<u>268,255</u>	<u>178,110</u>	<u>185,260</u>

The carrying amounts of the Group's bank borrowings are all originally denominated in RMB, which is the functional currency of the Group.

The contractual fixed and floating interest rates per annum in respect of bank borrowing were within the following ranges:

	As at 31 December			As at
	2007	2008	2009	30 June
Bank borrowings	<u>2.4% – 7.7%</u>	<u>2.4% – 7.8%</u>	<u>2.4% – 5.9%</u>	<u>2.4% – 5.3%</u>

The collaterals for the Group's bank borrowings are as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Property, plant and equipment	18,655	18,747	18,290	8,847
Prepaid lease payments	<u>4,467</u>	<u>9,382</u>	<u>9,117</u>	<u>4,887</u>
	<u>23,122</u>	<u>28,129</u>	<u>27,407</u>	<u>13,734</u>

The fair values of the short-term borrowings approximate their carrying amounts.

The carrying amounts and fair value of the non-current borrowings are as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Carrying amount	72,890	100,560	41,260	41,260
Fair value	<u>59,207</u>	<u>81,875</u>	<u>37,979</u>	<u>38,996</u>

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group's bank borrowings of RMB78,190,000, RMB72,000,000, RMB110,050,000 and RMB84,200,000 respectively were guaranteed by Xiamen Sumpo. The directors represented that such guarantee was released prior to the Listing.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group's bank borrowings of RMB20,000,000, nil, nil and RMB30,000,000 respectively were guaranteed by Xiamen Sumpo Electronic. The directors represented that such guarantee was released prior to the Listing.

36. DEFERRED REVENUE

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group has unused government grants in relation to the construction of qualifying assets of approximately RMB4,050,000, RMB11,288,000, RMB4,603,000 and RMB4,540,000, respectively. The deferred revenue will be recognised upon construction of qualifying assets. The government grant are not repayable.

37. SHARE CAPITAL

As at 31 December 2007, 2008 and 2009, the share capital of the Group represents the issued share capital of Sumpo Holdings prior to the establishment of the Company.

As at 30 June 2010, the share capital of the Group represents the issued share capital of the Company, with authorised share capital of RMB334,666 (equivalents to HK\$380,000) divided into 3,800,000 shares of RMB0.09 each (equivalents to HK\$0.10 each), with 1 ordinary share issued and held by Mr. Lin Qinglin.

38. RESERVES

(a) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC.

(b) Statutory reserve

Subsidiaries of the Company established in the PRC shall appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law. When the balance of such reserve fund reaches 50% of the entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior year's losses or to increase capital after proper approval.

(c) Other reserve

- (i) During the year ended 31 December 2007, the Group acquired additional interests in its' subsidiaries as disclosed in note 18 (i), (ii) and (iii). The amount of RMB2,424,000 represented the sum of the difference between the consideration paid and the fair value of the underlying assets and liabilities attributable to the additional interest of each respective acquisition, which were charged to the non-controlling interests of the equity of the Group.
- (ii) During the six months ended 30 June 2010, the amount of approximately RMB35,769,000 represented the difference between the Company's share of nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the Reorganisation as detailed in note 2.

39. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, this contribution is matched by employees.

The employees of the Group's subsidiaries established in the PRC are members of state-managed retirement benefits schemes operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes are to make the specified contributions.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of bank borrowings and equity attributable to owners of the Company (comprising issued share capital, share premium, reserves and retained earnings).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as raising and repayment of bank borrowings.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated by dividing the total borrowings with total assets. The Group's overall strategy remains unchanged during the Track Record Period. The gearing ratio at 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Total borrowings	171,080	268,255	178,110	185,260
Total assets	439,106	560,138	558,730	570,936
Gearing ratio (%)	<u>39%</u>	<u>48%</u>	<u>32%</u>	<u>32%</u>

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at fair value through profit or loss				
– Held for trading	156	66	115	94
Held to maturity investment	–	–	6,000	7,000
Loans and receivables (including cash and bank balances)				
– Trade and other receivables	24,461	51,520	54,676	28,132
– Amount due from a shareholder	–	–	17,854	5,433
– Amounts due from related parties	8,152	4,464	232,715	204,619
– Cash and bank balances	43,893	19,787	61,259	151,697
	<u>43,893</u>	<u>19,787</u>	<u>61,259</u>	<u>151,697</u>
Financial liabilities				
Amortized cost				
– Trade and other payables	61,517	75,109	67,449	133,963
– Amount due to a shareholder	57,900	23,900	23,994	–
– Amounts due to related parties	742	4,894	9,997	2,341
– Bank borrowings	171,080	268,255	178,110	185,260
Financial guarantee liabilities	3,098	–	1,612	–
	<u>3,098</u>	<u>–</u>	<u>1,612</u>	<u>–</u>

(b) Financial risk management objectives and policies

The directors of the Group monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk, business risk and liquidity risk.

The Group's major financial instruments include trade and other receivables, trade and other payables amounts due from/(to) a shareholder, amount due from/(to) related parties, other financial assets, held to maturity investment, cash and bank balances, other liabilities, financial guarantee liabilities and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables, amounts due from a shareholder and amounts due from related parties. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The Group diversified business base ensures that there are no significant concentrations of credit risk for a particular customer. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined statement of financial position.

Interest rate risk

Interest rate risk arises from the potential changes in interest rates that may have an adverse effect on the Group's results for the current reporting period and in future years. The Group is exposed to interest rate risk arising from bank borrowings on floating rate basis. The Group generally does not take a speculative view on the movement in interest rates and, therefore, does not actively use interest rate derivative instruments to hedge exposed risks.

Management considered that the exposure to interest rates on its variable-rated borrowing is limited. A 50 basis point increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the possible change in interest rates. A 50 basis point change in interest rate with all other variables were held constant, would not have a significant effect on the Group's profit for each of the three years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010.

Currency risk

As most of the Group's monetary assets and liabilities are denominated in RMB and the Group conducts its business transactions principally in RMB, the currency risk of the Group is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In the opinion of the directors of the Company, since the currency risk is minimal, no sensitivity analysis is presented.

Business risk

The Group is exposed to financial risks arising from changes in prices of livestock and livestock's agricultural produce and the change in cost and supply of feed ingredients, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by epidemic diseases.

The Group manages its exposure to fluctuation in the price of the key raw materials used in the operations by maintaining a large number of suppliers so as to limit high concentration in a particular supplier.

Liquidity risk

The Group is exposed to minimal liquid risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilization of borrowings on a regular basis.

The following tables detail Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2007						
Non-derivative financial liabilities						
Trade and other payables	-	61,517	-	-	61,517	61,517
Amounts due to related parties	-	742	-	-	742	742
Bank borrowings	6.9%	102,126	15,050	75,174	192,350	171,080
Financial guarantee contract	-	3,098	-	-	3,098	3,098
Amount due to a shareholder	-	-	57,900	-	57,900	57,900
		<u>167,483</u>	<u>72,950</u>	<u>75,174</u>	<u>315,607</u>	<u>294,337</u>

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2008						
Non-derivative financial liabilities						
Trade and other payables	-	75,109	-	-	75,109	75,109
Amounts due to related parties	-	4,894	-	-	4,894	4,894
Bank borrowings	7.2%	174,602	14,006	110,046	298,654	268,255
Amount due to a shareholder	-	-	23,900	-	23,900	23,900
		<u>254,605</u>	<u>37,906</u>	<u>110,046</u>	<u>402,557</u>	<u>372,158</u>

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2009						
Non-derivative financial liabilities						
Trade and other payables	-	67,449	-	-	67,449	67,449
Amounts due to related parties	-	9,997	-	-	9,997	9,997
Bank borrowings	5.1%	140,403	43,375	1,454	185,232	178,110
Financial guarantee contract	-	1,612	-	-	1,612	1,612
Amount due to a shareholder	-	23,994	-	-	23,994	23,994
		<u>243,455</u>	<u>43,375</u>	<u>1,454</u>	<u>288,284</u>	<u>281,162</u>

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 30 June 2010						
Non-derivative financial liabilities						
Trade and other payables	-	133,963	-	-	133,963	133,963
Amounts due to related parties	-	2,341	-	-	2,341	2,341
Bank borrowings	5.0%	139,974	37,874	1,122	178,970	185,260
Financial guarantee contract	-	-	-	-	-	-
Amount due to a shareholder	-	-	-	-	-	-
		<u>276,278</u>	<u>37,874</u>	<u>1,122</u>	<u>315,274</u>	<u>321,564</u>

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortized cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 December 2009.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2007

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Financial assets				
Financial assets at fair value through profit or loss	<u>156</u>	<u>–</u>	<u>–</u>	<u>156</u>

As at 31 December 2008

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Financial assets				
Financial assets at fair value through profit or loss	<u>66</u>	<u>–</u>	<u>–</u>	<u>66</u>

As at 31 December 2009

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Financial assets				
Financial assets at fair value through profit or loss	<u>115</u>	<u>–</u>	<u>–</u>	<u>115</u>

As at 30 June 2010

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Financial assets				
Financial assets at fair value through profit or loss	<u>94</u>	<u>–</u>	<u>–</u>	<u>94</u>

42. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, during the Track Record Period, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

(a) Significant related party transactions

Particulars of significant related party transactions during the Track Record Period, that will be continued after the Listing, are as follows:

Name of company	Nature of transaction	Year ended 31 December			Six months ended 30 June	
		2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000	2010 RMB'000
Fujian Sumhua	Sales of chicken meat (<i>Note 3 and 4</i>)	–	–	295	–	694
Fujian Sumhua	Sales of side products (<i>Note 3 and 5</i>)	–	–	69	–	380
Xiamen Oporto Catering	Sales of chicken meat	–	–	–	–	170
Xiamen Sumpo	Rental paid	72	60	24	8	27

Particulars of significant related party transactions during the Track Record Period, that had been discontinued prior to the Listing, are as follows:

Name of company	Nature of transaction	Year ended 31 December			Six months ended 30 June	
		2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000	2010 RMB'000
Longyan Baoshun Poultry Technology Company Limited (“Longyan Baoshun”)	Purchase of animal feeds	71,933	–	–	–	–
	Acquisition of non-current assets (<i>Note 1</i>)	22,982	–	–	–	–
	Acquisition of inventories	8,490	–	–	–	–
Fujian Sumhua	Rental paid (<i>Note 3 and 6</i>)	–	–	–	–	276

Particulars of significant related party transactions during the Track Record Period, that will be discontinued after the Listing, are as follows:

Name of company	Nature of transaction	Year ended 31 December			Six months ended 30 June	
		2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000	2010 RMB'000
Fujian Sumhua	Purchase of pork for trading (<i>Note 2 and 3</i>)	–	–	3,166	–	4,801
Longyan Baoxing	Sales of animal feeds (<i>Note 2 and 3</i>)	–	–	466	–	3,191
Xiamen Sumpo	Sales of chicken meat (<i>Note 2</i>)	3	6	5	–	–

Note:

- (1) During the year ended 31 December 2007, the Group had acquired property, plant and equipment of approximately RMB18,483,000 and prepaid lease payments of approximately RMB4,499,000 from Longyan Baoshun.
- (2) The directors of the Company have confirmed that these transactions will be discontinued in the future after Listing.
- (3) The transactions for the year ended 31 December 2009 and six months ended 30 June 2010 represent the amount transacted after the disposal of Fujian Sumhua in November 2009.
- (4) For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the aggregate amount of the purchase price paid by Fujian Sumhua for the purchase of the frozen chicken meat products was approximately RMBnil, RMB41,000, RMB1,769,000 and RMB694,000 respectively.
- (5) For each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2009 and 2010, the aggregate amount of the purchase price paid by Fujian Sumhua for the purchase of the agricultural side products were approximately RMB621,000, RMB776,000 and RMB380,000 respectively.
- (6) This transaction had been terminated in August 2010.

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 14 is as follow:

	Year ended 31 December			Six months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Short term employee benefits	587	1,138	1,449	461	1,018
Retirement benefits schemes contributions	<u>58</u>	<u>132</u>	<u>187</u>	<u>45</u>	<u>64</u>
	<u>645</u>	<u>1,270</u>	<u>1,636</u>	<u>506</u>	<u>1,082</u>

43. OPERATING LEASE ARRANGEMENTS**The Group as lessee:**

At the end of each reporting date, the Group had commitments for future minimum lease payments in respect of farms and office premises under non-cancellable operating leases from selected farmers at an agreed price based on the area of the farm, which fall due as follows:

	As at 31 December			As at 30 June
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
Within one year	240	393	1,671	1,558
In the second to fifth year inclusive	3,926	3,947	4,769	4,497
After the fifth year	<u>3,026</u>	<u>2,911</u>	<u>2,670</u>	<u>2,550</u>
	<u>7,192</u>	<u>7,251</u>	<u>9,110</u>	<u>8,605</u>

Operating lease payments represent rentals payable by the Group for certain of its farm and office premises. Leases in respect of farms are negotiated for a term of fifteen to fifty years with fixed rentals. Leases in respect of office premises are negotiated for a term of one to two years with fixed rentals.

44. COMMITMENT FOR EXPENDITURE

	As at 31 December			As at 30 June
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
Commitments for the acquisition of property, plant and equipment	<u>15,816</u>	<u>25,874</u>	<u>202</u>	<u>77</u>

45. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group (note 35):

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Bank deposits	–	–	–	47,451
Property, plant and equipments	18,655	18,747	18,290	8,847
Land use rights	4,467	9,382	9,117	4,887
	<u>23,122</u>	<u>28,129</u>	<u>27,407</u>	<u>61,185</u>

46. CONTINGENT LIABILITIES

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Guarantees given to banks for:				
– banking facilities granted to a related company	130,000	–	–	–
– bank loans granted to a related company	65,000	–	160,000	–
	<u>195,000</u>	<u>–</u>	<u>160,000</u>	<u>–</u>

47. NON CASH TRANSACTION

The Group entered into a non-cash investing activity which is not reflected in the combined statements of cash flow for the year ended 31 December 2009. The Group had disposed its entire equity interest in Fujian Sumhua Group on 30 November 2009 and the sales proceeds of approximately RMB98,000,000 had not been received in cash as at 31 December 2009 (note 18(c)).

48. EVENTS AFTER THE REPORTING PERIOD

- (a) On 13 August 2010, Fujian Sumpo entered into a share transfer agreement with Fujian Sumhua to acquire 68% equity interest in Fujian Baojiashun at a consideration of RMB81,600,000. The consideration was settled by way of deducting the amount due from Fujian Sumhua. The transfer of equity interest in Fujian Baojiashun was completed on 16 August 2010.

Fujian Baojiashun was established on 14 July 2010 with a registered capital of RMB120,000,000, which was owned by Fujian Sumpo and Fujian Sumhua as to 32% and 68% respectively. Fujian Baojiashun had incurred a loss of approximately RMB377,000 and has not commenced its operation since its establishment up to 31 August 2010.

The aggregate amounts of net assets and liabilities of Fujian Baojiashun at the date of acquisition, as at 16 August 2010, were:

	Carrying amount RMB'000
Net assets acquired:	
Property, plant and equipment	38,607
Prepaid lease payments	46,570
Amount due from holding company	8,115
Amount due from minority shareholder	24,043
Cash and bank balances	2,715
Other payable	<u>(73)</u>
	119,977
Non-controlling interests	<u>(38,393)</u>
	<u>81,584</u>
	<i>HK\$'000</i>
Total consideration satisfied by:	
Cash consideration	<u>81,600</u>
Net cash inflow arising on acquisition:	
Cash and bank balances acquired	<u>2,715</u>

- (b) On 31 August 2010, Sumpo Holdings declared a dividend of RMB75,000,000 to its shareholders in respect of the retained profits of Sumpo Holdings as at 31 July 2010. A sum of RMB50,000,000 of the said dividend has been settled by way of deducting the receivables due from the shareholders of Sumpo Holdings as at 31 August 2010. The remaining balance of RMB25,000,000 were settled by way of cash in November 2010.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2010.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
 Hong Kong

The forecast of the combined profit attributable to the owners of the Company for the year ending 31 December 2010 is set out in the paragraph headed “Profit Forecast for the year ending 31 December 2010” under the section headed “Financial Information”

A. BASES AND ASSUMPTIONS

The Directors have prepared the forecast of the combined profit attributable to the owners of the Company for the year ending 31 December 2010 based on the audited combined results of the Group for the six months ended 30 June 2010, the results shown in the unaudited management accounts of the Group for the four months ended 31 October 2010 and a forecast of the combined results of the Group for the remaining two months ending 31 December 2010.

The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in note 3 of the Accountants’ Report dated 30 December 2010, the text of which is set forth in Appendix I to this document.

Assumptions with respect to change in fair value of our breeders

According to Hong Kong Accounting Standard 41, we are required to reassess the fair value of our biological assets less costs to sell at the end of each reporting period. As there is limited active market for our breeders, we determine the fair value of our breeders using an income approach based on the projected cash flows derived from the assets in the future. The fair value less costs to sell of chicken breeds, Parent Stock Day-Old Chicks and broiler eggs are determined using the direct comparison approach with reference to the selling prices less costs to sell. The gain or loss arising from changes in the fair value of such assets, less costs to sell, is recognized in profit or loss.

The changes in fair value less costs to sell of our breeders are dependent on market conditions and other factors that are beyond our control. While we have considered for the purpose of the Profit Forecast, what we believe is the best estimation of the fair value of our biological assets less costs to sell as at 30 June 2010 and 31 December 2010, and our Valuer is of the view that that assumptions upon which the forecast is based are reasonable, the fair value of our biological assets as at 30 June 2010 and 31 December 2010 may differ materially from our estimate.

The forecast profit for the Group of approximately RMB62.0 million and forecast profit attributable to the owners of the Company of approximately RMB54.0 million for the year ending 31 December 2010 includes an unrealized gain due to changes in fair value less costs to sell of breeders estimated at RMB2.6 million. In arriving at this estimated unrealized gain, we, in conjunction with our Valuer, used a basis of valuation which is, so far as practicable, consistent with the basis of valuation which has been adopted by our Valuer in valuing our breeders for the purposes of our audited combined financial statements for the year ended 30 June 2010.

We expect the fair value of our biological assets less costs to sell as at 30 June 2010 and 31 December 2010, and in turn any revaluation gain or loss on biological assets, to continue to be dependent on market conditions and other factors that are beyond our control, and to be based on the valuation performed by our Valuer involving the use of assumptions are, by their nature, subjective and uncertain, including those described in “Financial Information – Principal Components of Combined Statements of Comprehensive Income – Change in fair value less costs to sell of biological assets, fair values of agricultural product on initial recognition and reversal of fair value of agricultural produce due to hatch and disposals”.

Key assumptions underlying valuation of the Group’s breeders as at 31 December 2010 are set out below:

Estimated fair value less cost to sell (<i>RMB</i>)	10,679,000
Estimated selling price of broiler egg (<i>RMB/per piece</i>)	2.3
Estimated direct production costs of broiler egg (<i>RMB/per egg laying cycle of mature breeders</i>)	287
Discount rate	24.58%

The following table illustrates the sensitivity of the combined profit attributable to the owners of the Company to levels of the estimated fair value less costs to sell of the Group’s breeders for the year ending 31 December 2010 by varying the discount rate:

	Adjusting 500 basis points upward	Adjusting 200 basis points upward	Adjusting 100 basis points upward	Adjusting 100 basis points downward	Adjusting 200 basis points downward	Adjusting 500 basis points downward
Increase/(decrease) in profit attributable to owners of the Company (<i>RMB'000</i>)	(291)	(118)	(59)	59	118	291

The following table illustrates the sensitivity of the combined profit attributable to the owners of the Company to levels of the estimated fair value less costs to sell of the Group's breeders for the year ending 31 December 2010 by varying the selling price of broiler egg:

	5%	2%	1 %	1%	2%	5%
	increase	increase	increase	decrease	decrease	decrease
	in the	in the	in the	in the	in the	in the
	selling	selling	selling	selling	selling	selling
	price of	price of	price of	price of	price of	price of
	broiler	broiler	broiler	broiler	broiler	broiler
	egg	egg	egg	egg	egg	egg
Increase/(decrease) in profit attributable to owners of the Company (<i>RMB'000</i>)	1,462	585	292	(292)	(585)	(1,462)

The following table illustrates the sensitivity of the combined profit attributable to the owners of the Company to the levels of the estimated fair value less costs to sell of the Group's breeders for the year ending 31 December 2010 by varying the direct production costs of broiler egg:

	5%	2%	1 %	1%	2%	5%
	increase	increase	increase	decrease	decrease	decrease
	in the	in the	in the	in the	in the	in the
	direct	direct	direct	direct	direct	direct
	production	production	production	production	production	production
	costs of	costs of	costs of	costs of	costs of	costs of
	broiler	broiler	broiler	broiler	broiler	broiler
	egg	egg	egg	egg	egg	egg
Increase/(decrease) in profit attributable to owners of the Company (<i>RMB'000</i>)	(1,025)	(410)	(205)	205	410	1,025

This sensitivity illustration is intended for reference only, and any variation could exceed the amounts indicated. Investors should note in particular that (i) this sensitivity illustration is not intended to be exhaustive and is limited to the impact of changes in key assumptions including the fair value of biological assets less costs to sell, the selling price of broiler eggs and the direct production costs of broiler egg; (ii) the profit forecast is subject to further and additional uncertainties. While we consider that for the purposes of the profit forecast what we believe is the best estimate of, among other assumptions, the change in fair value less costs to sell of biological assets for the year ending 31 December 2010, our actual revaluation on the change in fair value less costs to sell of biological assets for the year ending 31 December 2010 may differ materially from our estimate and is dependent on market conditions and other factors that are beyond our control.

General assumptions

Our directors have made the following further assumptions in the preparation of the profit forecast:

1. There will be no material changes in existing government policies, in political, legal (including changes in legislation, regulations or rules), fiscal or economic conditions in the PRC and in the industry in which the Group operates.
2. There will be no extraordinary items during the Profit Forecast Period.
3. There will be no material changes in inflation rates, interest rates and exchange rates from the current prevailing rates.
4. There will be no material changes in the basis or rates of taxation, both direct and indirect, in the PRC. In particular, pursuant to the PRC Enterprise Income Tax Law amended on 16 March 2007, the enterprise income tax for both domestic and foreign-invested enterprises had been unified at 25% from 1 January 2008 onwards. There would be a transitional period for enterprises that are currently receiving preferential tax treatments granted by the relevant tax authorities. Enterprises that are currently subject to an enterprise income tax rate of lower than 25% may continue to enjoy the lower rate and gradually subject to the new tax rate of 25% within five years after the effective date of the new law. Enterprises that are currently entitled to exemption or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until such fixed term expires.

As the new tax regime took effect on 1 January 2008, and as there is a transitional period of five years before the new tax rate of 25% would have to be adopted, we do not expect that there will be a material adverse effect on our results of operations during the Profit Forecast Period.

5. There will be no government actions or any other unforeseen circumstances beyond the control of the Company which will have a material adverse effect on the results of operations of the Company.
6. There will be no further capital raising after the Share Offer during the Profit Forecast Period.

B. LETTER FROM THE REPORTING ACCOUNTANTS ON THE PROFIT FORECAST

The following is the text of a letter received from the Company's reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus in connection with the profit forecast of our Group for the year ending 31 December 2010.



Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

30 December 2010

The Directors
Sumpo Food Holdings Limited
Kingston Corporate Finance Limited

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the estimate of the combined profit attributable to owners of Sumpo Food Holdings Limited (the "Company", together with its subsidiaries, hereinafter collectively referred to as the "Group") for the year ending 31 December 2010 (the "Profit Forecast") as set out in the paragraph headed "Profit Forecast for the year ending 31 December 2010" of the section headed "Financial Information" in the prospectus of the Company dated 30 December 2010 (the "Prospectus").

We conducted our work in accordance with the Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Group for the six months ended 30 June 2010, the results shown in the unaudited management accounts of the Group for the four months ended 31 October 2010 and an estimate of the combined results of the Group for the remaining two months ending 31 December 2010.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions adopted by the directors of the Company as set out Appendix II of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in note 3 of the Accountants' Report dated 30 December 2010, the text of which is set forth in Appendix I to the Prospectus.

Yours faithfully

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

Hong Kong

C. LETTER FROM THE SPONSOR ON THE PROFIT FORECAST

The following is the text of a letter received from the Sponsor, prepared for the purpose of incorporation in this prospectus, in connection with the profit forecast of our Group for the year ending 31 December 2010.

**KINGSTON CORPORATE FINANCE LIMITED**

30 December 2010

The Directors
Sumpo Food Holdings Limited

Dear Sirs,

We refer to the estimate of the combined profit attributable to the owners of Sumpo Food Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ending 31 December 2010 (the “Profit Forecast”) as set out in the paragraph headed “Profit Forecast for the year ending 31 December 2010” of the section headed “Financial Information” in the prospectus of the Company dated 30 December 2010 (the “Prospectus”).

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Group for the six months ended 30 June 2010, the results shown in the unaudited management accounts of the Group for the four months ended 31 October 2010 and an estimate of the combined results of the Group for the remaining two months ending 31 December 2010.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 30 December 2010 addressed to you and us from HLB Hodgson Impey Cheng regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis and assumptions of the accounting policies and calculations adopted by you and reviewed by HLB Hodgson Impey Cheng, we are of the opinion that the Profit Forecast, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully
Kingston Corporate Finance Limited
Eric Koo
Executive Director

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth here to illustrate the effect of the Share Offer on our net tangible assets as of 30 June 2010 as if it had taken place on 30 June 2010.

The unaudited pro forma statement of adjusted net tangible assets have been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our combined net tangible assets as of 30 June 2010 or any future date following the Share Offer. It is prepared based on our combined net assets as of 30 June 2010 as derived from our combined financial statements set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the accountants' report as set forth in Appendix I to this prospectus.

	Audited combined net tangible assets attributable to owners of the Company as at 30 June 2010 <i>RMB'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer assuming that the Over-allotment Option will not be exercised <i>RMB'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets <i>RMB'000</i>	Unaudited pro forma adjusted combined net tangible assets per share <i>RMB</i> <i>(Note 3)</i>	Unaudited pro forma adjusted combined net tangible assets per share <i>HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$0.80 per share	<u>210,312</u>	<u>254,410</u>	<u>464,722</u>	<u>0.29</u>	<u>0.34</u>
Based on an Offer Price of HK\$0.60 per share	<u>210,312</u>	<u>187,595</u>	<u>397,907</u>	<u>0.25</u>	<u>0.29</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets attributable to owners of the Company as at 30 June 2010 is based on the combined net assets attributable to owners of the Company of RMB210,312,000 as at 30 June 2010 extracted from the accountants' report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from Share Offer are based on the Offer Shares and the Offer Price of HK\$0.80 or HK\$0.60 per share, being the high or low end of the stated offer price range, after deduction of the underwriting fees and related expenses payable by the Company of approximately HK\$23,000,000 or HK\$21,000,000 (equivalent to approximately RMB19,776,000 or RMB18,057,000) and taking no account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Share Offer are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.00 to RMB0.8566, the prevailing rate quoted by the People's Bank of China on 20 December 2010.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 1,600,000,000 shares in issue immediately after the Share Offer and the Capitalisation Issue become unconditional but takes no account of any Shares which may be taken up under the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company.
- (4) The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8566, the prevailing rate quoted by the People's Bank of China on 20 December 2010.
- (5) By comparing the valuation of the property interests of the Group as set out in Appendix IV to this prospectus after taking into account a reference value of RMB120,520,000 for certain properties and the audited net book value of these properties as of 30 June 2010, the valuation surplus was approximately RMB4,707,000. The valuation surplus of the property interests will not be incorporated in the Group's consolidated financial statements in the future. If the valuation surplus was to be included in the consolidated financial statements, an additional depreciation charge of approximately RMB169,000 per annum would be incurred.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. UNAUDITED PRO FORMA COMBINED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is the unaudited pro forma combined statement of assets and liabilities of the Company and its subsidiaries (the “Group”) and Fujian Baojiashun Food Development Company Limited (“Fujian Baojiashun”) (collectively referred to as the “Enlarged Group”), assuming that the acquisition of 68% of the equity interest of Fujian Baojiashun (the “Acquisition”) has been completed on 30 June 2010. The unaudited pro forma combined statement of financial position of the Enlarged Group is based on the audited combined statement of financial position of the Group as at 30 June 2010 as set out in Appendix I to the Prospectus and the unaudited statement of financial position of Fujian Baojiashun, after making pro forma adjustments relating to the Acquisition.

This unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared to illustrate the effects of the Acquisition as if the Acquisition had taken place on 30 June 2010. It has been prepared on the basis of the notes set out below and in accordance with the accounting policies adopted by the Group.

As the unaudited pro forma combined statement of financial position of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	Audited Combined Statement of Financial Position of the Group as at 30 June 2010 <i>RMB'000</i>	Unaudited Statement of Financial Position of Fujian Baojiashun as at 31 August 2010 <i>RMB\$'000</i>	Sub-total <i>RMB'000</i>	<i>Notes</i>	Pro Forma adjustments for the Acquisition <i>RMB'000</i>	Unaudited Pro Forma Combined Statement of Financial Position of the Enlarged Group as at 30 June 2010 <i>RMB'000</i>
ASSETS						
Non-current assets						
Property, plant and equipment	97,444	38,684	136,128			136,128
Investment property	1,085	–	1,085			1,085
Biological assets	9,041	–	9,041			9,041
Prepaid lease payments	9,422	45,565	54,987			54,987
Held-to-maturity investments	1,000	–	1,000			1,000
Deferred tax assets	885	–	885			885
	118,877	84,249	203,126			203,126
Current assets						
Inventories	35,860	–	35,860			35,860
Biological assets	5,191	–	5,191			5,191
Trade and other receivables	42,875	20	42,895	2	(1,133)	41,762
Prepaid lease payments	290	1,007	1,297			1,297
Amount due from a shareholder	5,433	–	5,433			5,433
Amount due from holding company	–	27,334	27,334	2	(27,334)	–

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION

	Audited Combined Statement of Financial Position of the Group as at 30 June 2010 <i>RMB'000</i>	Unaudited Statement of Financial Position of Fujian Baojiashun as at 31 August 2010 <i>RMB\$'000</i>	Sub-total <i>RMB'000</i>	<i>Notes</i>	Pro Forma adjustments for the Acquisition <i>RMB'000</i>	Unaudited Pro Forma Combined Statement of Financial Position of the Enlarged Group as at 30 June 2010 <i>RMB'000</i>
Amounts due from related parties	204,619	94	204,713	1	(81,600)	123,113
Financial assets at fair value through profit or loss	94	–	94			94
Held-to-maturity investment	6,000	–	6,000			6,000
Pledged bank deposits	47,451	–	47,451			47,451
Cash and bank balances	104,246	6,991	111,237	2	28,467	139,704
	<u>452,059</u>	<u>35,446</u>	<u>487,505</u>			<u>405,905</u>
Current liabilities						
Trade and other payables	134,182	72	134,254			134,254
Amounts due to related parties	2,341	–	2,341			2,341
Bank borrowings	144,000	–	144,000			144,000
Dividend payable	16,606	–	16,606			16,606
Current tax liabilities	790	–	790			790
	<u>297,919</u>	<u>72</u>	<u>297,991</u>			<u>297,991</u>
Net current assets	<u>154,140</u>	<u>35,374</u>	<u>189,514</u>			<u>107,914</u>
Total assets less current liabilities	<u>273,017</u>	<u>119,623</u>	<u>392,640</u>			<u>311,040</u>
Equity						
Share capital	–	120,000	120,000	3	(120,000)	–
Reserves	210,312	(377)	209,935			209,935
Equity attributable to owners of the Company	210,312	119,623	329,935			209,935
Non-controlling interests	16,905	–	16,905	4	38,400	55,305
Total equity	<u>227,217</u>	<u>119,623</u>	<u>346,840</u>			<u>265,240</u>
Non-current liabilities						
Bank borrowings	41,260	–	41,260			41,260
Deferred revenue	4,540	–	4,540			4,540
	<u>45,800</u>	<u>–</u>	<u>45,800</u>			<u>45,800</u>
Total equity and non-current liabilities	<u>273,017</u>	<u>119,623</u>	<u>392,640</u>			<u>311,040</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The consideration for Acquisition to be satisfied by the Company is approximately RMB81,600,000. The consideration is satisfied by:

	<i>RMB'000</i>
Cash consideration (<i>note</i>)	<u>81,600</u>

Note:

The cash consideration shall be settled by way of deducting the amount due from Fujian Sumhua Enterprise Limited (the “Vendor”).

2. The pro forma adjustment represented the elimination of the current accounts between the Company and Fujian Baojiashun upon the completion of the Acquisition.

The details are as the follows:

	<i>RMB'000</i>
Amount due from Fujian Baojiashun to the Company	1,133
Amount due from the Company to Fujian Baojiashun	<u>27,334</u>
	<u>28,467</u>

The current accounts between the Company and Fujian Baojiashun were maintained for fund transfer and some operational activities. As if the completion of the Acquisition was completed on 30 June 2010, the fund transfer between the Company and Fujian Baojiashun would be remained as cash for the Enlarged Group.

3. The pro forma adjustment represented the elimination of the share capital of Fujian Baojiashun upon the completion of the Acquisition.
4. The pro forma adjustment of RMB38,400,000 represented the elimination of 32% of the entire equity interest in Fujian Baojiashun upon the completion of the Acquisition. The Company has injected RMB38,400,000 for the 32% entire equity interest in Fujian Baojiashun on the date of incorporation of Fujian Baojiashun.

**C. LETTERS FROM THE REPORTING ACCOUNTANTS ON UNAUDITED
PROFORMA FINANCIAL INFORMATION**

The following is the text of a report received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.



Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

30 December 2010

The Directors
Sumpo Food Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Sumpo Food Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages III-1 to III-5 under the headings of “Unaudited Pro Forma Adjusted Net Tangible Assets” and “Unaudited Pro Forma Combined Statement of Assets and Liabilities of the Enlarged Group” (collectively referred to as the “Unaudited Pro Forma Financial Information”) for inclusion in the prospectus of the Company dated 30 December 2010 (the “Prospectus”), in connection with the listing of shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the shares offer and the acquisition of Fujian Baojiashun Food Development Company Limited might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages III-1 to III-5 of the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial

information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2010 or any future date.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 October 2010 of the property interests held by the Group.



Asset Appraisal Limited
資產評估顧問有限公司

Rm 802, 8/F On Hong Commercial Building
No.145 Hennessy Road, Wanchai, HK
香港灣仔軒尼詩道145號安康商業大廈8樓802室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

30 December 2010

The Board of Directors
Sumpo Food Holdings Limited
Kingston Corporate Finance Limited

Dear Sirs,

Re: Valuation of property interests situated in the People's Republic of China

In accordance with the instructions from **Sumpo Food Holdings Limited** (referred to as the "Company") to value the property interests (referred to as the "properties") held by the Company or its subsidiaries (the Company and its subsidiaries are altogether referred to as the "Group") situated in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 October 2010 (the "date of valuation").

Basis of Valuation

Our valuation of the properties represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Valuation Methodology

The properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

Due to the nature of the buildings and structures erected thereon, the properties numbered 1, 2 and 3 have been valued on the basis of depreciated replacement cost (DRC). The assessment of the DRC requires an estimate of the market value of the land in existing use and an estimate of the new replacement (reproduction) cost of the buildings and structures and other site works as at the date of valuation, from which deductions are then made to allow for age, condition, functional obsolescence, etc.. In valuing the market value of the land portions of the properties, the comparison method has been adopted.

We have ascribed no commercial value to the properties rented by the Group due to the non-assignable nature of the leasehold interest or the lack of substantial profit rent.

Assumptions

Save for those properties rented by the Group, our valuation has been made on the assumption that owners sell the properties on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the properties.

For those properties held by the owners by means of long term Land Use Rights granted by the Government, we have assumed that the owners have free and uninterrupted rights to use the properties for the whole of the unexpired term of the respective land use rights. We have also assumed that they can be freely transferred on the market free from any land premium or expenses of substantial amount payable to the Government.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

Titleship

We have been provided with copies of legal documents regarding the properties. However, we have not verified ownership of the properties and the existence of any encumbrances that would affect ownership of them.

We have also relied upon the legal opinion provided by the PRC legal advisor, namely Jun He Law Office, to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights or interests in the properties.

Limiting Conditions

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values. Our valuation has been made on the assumption that the owners sell the properties on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the properties.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have carried out inspections of the properties. However, no structural survey has been made. In the course of our inspections, we did not note any serious defects. We are unable to report whether the buildings and structures of the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services of the buildings and structures of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited
Tse Wai Leung

MFin BSc MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

Property	Market value in existing state as at 31 October 2010 <i>RMB</i>	Interest attributable to the Group as at 31 October 2010 %	Value of property interest attributable to the Group as at 31 October 2010 <i>RMB</i>
Group I – Property interests held and occupied by the Group			
1. Land, various buildings and structures located at Lot No. 109-06-0191-6, Zhangbaitu Village, Xipi Town, Xinluo District, Longyan City, Fujian Province, the PRC.	16,900,000	90%	15,210,000
2. Land, various buildings and structures located at Lot No. 2-22-305-2, Dongxing Road, Dongcheng, Xinluo District, Longyan City, Fujian Province, the PRC.	19,900,000	90%	17,910,000
3. Land, various buildings and structures located at No. 688 Denggao East Road Dongcheng, Xinluo District, Longyan City, Fujian Province, the PRC.	75,300,000	90%	67,770,000
Sub-total:	112,100,000		100,890,000

Property	Market value in existing state as at 31 October 2010 <i>RMB</i>	Interest attributable to the Group as at 31 October 2010 <i>%</i>	Value of property interest attributable to the Group as at 31 October 2010 <i>RMB</i>
Group II – Property interests held by the Group for investment			
4. Unit 202 on Level 2, Block 1, Kangle Shequ, No. 3 Xijiao Road, Xiping, Xicheng, Xinluo District, Longyan City, Fujian Province, the PRC.	2,720,000	90%	2,448,000
5. Level 5 of office building and dormitory building located at No. 688 Denggao East Road, Dongcheng, Xinluo District, Longyan City, Fujian Province, the PRC.	5,700,000	90%	5,130,000
Sub-total:	8,420,000		7,578,000
Group III – Properties rented by the Group			
6. Huangxie No.1 Poultry Farm, Huangxie Village, Xiaochi Town, Xinluo District, Longyan City, Fujian Province, the PRC.	No commercial value	–	No commercial value
7. Huangxie No.2 Poultry Farm, Huangxie Village, Xiaochi Town, Xinluo District, Longyan City, Fujian Province, the PRC.	No commercial value	–	No commercial value

Property	Market value in existing state as at 31 October 2010 <i>RMB</i>	Interest attributable to the Group as at 31 October 2010 <i>%</i>	Value of property interest attributable to the Group as at 31 October 2010 <i>RMB</i>
8. Poultry Farm located in Gekou Village, Tieshan Town, Longyan City, Fujian Province, the PRC.	No commercial value	–	No commercial value
9. Jiangwu Experimental Poultry Farm, Nanshi Village, Xipi Town, Xinluo District, Longyan City, Fujian Province, the PRC.	No commercial value	–	No commercial value
10. Jiangwu Poultry Farm, Nanshi Village, Xipi Town, Xinluo District, Longyan City, Fujian Province, the PRC.	No commercial value	–	No commercial value
11. Jiangwu Hatchery Farm, Linchang, Xipi Town, Xinluo District, Longyan City, Fujian Province, the PRC.	No commercial value	–	No commercial value
12. Poultry Farm located in Linbang Village Tieshan Town, Longyan City, Fujian Province, the PRC.	No commercial value	–	No commercial value

Property	Market value in existing state as at 31 October 2010 <i>RMB</i>	Interest attributable to the Group as at 31 October 2010 <i>%</i>	Value of property interest attributable to the Group as at 31 October 2010 <i>RMB</i>
13. Renhe Poultry Farm, Renhe Village, Shizhong Town, Xinluo District, Longyan City, Fujian Province, the PRC.	No commercial value	–	No commercial value
14. Wendong Poultry Farm, Wendong Modern Agricultural Development Zone, Peifeng Town, Yongding County, Longyan City, Fujian Province, the PRC.	No commercial value	–	No commercial value
15. Fuling Poultry Farm, Fuling Village, Gaopi Town, Yongding County, Longyan City, Fujian Province, the PRC.	No commercial value	–	No commercial value
16. Unit 1A on Level 1, Sumpo Building, Nos. 48-50 Huarong Road, Huli District, Xiamen City, Fujian Province, the PRC.	No commercial value	–	No commercial value
Sub-total:	No commercial value		No commercial value
Grand Total:	<u>120,520,000</u>		<u>108,468,000</u>

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB																											
1. Land, various buildings and structures located at Lot No. 109-06-0191-6, Zhangbaitu Village, Xipi Town, Xinluo District, Longyan City, Fujian Province, the PRC. (中國福建省龍岩市新羅區西陂鎮張白上村之土地、建築物及構築物) (地塊編號109-06-0191-6)	The property comprises a parcel of land with an area of approximately 22,164.1 square metres on which various blocks of single to five-storey buildings and ancillary structures are erected. The subject buildings were completed in about 2002. The total gross floor area of the aforesaid buildings is approximately 10,380.85 square metres which is broken down into the followings:	The property is currently occupied by the Group as a feed-processing plant.	16,900,000 (90% interest attributable to the Group: 15,210,000)																											
	<table border="1"> <thead> <tr> <th>Use</th> <th>Storey</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Boiler Room</td> <td>1</td> <td>213.04</td> </tr> <tr> <td>Guard Room</td> <td>1</td> <td>46.88</td> </tr> <tr> <td>Workshop & Warehouse with</td> <td></td> <td>6,930.88</td> </tr> <tr> <td>Basement</td> <td>5</td> <td>234.54</td> </tr> <tr> <td>Workshop</td> <td>4</td> <td>(Basement Area)</td> </tr> <tr> <td>Office and Composite Building</td> <td>4</td> <td>1,520.06</td> </tr> <tr> <td></td> <td>5</td> <td>1,669.99</td> </tr> <tr> <td>Total:</td> <td></td> <td>10,615.39*</td> </tr> </tbody> </table>	Use	Storey	Gross Floor Area (sq.m.)	Boiler Room	1	213.04	Guard Room	1	46.88	Workshop & Warehouse with		6,930.88	Basement	5	234.54	Workshop	4	(Basement Area)	Office and Composite Building	4	1,520.06		5	1,669.99	Total:		10,615.39*		
Use	Storey	Gross Floor Area (sq.m.)																												
Boiler Room	1	213.04																												
Guard Room	1	46.88																												
Workshop & Warehouse with		6,930.88																												
Basement	5	234.54																												
Workshop	4	(Basement Area)																												
Office and Composite Building	4	1,520.06																												
	5	1,669.99																												
Total:		10,615.39*																												

* inclusive of Basement Area

The land use rights of the property have been granted for a term expiring on 15 November 2051 for industrial use.

Notes:

- As revealed from a Land Use Rights Certificate (Ref: Long Guo Yong (2008) Di No. 200045 (龍國用(2008)第200045號)) dated 5 March 2008, the land use rights in the subject land with an area of 22,164.1 square metres are held by Fujian Sumpo Foods Holdings Co. Ltd. (福建森寶食品集團股份有限公司), a 90% owned subsidiary of the Company for a land use right term expiring on 15 November 2051 for industrial use.
- As revealed from five Building Ownership Certificates (Ref: Long Fang Quan Zheng Zi Di Nos. 200801050, 200801051, 200801052, 200801053 and 200801054 (龍房權證字第200801050、200801051、200801052、200801053及200801054號)) all dated 31 January 2008, the subject buildings and structures with a total gross floor area of 10,380.85 square metres are held by Fujian Sumpo Foods Holdings Co. Ltd..
- The property is subject to mortgage in favour of Agricultural Bank of China Limited – Longyan Xinluo Sub-Branch (中國農業銀行龍岩分行新羅支行) for a consideration of RMB3,600,000.

4. The opinion from the PRC legal advisor of the Company on the property is as follows:
- i. Pursuant to a Land Use Right Transfer Agreement (Ref. No. 2007-Z65) dated 14 September 2007 entered into between Longyan Baoshun Poultry Technology Co., Ltd. (龍岩寶順畜禽科技有限公司) as vendor and Fujian Sumpo Foods Holdings Co. Ltd. (formerly known as Sumpo (Longyan) Industrial Co., Ltd.) as purchaser, the vendor transferred the land use rights in the subject land parcel with an area of 22,164.10 square metres to the purchaser. The land use right transfer has been approved by the Land Resources Administration Bureau of Longyan City, Fujian Province.
 - ii. Fujian Sumpo Foods Holdings Co. Ltd. has been issued with the Land Use Rights Certificate (Ref: Long Guo Yong (2008) Di No. 200045) of the property with a site area of 22,164.1 square metres and holds the land use rights of the property for a term expiring on 15 November 2051 for industrial use.
 - iii. Fujian Sumpo Foods Holdings Co. Ltd. has lawfully obtained and become the sole owner of the land use rights of the subject land parcel. Its interests in the land parcels are affirmed and protected by the PRC laws. During the unexpired term of the land use rights, it has the rights to possess, use, charge, lease, transfer or otherwise dispose of the land use rights.
 - iv. Fujian Sumpo Foods Holdings Co. Ltd. has been issued with five Building Ownership Certificates (Ref: Long Fang Quan Zheng Zi Di Nos. 200801050, 200801051, 200801052, 200801053 and 200801054) of the property with a total gross floor area of 10,380.85 square metres.
 - v. Fujian Sumpo Foods Holdings Co. Ltd. legally owns the building ownership rights of the property and has the right to occupy or use the buildings.
 - vi. Pursuant to a mortgage contract (Ref: (Xinluo) Nong Yin Di Zi Di No. 010074 ((新羅)農銀抵字(2008)第010035號)) dated 18 February 2008, the land use rights of the property (ref: Long Guo Yong (2008) Di No. 200045) and building ownership rights of the property (Ref: Long Fang Quan Zheng Zi Di Nos. 200801050, 200801051, 200801052, 200801053 and 200801054) are subject to mortgage in favour of Agricultural Bank of China Limited – Longyan Xinluo Sub-Branch (中國農業銀行龍岩分行新羅支行) for a loan amount of RMB3,600,000, which is registered under two encumbrance certificates (Ref: Long Ta Xiang (2008) Di No. 1222 (龍他項(2008)第1222號) and Long Fang Ta Zi Di No. 20081094 (龍房他字第20081094號)). As the land use rights and building ownership rights of the property are subject to mortgage, Fujian Sumpo Foods Holdings Co. Ltd. can mortgage, dispose, sell, transfer, donates and otherwise disposes of the property subject to prior written consent from the mortgagee.
5. The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the Company's legal advisors on the PRC law as at the valuation date are as follows:

Land Use Rights Certificate	Yes
Building Ownership Certificates	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB																																												
2. Land, various buildings and structures located at Lot No. 2-22-305-2, Dongxing Road, Dongcheng, Xinluo District, Longyan City, Fujian Province, the PRC.	The property comprises a parcel of land with an area of approximately 19,523 square metres on which various blocks of single to seven-storey buildings and ancillary structures are erected. The subject buildings were completed in about 2002. The total gross floor area of the aforesaid buildings is approximately 9,788.12 square metres which is broken down into the followings:	The property is currently occupied by the Group as a food processing plant.	19,900,000 (90% interest attributable to the Group: 17,910,000)																																												
(中國福建省龍岩市新羅區東城東興路之土地、建築物及構築物) (地塊編號2-22-305-2)	<table border="1"> <thead> <tr> <th>Blk.</th> <th>Use</th> <th>Storey</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Guard Room</td> <td>1</td> <td>26.62</td> </tr> <tr> <td>2</td> <td>Office and Composite Building</td> <td>7</td> <td>3,780.54</td> </tr> <tr> <td>3</td> <td>Electric Room</td> <td>1</td> <td>203.90</td> </tr> <tr> <td>4</td> <td>Machine Room</td> <td>1</td> <td>295.07</td> </tr> <tr> <td>5</td> <td>Machine Room</td> <td>1</td> <td>162</td> </tr> <tr> <td>6</td> <td>Boiler Room</td> <td>1</td> <td>148.53</td> </tr> <tr> <td>7</td> <td>Pump Room</td> <td>1</td> <td>39.69</td> </tr> <tr> <td>8</td> <td>Rear Guard Room</td> <td></td> <td>13.57</td> </tr> <tr> <td>9</td> <td>Workshop</td> <td>1</td> <td>5,118.20</td> </tr> <tr> <td colspan="3">Total:</td> <td>9,788.12</td> </tr> </tbody> </table>	Blk.	Use	Storey	Gross Floor Area (sq.m.)	1	Guard Room	1	26.62	2	Office and Composite Building	7	3,780.54	3	Electric Room	1	203.90	4	Machine Room	1	295.07	5	Machine Room	1	162	6	Boiler Room	1	148.53	7	Pump Room	1	39.69	8	Rear Guard Room		13.57	9	Workshop	1	5,118.20	Total:			9,788.12		
Blk.	Use	Storey	Gross Floor Area (sq.m.)																																												
1	Guard Room	1	26.62																																												
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8	Rear Guard Room		13.57																																												
9	Workshop	1	5,118.20																																												
Total:			9,788.12																																												

The land use rights of the property have been granted for a term expiring on 8 March 2048 for industrial and composite uses (綜合用地).

Notes:

- As revealed by a Land Use Rights Certificate (Ref: Long Guo Yong (2008) Di No. 200046 (龍國用(2008)第200046號)) dated 5 August 2008, the land use rights of the subject land with an area of 19,523 square metres are held by Fujian Sumpo Foods Holdings Co. Ltd. (福建森寶食品集團股份有限公司), a 90% owned subsidiary of the Company for a land use right term expiring on 8 March 2048 for industrial use (20% of the land parcel can be used for composite uses).
- As revealed by nine Building Ownership Certificates (Ref: Long Fang Quan Zheng Zi Di Nos. 200801041 to 200801049 (龍房權證字第200801041號至龍房權證字第200801049號)) all dated 31 January 2008, the subject buildings with a total gross floor area of 9,788.12 square metres are held by Fujian Sumpo Foods Holdings Co. Ltd..
- The property is subject to mortgage in favour of China Construction Bank – Longyan No. 1 Sub-Branch (中國建設銀行股份有限公司龍岩第一支行) for a loan amount of RMB10,000,000.
- The opinion from the PRC legal advisor of the Company on the property is as follows:
 - Pursuant to a Land Use Right Transfer Agreement (Ref. No. Long Zheng Tu 99-Z99-Z120龍政土99-Z99-Z120號) dated 13 August 1999 entered into among Longyan Poultry Processing Factory (龍岩市禽產品加工廠) and Xiamen Xiangyu Free Trade Zone Trading Co., Ltd. (廈門象嶼保稅區森寶貿易有限公司) as vendors and Fujian Sumpo Foods Holdings Co., Ltd. (formerly known as Sumpo (Longyan) Industrial Co., Ltd.) as purchaser, the vendors

transferred the land use rights in the subject land parcel with an area of 19,532 square metres to the purchaser. The land use right transfer has been approved by the Land Resources Administration Bureau of Longyan City, Fujian Province.

- ii. Fujian Sumpo Foods Holdings Co. Ltd. has been issued with the Land Use Rights Certificate (Ref: Long Guo Yong (2008) Di No. 200046) of the property with a site area of 19,523 square metres and holds the land use rights for a term expiring on 8 March 2048 for industrial and composite uses (綜合用地). As mentioned in the aforesaid Land Use Rights Certificate, approximate 20% area of the land can be used for composite use (綜合用地).
 - iii. Fujian Sumpo Foods Holdings Co. Ltd. has lawfully obtained and become the sole owner of the land use rights of the subject land parcel. Its interests in the land parcels are affirmed and protected by the PRC laws. During the unexpired term of the land use rights, it has the rights to possess, use, charge, lease, transfer or otherwise dispose of the land use rights.
 - iv. Fujian Sumpo Foods Holdings Co. Ltd. has been issued with nine Building Ownership Certificates (Ref: Long Fang Quan Zheng Zi Di Nos. 200801041 to 200801049) of the buildings of the property with a total gross floor area of 9,788.12 square metres.
 - v. Fujian Sumpo Foods Holdings Co. Ltd. legally owns the building ownership rights of the property and has the right to occupy or use the buildings of the property.
 - vi. Pursuant to a mortgage contract (Ref: 2009 Nian Jian Yan Yi Gao Di Zi 4 (2009年建岩一高抵字4號) dated 11 May 2009, the land use rights of the property (Ref: Long Guo Yong (2008) Di No. 200046) and building ownership rights of the property (Ref: Long Fang Quan Zheng Zi Di Nos. 200801041 to 200801049) are subject to mortgages in favour of China Construction Bank -Longyan No. 1 Sub-Branch (中國建設銀行股份有限公司龍岩第一支行) for a loan amount of RMB10,000,000, which is registered under an encumbrance certificate (Ref: Long Fang Ta Zheng Zi Di No. 2009528 (龍房他證字第2009528號)). As the land use rights and building ownership rights of the property are subject to mortgage, Fujian Sumpo Foods Holdings Co. Ltd. can mortgage, sell, lease, transfer, and otherwise disposes of the property subject to prior written consent from the mortgagee.
5. The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the Company's legal advisors on the PRC law as at the valuation date are as follows:

Land Use Rights Certificate	Yes
Building Ownership Certificates	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB																		
3. Land, various buildings and structures located at No. 688 Denggao East Road Dongcheng, Xinluo District, Longyan City, Fujian Province, the PRC (中國福建省龍岩市新羅區東城登高東路688號之土地、建築物及構築物)	The property comprises two contiguous parcels of land with a total area of approximately 116,606.10 square metres on which various blocks of two to nine-storey buildings and ancillary structures are erected. The subject buildings were completed in about 2007. The total gross floor area of the aforesaid buildings is approximately 14,252.82 square metres which is broken down into the followings:	The property is currently occupied by the Group.	75,300,000 (90% interest attributable to the Group: 67,770,000)																		
	<table border="1"> <thead> <tr> <th>Use</th> <th>Storey</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Office Building</td> <td>9</td> <td>7,014.72</td> </tr> <tr> <td>Dormitory Building</td> <td>6</td> <td>3,114.96</td> </tr> <tr> <td>Dormitory Building</td> <td>6</td> <td>2,603.76</td> </tr> <tr> <td>Ancillary Building</td> <td>2</td> <td><u>1,519.38</u></td> </tr> <tr> <td>Total:</td> <td></td> <td><u>14,252.82</u></td> </tr> </tbody> </table>	Use	Storey	Gross Floor Area (sq.m.)	Office Building	9	7,014.72	Dormitory Building	6	3,114.96	Dormitory Building	6	2,603.76	Ancillary Building	2	<u>1,519.38</u>	Total:		<u>14,252.82</u>		
Use	Storey	Gross Floor Area (sq.m.)																			
Office Building	9	7,014.72																			
Dormitory Building	6	3,114.96																			
Dormitory Building	6	2,603.76																			
Ancillary Building	2	<u>1,519.38</u>																			
Total:		<u>14,252.82</u>																			
	The land use rights of the property have been granted for a term expiring on 8 January 2057 for industrial use.																				

Notes:

- As revealed by the two Land Use Rights Certificates (Ref: Long Guo Yong (2010) Di Nos. 200363 and 200364 (龍國用(2010)第200363號及200364)) dated 12 August 2010, the land use rights of the two parcels of land with a total area of 116,606.1 square metres are held by Fujian Baojiashun Food Development Company Limited (福建寶佳順食品發展有限公司), a wholly-owned subsidiary of Fujian Sumpo Foods Holdings Co., Ltd., for a land use right term expiring on 8 January 2057 for industrial use.
- As revealed by five Building Ownership Certificates (Ref: Long Fang Quan Zheng Zi Di Nos. 201006735 to 201006739 (龍房權證字第201006735號至龍房權證字第201006739號) all dated 9 August 2010, the subject buildings (together with property no. 5) with a total gross floor area of 17,877.6 square metres are held by Fujian Baojiashun Food Development Company Limited (福建寶佳順食品發展有限公司), a wholly-owned subsidiary of Fujian Sumpo Foods Holdings Co., Ltd..
- As confirmed by the Company, the property (together with property no. 5) was acquired by the Group at a cash equivalence of RMB81,081,300.

4. The opinion from the PRC legal advisor of the Company on the property is as follows:
 - i. Fujian Baojiashun Food Development Company Limited has legally secured the land use rights of the two subject land parcels with a total area of 116,606.10 square metres and the building ownership rights of the 5 subject buildings with a total gross floor area of 17,877.60 square metres.
 - ii. It has obtained two land use right certificates for the land parcels and five Building Ownership Certificates for the subject buildings.
 - iii. It is the sole owner of the property and its interests are recognized and protected by the PRC laws.
 - iv. Subject to the permitted uses as mentioned in the Land Use Right Certificate, it has the rights to possess, use, charge, lease, transfer or otherwise dispose of the property during the unexpired term of the land use rights.

VALUATION CERTIFICATE

Group II – Property interests held by the Group for investment

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB
4. Unit 202 on Level 2, Block 1, Kangle Shequ, No. 3 Xijiao Road, Xiping, Xicheng, Xinluo District, Longyan City, Fujian Province, the PRC. (中國福建省龍岩市新羅區西城西坪西郊路3號康樂社區1幢2層202號)	The property comprises a residential unit on Level 2 on of an 8-storey residential building completed in about 2006. The property has a gross floor area of approximately 543.78 square metres. The land use rights of the property have been granted for a term expiring on 26 October 2069 for residential use.	The property is being leased out for a term of 10 years commencing on 1 March 2003 and expiring on 28 February 2013 at a monthly rent of RMB3,800.	2,720,000. (90% interest attributable to the Group: 2,448,000)

Notes:

1. As revealed by the Land Use Rights Certificate (Ref: Long Guo Yong (2008) Di No. 221108 (龍國用(2008)第221108號) dated 6 May 2008 and Building Ownership Certificate (Ref: Long Fang Quan Zheng Zi Di No. 200802396 (龍房權證字第200802396號) dated 8 April 2008, the property is held by Fujian Sumpo Foods Holdings Co. Ltd. (福建森寶食品集團股份有限公司), a 90% owned subsidiary of the Company. As confirmed by the Company, the property was acquired in 2006 at an acquisition cost of RMB1,186,900.
2. The property is subject to mortgage in favour of Agricultural Bank of China Limited -Longyan Xinluo Sub-Branch (中國農業銀行龍岩分行新羅支行) for a loan amount of RMB1,260,000.
3. The opinion from the PRC legal advisor of the Company on the property is as follows:
 - i. Pursuant to a Property Transfer Agreement dated 20 June 2007 entered into between Longyan City Xinluo Huilong Credit Guarantee Co., Ltd. (龍岩市新羅區匯龍信用擔保有限公司) as vendor and Fujian Sumpo Foods Holdings Co. Ltd. as purchaser, the vendor transferred the property with a gross floor area of 543.78 square metres to the purchaser.
 - ii. Fujian Sumpo Foods Holdings Co. Ltd. holds the Land Use Rights Certificate (Ref: Long Guo Yong (2008) Di No. 221108) of the property with an attributable site area of 199.72 square metres for a term expiring on 26 October 2069 for residential uses.
 - iii. Fujian Sumpo Foods Holdings Co. Ltd. has lawfully obtained and become the sole owner of the land use rights of the subject land parcel. Its interests in the land parcels are affirmed and protected by the PRC laws. During the unexpired term of the land use rights, it has the rights to possess, use, charge, lease, transfer or otherwise dispose of the land use rights.
 - iv. Fujian Sumpo Foods Holdings Co. Ltd. has been issued with a Building Ownership Certificate (Ref: Long Fang Quan Zheng Zi Di No. 200802396) of the property with a gross floor area of 543.78 square metres.
 - v. Fujian Sumpo Foods Holdings Co. Ltd. legally owns the building ownership rights of the property and has the right to occupy or use the property.

- vi. Pursuant to a mortgage contract (Ref: (Xinluo) Nong Yin Di Zi (2008) Di No. 001 ((新羅)農銀抵字(2008)第001號) dated 30 May 2008, the aforesaid land use rights and building ownership rights of the property are subject to mortgage in favour of Agricultural Bank of China Limited – Longyan Xinluo Sub-Branch (中國農業銀行龍岩分行新羅支行) for a loan amount of RMB1,260,000, which is registered under two encumbrance certificates (Ref: Long Ta Xiang (2008) Di No. 1699 (龍他項(2008)第1699號) and Long Fang Ta Zi Di No. 20082814(龍房他字第20082814號)). As the land use rights and building ownership rights of the property are subject to mortgage, Fujian Sumpo Foods Holdings Co., Ltd. can mortgage, sell, lease, transfer, and otherwise disposes of the property subject to prior written consent from the mortgagee.
4. The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the Company's legal advisors on the PRC law as at the valuation date are as follows:
- | | |
|--------------------------------|-----|
| Land Use Rights Certificate | Yes |
| Building Ownership Certificate | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB												
5. Level 5 of office building and dormitory building located at No. 688 Denggao East Road, Dongcheng, Xinluo District, Longyan City, Fujian Province, the PRC (中國福建省龍岩市新羅區東城登高東路688號辦公樓五層及宿舍樓)	The property comprises a whole office floor on Level 5 on of a 9-storey office building and the whole of a 6-storey dormitory building. The buildings were completed in about 2007. The total gross floor area of the property is approximately 3,624.78 square metres which is broken down into the followings:	The property is being leased out for a term of 2 years commencing on 13 August 2010 at a monthly rent of RMB20,757 payable quarterly.	5,700,000 (90% interest attributable to the Group: 5,130,000)												
	<table border="1"> <thead> <tr> <th>Use</th> <th>Floor</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Office Building</td> <td>5</td> <td>879</td> </tr> <tr> <td>Dormitory Building</td> <td>1 – 6</td> <td>2,745.78</td> </tr> <tr> <td>Total:</td> <td></td> <td><u>3,624.78</u></td> </tr> </tbody> </table>	Use	Floor	Gross Floor Area (sq.m.)	Office Building	5	879	Dormitory Building	1 – 6	2,745.78	Total:		<u>3,624.78</u>		
Use	Floor	Gross Floor Area (sq.m.)													
Office Building	5	879													
Dormitory Building	1 – 6	2,745.78													
Total:		<u>3,624.78</u>													

The land use rights of the property have been granted for a term expiring on 8 January 2057 for industrial use.

Notes:

- As revealed by the two Land Use Rights Certificates (Ref: Long Guo Yong (2010) Di Nos. 200363 and 200364 (龍國用(2010)第200363及200364)) all dated 12 August 2010, the land use rights of the two parcels of land with a total area of 116,606.1 square metres, on which the subject buildings are erected, are held by Fujian Baojiashun Food Development Company Limited (福建寶佳順食品發展有限公司), a wholly-owned subsidiary of Fujian Sumpo Foods Holdings Co., Ltd., for a land use right term expiring on 8 January 2057 for industrial use.
- As revealed by two Building Ownership Certificates (Ref: Long Fang Quan Zheng Zi Di Nos. 201006735 and 201006738 (龍房權證字第201006735號及龍房權證字第201006738號)) all dated 9 August 2010, the subject buildings with a total gross floor area of 10,639.5 square metres are held by Fujian Baojiashun Food Development Company Limited (福建寶佳順食品發展有限公司), a wholly-owned subsidiary of Fujian Sumpo Foods Holdings Co., Ltd..
- As confirmed by the Company, the property (together with property no. 3) was acquired by the Group at a cash equivalence of RMB81,081,300.
- The opinion from the PRC legal advisor of the Company on the property is as follows:
 - Fujian Baojiashun Food Development Company Limited has legally secured the land use rights of the two subject land parcels with a total area of 116,606.10 square metres and the building ownership rights of the 5 subject buildings with a total gross floor area of 17,877.60 square metres.
 - It has obtained two land use right certificates for the land parcels and two Building Ownership Certificates for the subject buildings.

- iii. It is the sole owner of the property and its interests are recognized and protected by the PRC laws.
- iv. Subject to the permitted uses as mentioned in the Land Use Right Certificate, it has the rights to possess, use, charge, lease, transfer or otherwise dispose of the property during the unexpired term of the land use rights.

VALUATION CERTIFICATE

Group III – Property Rented by the Group in PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB
6. Huangxie No.1 Poultry Farm, Huangxie Village, Xiaochi Town, Xinluo District, Longyan City, Fujian Province, the PRC. (中國福建省龍岩市新羅區小池鎮黃斜村黃斜一場)	<p>The property comprises a parcel of land with a site area of approximately 192,546.67 square metres.</p> <p>The subject land parcel is improved with various blocks of single-storey poultry breeding and production facilities with a total gross floor area of 21,437 square metres. The subject facilities were completed in about 2006.</p> <p>The subject land parcel is held by the Group under a tenancy for a term of 20 years from 1 August 1999 to 31 July 2019 (renewable for a further term of 5 years expiring on 31 July 2024) at an annual rent of RMB75,093.2.</p>	The property is currently used as a poultry raising base.	No Commercial Value

Notes:

1. Pursuant to a tenancy agreement (土地經營權流轉合同) dated 30 May 2008 and a rental confirmation letter (有關土地租賃的確認函) dated 23 March 2010, Fujian Sumpo Foods Holdings Co., Ltd. (福建森寶食品集團股份有限公司), a 90% owned subsidiary of the Company, rented the subject land parcel together with property no. 6 (Huangxie No. 2 Poultry Farm) covering a total land area of approximately 253,333.33 square metres from Huangxie Farm (黃斜農場) which is an independent third party for a term of 20 years from 1 August 1999 to 31 July 2019 (renewable for a further term of 5 years) at a total annual rent of RMB98,800. As confirmed by the Company, the annual rent attributable to the subject land parcel (Huangxie No. 1 Poultry Farm) is RMB75,093.2.
2. The opinion from the PRC legal advisor of the Company on the subject land parcel is as follows:
 - i. The tenancy agreement (土地經營權流轉合同) of the subject land parcel was executed by Fujian Sumpo Foods Holdings Co., Ltd. on behalf of Longyan Baotai Agriculture Company Limited, a wholly-owned subsidiary of Fujian Sumpo Foods Holdings Co., Ltd..
 - ii. Longyan Baotai Agriculture Company Limited who is the actual occupier of the subject land parcel is responsible for all duties and obligations of the tenancy agreement.
 - iii. The landlord has produced to the PRC Lawyer the Land Use Right Certificate (Ref: Min Guo Yong (2001) No. 326) of the subject land parcel. As specified in the said Land Use Right Certificate, the land use rights are in the nature of administrative allocation and have been granted for agricultural, woodland, residence and mining land uses. As confirmed by the Company, the leasing of the subject land parcel by Longyan Baotai Agriculture Company Limited does not alter the original permitted use of the subject land parcel.

- iv. The land use rights of the subject land parcel have been granted by way of administrative allocation. Under the relevant PRC land laws, the leasing of the subject land parcel is subject to prior consent from the Land Administrative Bureau or the Government shall confiscate all rental income generated by the property and impose penalties to the land owners. Even though the prevailing laws and directives do not define that the consent from the Land Administrative Bureau for leasing administrative allocated land use rights is a condition precedent to the effectiveness of the tenancy agreement, in the absence of prior consent from the Government, the PRC Lawyer cannot rule out the possibility that the tenancy agreement of the subject land parcel may be judged as outlaw by the judiciary authority and may be classified as invalid under the administrative regulations.
- v. However, the tenancy agreement as mentioned in note 1 above was approved by the Land Administration Bureau of Longyan City as evidenced by an instrument endorsed by it on 28 June 2010. Longyan Baotai is eligible to utilize the administrative allocated land for massive poultry breeding operations. Given the endorsement from the Land Administrative Bureau, the defect of the leasehold interest arising from the lack of prior consent can be alleviated and the possibility that the tenancy agreement being judged as outlaw by the judiciary authority and classified as invalid under the administrative regulations would be very low. In the absence of objection from the Land Administrative Bureau and the landlord, Longyan Baotai can use the subject land parcel subject to the conditions of the tenancy agreement.
- vi. Based on the confirmation from the Company, the confirmations from the governmental authority responsible for poultry breeding, the local municipal government and the governmental authority responsible for land administration, the lease of the subject land parcel and the erection of the poultry breeding facilities by Longyan Baotai for massive poultry breeding operations have been approved by the local municipal government and has completed proper filing at the government authority responsible for poultry breeding. All necessary notification procedures have been completed and/or written confirmations from the governmental authority responsible for land administration have been obtained for utilizing the subject land parcel for massive poultry breeding operations. As such, the use of the subject land parcel by Longyan Baotai for massive poultry breeding operations is adhering to the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB
7. Huangxie No.2 Poultry Farm, Huangxie Village, Xiaochi Town, Xinluo District, Longyan City, Fujian Province, the PRC. (中國福建省龍岩市新羅區小池鎮黃斜村黃斜二場)	<p>The property comprises a parcel of land with a site area of approximately 60,786.66 square metres.</p> <p>The subject land parcel is improved with various blocks of single-storey poultry breeding and production facilities with a total gross floor area of 21,227.22 square metres. The subject facilities were completed in about 2006.</p> <p>The subject land parcel is held by the Group under a tenancy for a term of 20 years commencing from 1 August 1999 to 31 July 2019 (renewable for a further term of 5 years expiring on 31 July 2024) at a total annual rent of RMB23,706.8.</p>	<p>The property is currently used for poultry raising purpose.</p>	<p>No Commercial Value</p>

Notes:

1. Pursuant to a tenancy agreement (土地經營權流轉合同) dated 30 May 2008 and a rental confirmation letter (有關土地租賃的確認函) dated 23 March 2010, Fujian Sumpo Foods Holdings Co., Ltd. (福建森寶食品集團股份有限公司), a 90% owned subsidiary of the Company, rented the subject land parcel together with property no. 5 (Huangxie No.1 Poultry Farm) covering a total land area of approximately 253,333.33 square metres from Huangxie Farm (黃斜農場) which is an independent third party for a term of 20 years from 1 August 1999 to 31 July 2019 (renewable for a further term of 5 years) at a total annual rent of RMB98,800. As confirmed by the Company, the annual rent attributable to the subject land parcel (Huangxie No. 2 Poultry Farm) is RMB23,706.8.
2. The opinion from the PRC legal advisor of the Company on the subject land parcel is as follows:
 - i. The tenancy agreement (土地經營權流轉合同) of the subject land parcel was executed by Fujian Sumpo Foods Holdings Co., Ltd. on behalf of Longyan Baotai Agriculture Company Limited, a wholly-owned subsidiary of Fujian Sumpo Foods Holdings Co., Ltd..
 - ii. Longyan Baotai Agriculture Company Limited who is the actual occupier of the subject land parcel is responsible for all duties and obligations of the tenancy agreement.
 - iii. The landlord has produced to the PRC Lawyer the Land Use Right Certificate (Ref: Min Guo Yong (2001) No. 326) of the subject land parcel. As specified in the said Land Use Right Certificate, the land use rights are in the nature of administrative allocation and have been granted for agricultural, woodland, residence and mining land uses. As confirmed by the Company, the leasing of the subject land parcel by Longyan Baotai Agriculture Company Limited does not alter the original permitted use of the subject land parcel.

- iv. The land use rights of the subject land parcel have been granted by way of administrative allocation. Under the relevant PRC land laws, the leasing of the subject land parcel is subject to prior consent from the Land Administrative Bureau or the Government shall confiscate all rental income generated by the property and impose penalties to the land owners. Even though the prevailing laws and directives do not define that the consent from the Land Administrative Bureau for leasing administrative allocated land use rights is a condition precedent to the effectiveness of the tenancy agreement, in the absence of prior consent from the Government, the PRC Lawyer cannot rule out the possibility that the tenancy agreement of the subject land parcel may be judged as outlaw by the judiciary authority and may be classified as invalid under the administrative regulations.

- v. However, the tenancy agreement as mentioned in note 1 above was approved by the Land Administration Bureau of Longyan City as evidenced by an instrument endorsed by it on 28 June 2010. Longyan Baotai is eligible to utilize the administrative allocated land for massive poultry breeding operations. Given the endorsement from the Land Administrative Bureau, the defect of the leasehold interest arising from the lack of prior consent can be alleviated and the possibility that the tenancy agreement being judged as outlaw by the judiciary authority and classified as invalid under the administrative regulations would be very low. In the absence of objection from the Land Administrative Bureau and the landlord, Longyan Baotai can use the subject land parcel subject to the conditions of the tenancy agreement.

- vi. Based on the confirmation from the Company, the confirmations from the governmental authority responsible for poultry breeding, the local municipal government and the governmental authority responsible for land administration, the lease of the subject land parcel and the erection of the poultry breeding facilities by Longyan Baotai for massive poultry breeding operations have been approved by the local municipal government and has completed proper filing at the government authority responsible for poultry breeding. All necessary notification procedures have been completed and/or written confirmations from the governmental authority responsible for land administration have been obtained for utilizing the subject land parcel for massive poultry breeding operations. As such, the use of the subject land parcel by Longyan Baotai for massive poultry breeding operations is adhering to the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB
8. Poultry Farm located in Gekou Village, Tieshan Town, Longyan City, Fujian Province, the PRC. (中國福建省龍岩市鐵山鎮隔口村飼養場)	The property comprises a parcel of land with an area of approximately 32,096 square metres. The subject land parcel is held by the Group under a tenancy for a term of 20 years commencing from 1 September 2000 to 31 August 2020 (renewable for a further term of 8 years expiring on 31 August 2028) at an annual rent of RMB14,443.2.	The property is currently used for poultry raising purpose.	No Commercial Value

Notes:

1. Pursuant to a tenancy agreement (土地經營權流轉合同) dated 10 June 2008 and a rental confirmation letter (有關土地租賃的確認函) dated 23 March 2010, Fujian Sumpo Foods Holdings Co., Ltd. (福建森寶食品集團股份有限公司), a 90% owned subsidiary of the Company, rented the subject land parcel covering a land area of approximately 32,096 square metres from Tieshan Town Gekou Village Committee (鐵山鎮隔口村委會) which is an independent third party for a term of years expiring on 31 August 2028 at an annual rent of RMB14,443.2.
2. The opinion from the PRC legal advisor of the Company on the subject land parcel is as follows:
 - i. The tenancy agreement (土地經營權流轉合同) of the subject land parcel was executed by Fujian Sumpo Foods Holdings Co., Ltd. on behalf of Longyan Baotai Agriculture Company Limited, a wholly-owned subsidiary of Fujian Sumpo Foods Holdings Co., Ltd..
 - ii. Longyan Baotai Agriculture Company Limited who is the actual occupier of the subject land parcel is responsible for all duties and obligations of the tenancy agreement.
 - iii. As revealed from an endorsement issued by the municipal Government of Tieshan Town, the lessor has been obtained all necessary authorization from the underwriting operators of the subject land parcel to lease out the subject land parcel to Longyan Baotai. The tenancy agreement as mentioned in note 1 above has been filed in the municipal Government of Tieshan Town and the leasing arrangement of the subject land parcel is legal and valid.
 - iv. The PRC Lawyer concluded that the tenancy agreement is lawful, valid and legally binding to both parties.
 - v. Longyan Baotai as the lessee under the tenancy agreement has the rights to use the subject land parcel subject to the conditions of the agreement and its interests are recognized and protected by the PRC law.

- vi. Based on the confirmation from the Company, the confirmations from the governmental authority responsible for poultry breeding, the local municipal government and the governmental authority responsible for land administration, the lease of the subject land parcel and the erection of the poultry breeding facilities by Longyan Baotai for massive poultry breeding operations have been approved by the local municipal government and has completed proper filing at the government authority responsible for poultry breeding. All necessary notification procedures have been completed and/or written confirmations from the governmental authority responsible for land administration have been obtained for utilizing the subject land parcel for massive poultry breeding operations. As such, the use of the subject land parcel by Longyan Baotai for massive poultry breeding operations is adhering to the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB
9. Jiangwu Experimental Poultry Farm, Nanshi Village, Xipi Town, Xinluo District, Longyan City, Fujian Province, the PRC. (中國福建省龍岩市新羅區西陂鎮南石村蔣武試驗雞場)	<p>The property comprises a parcel of land with an area of approximately 42,020 square metres.</p> <p>The subject land parcel is improved with various blocks of single-storey poultry breeding and production facilities with a total gross floor area of 9,114 square metres. The subject facilities were completed in about 2002.</p> <p>The subject land parcel is held by the Group under a tenancy for a term of years expiring on 25 December 2016 at an annual rent of RMB18,909.</p>	<p>The property is currently used for poultry raising purpose.</p>	<p>No Commercial Value</p>

Notes:

1. Pursuant to a tenancy agreement (土地經營權流轉合同) dated 4 June 2008 and a rental confirmation letter (有關土地租賃的確認函) dated 23 March 2010, Fujian Sumpo Foods Holdings Co., Ltd. (福建森寶食品集團股份有限公司), a 90% owned subsidiary of the Company, rented the subject land parcel together with property no. 9 (Jiangwu Poultry Farm) covering a total land area of approximately 75,220 square metres from Xinluo District Xipi Town Nanshi Village Committee (新羅區西陂鎮南石村委會) which is an independent third party for a term of years expiring on 25 December 2016 at an annual rent of RMB33,849. As confirmed by the Company, the annual rent attributable to the subject land parcel (Jiangwu Experimental Poultry Farm) is RMB18,909.
2. The opinion from the PRC legal advisor of the Company on the subject land parcel is as follows:
 - i. The tenancy agreement (土地經營權流轉合同) of the subject land parcel was executed by Fujian Sumpo Foods Holdings Co., Ltd. on behalf of Longyan Baotai Agriculture Company Limited, a wholly-owned subsidiary of Fujian Sumpo Foods Holdings Co., Ltd..
 - ii. Longyan Baotai Agriculture Company Limited who is the actual occupier of the subject land parcel is responsible for all duties and obligations of the tenancy agreement.
 - iii. As revealed from an endorsement issued by the municipal Government of Xipi Town, the lessor has been obtained all necessary authorization from the underwriting operators of the property to lease out the subject land parcel to Longyan Baotai. The tenancy agreement as mentioned in note 1 above has been filed in the municipal Government of Xipi Town and the leasing arrangement of the subject land parcel is legal and valid.
 - iv. The PRC Lawyer concluded that the tenancy agreement is lawful, valid and legally binding to both parties.

- v. Longyan Baotai as the lessee under the tenancy agreement has the rights to use the subject land parcel subject to the conditions of the agreement and its interests are recognized and protected by the PRC law.

- vi. Based on the confirmation from the Company, the confirmations from the governmental authority responsible for poultry breeding, the local municipal government and the governmental authority responsible for land administration, the lease of the subject land parcel and the erection of the poultry breeding facilities by Longyan Baotai for massive poultry breeding operations have been approved by the local municipal government and has completed proper filing at the government authority responsible for poultry breeding. All necessary notification procedures have been completed and/or written confirmations from the governmental authority responsible for land administration have been obtained for utilizing the subject land parcel for massive poultry breeding operations. As such, the use of the property by Longyan Baotai for massive poultry breeding operations is adhering to the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB
10. Jiangwu Poultry Farm, Nanshi Village, Xipi Town, Xinluo District, Longyan City, Fujian Province, the PRC. (中國福建省龍岩市新羅區西陂鎮南石村蔣武肉雞場)	<p>The property comprises a parcel of land with an area of approximately 33,200 square metres.</p> <p>The subject land parcel is improved with various blocks of single-storey poultry breeding and production facilities with a total gross floor area of 19,564.15 square metres. The subject facilities were completed in about 2002.</p> <p>The subject land parcel is held by the Group under a tenancy for a term of years expiring on 25 December 2016 at a total annual rent of RMB14,940.</p>	<p>The property is currently used for poultry raising purpose.</p>	<p>No Commercial Value</p>

Notes:

1. Pursuant to a tenancy agreement (土地經營權流轉合同) dated 4 June 2008 and a rental confirmation letter (有關土地租賃的確認函) dated 23 March 2010, Fujian Sumpo Foods Holdings Co., Ltd. (福建森寶食品集團股份有限公司), a 90% owned subsidiary of the Company, rented the subject land parcel together with property no. 8 (Jiangwu Experimental Poultry Farm) covering a total land area of approximately 75,220 square metres from Xinluo District Xipi Town Nanshi Village Committee (新羅區西陂鎮南石村委會) which is an independent third party for a term of years expiring on 25 December 2016 at an annual rent of RMB33,849. As confirmed by the Company, the annual rent attributable to the subject land parcel (Jiangwu Experimental Poultry Farm) is RMB14,940.
2. The opinion from the PRC legal advisor of the Company on the subject land parcel is as follows:
 - i. The tenancy agreement (土地經營權流轉合同) of the subject land parcel was executed by Fujian Sumpo Foods Holdings Co., Ltd. on behalf of Longyan Baotai Agriculture Company Limited, a wholly-owned subsidiary of Fujian Sumpo Foods Holdings Co., Ltd.
 - ii. Longyan Baotai Agriculture Company Limited who is the actual occupier of the subject land parcel is responsible for all duties and obligations of the tenancy agreement.
 - iii. As revealed from an endorsement issued by the municipal Government of Xipi Town, the lessor has been obtained all necessary authorization from the underwriting operators of the property to lease out the subject land parcel to Longyan Baotai. The tenancy agreement as mentioned in note 1 above has been filed in the municipal Government of Xipi Town and the leasing arrangement of the subject land parcel is legal and valid.
 - iv. The PRC Lawyer concluded that the tenancy agreement is lawful, valid and legally binding to both parties.

- v. Longyan Baotai as the lessee under the tenancy agreement has the rights to use the subject land parcel subject to the conditions of the agreement and its interests are recognized and protected by the PRC law.

- vi. Based on the confirmation from the Company, the confirmations from the governmental authority responsible for poultry breeding, the local municipal government and the governmental authority responsible for land administration, the lease of the subject land parcel and the erection of the poultry breeding facilities by Longyan Baotai for massive poultry breeding operations have been approved by the local municipal government and has completed proper filing at the government authority responsible for poultry breeding. All necessary notification procedures have been completed and/or written confirmations from the governmental authority responsible for land administration have been obtained for utilizing the subject land parcel for massive poultry breeding operations. As such, the use of the subject land parcel by Longyan Baotai for massive poultry breeding operations is adhering to the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB
11. Jiangwu Hatchery Farm, Linchang, Xipi Town, Xinluo District, Longyan City, Fujian Province, the PRC. (中國福建省龍岩市新羅區西陂鎮林場蔣武孵化場)	<p>The property comprises a parcel of land with an area of approximately 13,333.33 square metres.</p> <p>The subject land parcel is improved with various blocks of single-storey poultry breeding and production facilities with a total gross floor area of 2,911.41 square metres. The subject facilities were completed in about 2002.</p> <p>The subject land parcel is held by the Group under a tenancy for a term of 20 years commencing from 20 January 2002 to 19 January 2022 (renewable for a further terms expiring on 15 September 2033) at a total lump sum rent of RMB120,000.</p>	The property is currently used for poultry raising purpose.	No Commercial Value

Notes:

1. Pursuant to a tenancy agreement (土地經營權流轉合同) dated 30 May 2008 and a rental confirmation letter (有關土地租賃的確認函) dated 23 March 2010, Fujian Sumpo Foods Holdings Co., Ltd. (福建森寶食品集團股份有限公司), a 90% owned subsidiary of the Company, rented the property covering a land area of approximately 13,333.33 square metres from Longyan City Xinluo District Xipi Town Linchang (龍岩市新羅區西陂鎮林場) which is an independent third party for a term expiring on 15 September 2033 at a total lump sum rent of RMB120,000.
2. The opinion from the PRC legal advisor of the Company on the property is as follows:
 - i. The tenancy agreement (土地經營權流轉合同) of the property was executed by Fujian Sumpo Foods Holdings Co., Ltd. on behalf of Longyan Baotai Agriculture Company Limited, a wholly-owned subsidiary of Fujian Sumpo Foods Holdings Co., Ltd..
 - ii. Longyan Baotai Agriculture Company Limited who is the actual occupier of the property is responsible for all duties and obligations of the tenancy agreement.
 - iii. As revealed from an endorsement issued by the municipal Government of Xipi Town, the lessor has been obtained all necessary authorization from the underwriting operators of the property to lease out the property to Longyan Baotai. The tenancy agreement as mentioned in note 1 above has been filed in the municipal Government of Xipi Town and the leasing arrangement of the property is legal and valid.
 - iv. The PRC Lawyer concluded that the tenancy agreement is lawful, valid and legally binding to both parties.

- v. Longyan Baotai as the lessee under the tenancy agreement has the rights to use the subject land parcel subject to the conditions of the agreement and its interests are recognized and protected by the PRC law.

- vi. Based on the confirmation from the Company, the confirmations from the governmental authority responsible for poultry breeding, the local municipal government and the governmental authority responsible for land administration, the lease of the subject land parcel and the erection of the poultry breeding facilities by Longyan Baotai for massive poultry breeding operations have been approved by the local municipal government and has completed proper filing at the government authority responsible for poultry breeding. All necessary notification procedures have been completed and/or written confirmations from the governmental authority responsible for land administration have been obtained for utilizing the subject land parcel for massive poultry breeding operations. As such, the use of the subject land parcel by Longyan Baotai for massive poultry breeding operations is adhering to the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB
12. Poultry Farm located in Linbang Village Tieshan Town, Longyan City, Fujian Province, the PRC. (中國福建省龍岩市鐵山鎮林邦村飼養場)	<p>The property comprises a parcel of land with an area of approximately 238,000 square metres.</p> <p>The subject land parcel is improved with various blocks of single-storey poultry breeding and production facilities with a total gross floor area of 20,635.10 square metres. The subject facilities were completed in about 2005.</p> <p>The subject land parcel is held by the Group under a tenancy for a term of 20 years commencing from 1 September 2000 to 31 August 2020 (renewable for a further term of 8 years expiring on 31 August 2028) at an annual rent of RMB107,100.</p>	<p>The property is currently used for poultry raising purpose.</p>	<p>No Commercial Value</p>

Notes:

1. Pursuant to a tenancy agreement (土地經營權流轉合同) dated 10 June 2008 and a rental confirmation letter (有關土地租賃的確認函) dated 23 March 2010, Fujian Sumpo Foods Holdings Co., Ltd. (福建森寶食品集團股份有限公司), a 90% owned subsidiary of the Company, rented the subject land parcel covering a land area of approximately 238,000 square metres from Longyan City Tieshan Town Linbang Village Committee (龍岩市鐵山鎮林邦村委會) which is an independent third party for a term of years expiring on 31 August 2028 at an annual rent of RMB107,100.
2. The opinion from the PRC legal advisor of the Company on the subject land parcel is as follows:
 - i. The tenancy agreement (土地經營權流轉合同) of the subject land parcel was executed by Fujian Sumpo Foods Holdings Co., Ltd. on behalf of Longyan Baotai Agriculture Company Limited, a wholly-owned subsidiary of Fujian Sumpo Foods Holdings Co., Ltd..
 - ii. Longyan Baotai Agriculture Company Limited who is the actual occupier of the subject land parcel is responsible for all duties and obligations of the tenancy agreement.
 - iii. As revealed from an endorsement issued by the municipal Government of Tieshan Town, the lessor has obtained all necessary authorization from the underwriting operators of the subject land parcel to lease out the subject land parcel to Longyan Baotai. The tenancy agreement as mentioned in note 1 above has been filed in the municipal Government of Tieshan Town and the leasing arrangement of the subject land parcel is legal and valid.
 - iv. The PRC Lawyer concluded that the tenancy agreement is lawful, valid and legally binding to both parties.

- v. Longyan Baotai as the lessee under the tenancy agreement has the rights to use the subject land parcel subject to the conditions of the agreement and its interests are recognized and protected by the PRC law.

- vi. Based on the confirmation from the Company, the confirmations from the governmental authority responsible for poultry breeding, the local municipal government and the governmental authority responsible for land administration, the lease of the subject land parcel and the erection of the poultry breeding facilities by Longyan Baotai for massive poultry breeding operations have been approved by the local municipal government and has completed proper filing at the government authority responsible for poultry breeding. All necessary notification procedures have been completed and/or written confirmations from the governmental authority responsible for land administration have been obtained for utilizing the subject land parcel for massive poultry breeding operations. As such, the use of the subject land parcel by Longyan Baotai for massive poultry breeding operations is adhering to the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB
13. Renhe Poultry Farm, Renhe Village, Shizhong Town, Xinluo District, Longyan City, Fujian Province, the PRC. (中國福建省龍岩市新羅區適中鎮仁和村仁和種雞場)	<p>The property comprises a parcel of land with an area of approximately 86,666.67 square metres.</p> <p>The subject land parcel is improved with various blocks of single-storey poultry breeding and production facilities with a total gross floor area of 18,305.73 square metres. The subject facilities were completed in about 2000.</p>	<p>The property is currently used for poultry raising purpose.</p>	<p>No Commercial Value</p>
	<p>The subject land parcel is held by the Group under a tenancy for a term of 20 years from 24 September 1999 to 23 September 2019 (renewable for further terms expiring on 23 September 2049) at a lump sum rent of RMB260,000.</p>		

Notes:

1. Pursuant to a tenancy agreement (土地經營權流轉合同) dated 10 June 2008 and a rental confirmation letter (有關土地租賃的確認函) dated 23 March 2010, Fujian Sumpo Foods Holdings Co., Ltd. (福建森寶食品集團股份有限公司), a 90% owned subsidiary of the Company, rented the subject land parcel covering a land area of approximately 86,666.67 square metres from Longyan City Xinluo District Shizhong Town Renhe Villagers' Committee (龍岩市新羅區適中鎮仁和村民委員會) which is an independent third party for a term of 20 years commencing from 24 September 1999 to 23 September 2019 (renewable for further terms expiring on 23 September 2049) at a lump sum rent of RMB260,000.
2. The opinion from the PRC legal advisor of the Company on the subject land parcel is as follows:
 - i. The tenancy agreement (土地經營權流轉合同) of the subject land parcel was executed by Fujian Sumpo Foods Holdings Co., Ltd. on behalf of Longyan Baotai Agriculture Company Limited, a wholly-owned subsidiary of Fujian Sumpo Foods Holdings Co., Ltd..
 - ii. Longyan Baotai Agriculture Company Limited who is the actual occupier of the subject land parcel is responsible for all duties and obligations of the tenancy agreement.
 - iii. The land use rights of the subject land parcel have been granted by way of administrative allocation.
 - iv. As revealed from an endorsement issued by the municipal Government of Renhe Village, Shizhong Town and a confirmation from the Village Committee of Renhe Village, Shizhong Town, the Village Committee of Renhe Village, Shizhong Town is the owner of the subject land parcel.

- v. As investigated by the PRC Lawyer, the Village Committee of Renhe Village, Shizhong Town has not yet completed title registration procedures for the subject land parcel. However, it has been provided with an endorsement issued by the Land Administrative Bureau of Longyan City, the administrative land use rights of the subject land parcel are held by the Village Committee of Renhe Village, Shizhong Town and it has the rights to lease out the subject land parcel even though it has not completed the proper title registration procedures.
- vi. Having regarded to the above, the legal title of the Village Committee of Renhe Village, Shizhong Town to the property is recognized and the tenancy agreement is lawful, valid and legally binding to both parties.
- vii. Longyan Baotai as the lessee under the tenancy agreement has the rights to use the subject land parcel subject to the conditions of the agreement and its interests are recognized and protected by the PRC law.
- viii. Based on the confirmation from the Company, the confirmations from the governmental authority responsible for poultry breeding, the local municipal government and the governmental authority responsible for land administration, the lease of the subject land parcel and the erection of the poultry breeding facilities by Longyan Baotai for massive poultry breeding operations have been approved by the local municipal government and has completed proper filing at the government authority responsible for poultry breeding. All necessary notification procedures have been completed and/or written confirmations from the governmental authority responsible for land administration have been obtained for utilizing the subject land parcel for massive poultry breeding operations. As such, the use of the subject land parcel by Longyan Baotai for massive poultry breeding operations is adhering to the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB
14. Wendong Poultry Farm, Wendong Modern Agricultural Development Zone, Peifeng Town, Yongding County, Longyan City, Fujian Province, the PRC. (中國福建省龍岩市 永定縣培豐鎮文東現代 農業綜合開發區 文東種雞場)	<p>The property comprises a parcel of land with an area of approximately 55,333.33 square metres.</p> <p>The subject land parcel is improved with various blocks of single-storey poultry breeding and production facilities with a total gross floor area of 19,694.26 square metres. The subject facilities were completed in about 2000.</p> <p>The subject land parcel is held by the Group under a tenancy for a term of 20 years from 17 August 1999 to 16 August 2019 (renewable for further terms expiring on 16 August 2049) at a lump sum rent of RMB160,000.</p>	<p>The property is currently used for poultry raising purpose.</p>	<p>No Commercial Value</p>

Notes:

1. Pursuant to a tenancy agreement (土地經營權流轉合同) dated 24 June 2008 and a rental confirmation letter (有關土地租賃的確認函) dated 23 March 2010, Fujian Sumpo Foods Holdings Co., Ltd. (福建森寶食品集團股份有限公司), a 90% owned subsidiary of the Company, rented the subject land parcel covering a land area of approximately 55,333.33 square metres from Yongding County Peifeng Town Municipal Government (永定縣培豐鎮人民政府) which is an independent third party for a term of 20 years from 17 August 1999 to 16 August 2019 (renewable for further terms expiring on 23 September 2049) at a lump sum rent of RMB160,000.
2. The opinion from the PRC legal advisor of the Company on the subject land parcel is as follows:
 - i. The tenancy agreement (土地經營權流轉合同) of the property was executed by Fujian Sumpo Foods Holdings Co., Ltd. on behalf of Longyan Baotai Agriculture Company Limited, a wholly-owned subsidiary of Fujian Sumpo Foods Holdings Co., Ltd..
 - ii. Longyan Baotai Agriculture Company Limited who is the actual occupier of the subject land parcel is responsible for all duties and obligations of the tenancy agreement.
 - iii. The land use rights of the subject land parcel have been granted by way of administrative allocation.
 - iv. As revealed from an endorsement issued by the municipal Government of Peifeng Town, it is the owner of the subject land parcel.
 - v. As investigated by the PRC Lawyer, the municipal Government of Peifeng Town has not yet completed title registration procedures for the property. However, it has been provided with an endorsement issued by the Land Administrative Bureau of Yongding County, the administrative

land use rights of the subject land parcel are held by the Village Committee of Peifeng Town and it has the rights to lease out the subject land parcel even though it has not completed the proper title registration procedures.

- vi. Having regarded to the above, the legal title of the municipal Government of Peifeng Town to the subject land parcel is recognized and the tenancy agreement is lawful, valid and legally binding to both parties.
- vii. Longyan Baotai as the lessee under the tenancy agreement has the rights to use the subject land parcel subject to the conditions of the agreement and its interests are recognized and protected by the PRC law.
- viii. Based on the confirmation from the Company, the confirmations from the governmental authority responsible for poultry breeding, the local municipal government and the governmental authority responsible for land administration, the lease of the subject land parcel and the erection of the poultry breeding facilities by Longyan Baotai for massive poultry breeding operations have been approved by the local municipal government and has completed proper filing at the government authority responsible for poultry breeding. All necessary notification procedures have been completed and/or written confirmations from the governmental authority responsible for land administration have been obtained for utilizing the subject land parcel for massive poultry breeding operations. As such, the use of the subject land parcel by Longyan Baotai for massive poultry breeding operations is adhering to the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB
15. Fuling Poultry Farm, Fuling Village, Gaopi Town, Yongding County, Longyan City, Fujian Province, the PRC. (中國福建省龍岩市永定縣高陂鎮富嶺村富嶺種雞場)	<p>The property comprises a parcel of land with an area of approximately 67,390 square metres.</p> <p>The subject land parcel is improved with various blocks of single-storey poultry breeding and production facilities with a total gross floor area of 13,155.38 square metres. The subject facilities were completed in about 2003.</p> <p>The subject land parcel is held by the Group under a tenancy for a term of 20 years commencing from 10 November 2002 to 9 November 2022 (renewable for a further term of 6 years expiring on 9 November 2028) at an annual rent calculated at the monetary amount equivalent to the national price of 500 catty (斤) of rice (稻谷) per 666.67 square metres of land area.</p>	<p>The property is currently used for poultry raising purpose.</p>	<p>No Commercial Value</p>

Notes:

1. Pursuant to a tenancy agreement (土地經營權流轉合同) dated 30 May 2008 and a rental confirmation letter (有關土地租賃的確認函) dated 23 March 2010, Fujian Sumpo Foods Holdings Co., Ltd. (福建森寶食品集團股份有限公司), a 90%-owned subsidiary of the Company, rented the subject land parcel covering a land area of approximately 67,390 square metres from Yongding County Gaopi Town Fuling Village Committee (永定縣高陂鎮富嶺村委會) which is an independent third party for a term of years expiring on 9 November 2028 at an annual rent calculated at the monetary amount equivalent to the national price of 500 catty (斤) of rice (稻谷) per 666.67 square metres of land area.
2. The opinion from the PRC legal advisor of the Company on the subject land parcel is as follows:
 - i. The tenancy agreement (土地經營權流轉合同) of the subject land parcel was executed by Fujian Sumpo Foods Holdings Co., Ltd. on behalf of Longyan Baotai Agriculture Company Limited, a wholly-owned subsidiary of Fujian Sumpo Foods Holdings Co., Ltd..
 - ii. Longyan Baotai Agriculture Company Limited who is the actual occupier of the subject land parcel is responsible for all duties and obligations of the tenancy agreement.

- iii. As revealed from an endorsement issued by the municipal Government of Gaopi Town, the lessor has been obtained all necessary authorization from the underwriting operators of the property to lease out the subject land parcel to Longyan Baotai. The tenancy agreement as mentioned in note 1 above has been filed in the municipal Government of Gaopi Town and the leasing arrangement of the subject land parcel is legal and valid.
- iv. The PRC Lawyer concluded that the tenancy agreement is lawful, valid and legally binding to both parties.
- v. Longyan Baotai as the lessee under the tenancy agreement has the rights to use the property subject to the conditions of the agreement and its interests are recognized and protected by the PRC law.
- vi. Based on the confirmation from the Company, the confirmations from the governmental authority responsible for poultry breeding, the local municipal government and the governmental authority responsible for land administration, the lease of the subject land parcel and the erection of the poultry breeding facilities by Longyan Baotai for massive poultry breeding operations have been approved by the local municipal government and has completed proper filing at the government authority responsible for poultry breeding. All necessary notification procedures have been completed and/or written confirmations from the governmental authority responsible for land administration have been obtained for utilizing the subject land parcel for massive poultry breeding operations. As such, the use of the subject land parcel by Longyan Baotai for massive poultry breeding operations is adhering to the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2010 RMB
16. Unit 1A on Level 1, Sumpo Building, Nos. 48-50 Huarong Road, Huli District, Xiamen City, Fujian Province, the PRC.	The property comprises an office unit on Level 1 of an 11-storey commercial building which was completed in about 1998. The gross floor area of the property is approximately 180 square metres.	The property is currently occupied by the Group as offices.	No Commercial Value
(中國福建省廈門市湖里區華榮路50號森寶大廈一樓辦公室單位)	The property is held by the Group under a tenancy for a term commencing from 1 January 2010 to 31 December 2012 for office use at a quarterly rental of RMB13,500 exclusive of management fee, water, electricity and gas charges.		

Notes:

1. Pursuant to a Building and Land Ownership Certificate (ref. no. Xia Di Fang Zheng Di No. 00454025 (廈地房證第00454025 號) dated 24 May 2006, the property is held by Xiamen Sumpo Group Limited (廈門森寶集團有限公司).
2. Pursuant to a tenancy agreement dated 1 January 2010, Xiamen Sumpo Food Trading Limited (廈門森寶食品貿易有限公司), a 90% owned subsidiary of the Company, rented the property from Xiamen Sumpo Group Limited (廈門森寶集團有限公司).
3. The opinion from the PRC legal advisor of the Company on the property is as follows:
 - i. Xiamen Sumpo Food Trading Limited (廈門森寶食品貿易有限公司) and Xiamen Sumpo Group Limited (廈門森寶集團有限公司) signed a tenancy agreement for the property by which Xiamen Sumpo Food Trading Limited rented the property with a gross floor area of 180 square metres from Xiamen Sumpo Group Limited for a term commencing on 1 January 2010 and expiring on 31 December 2012 for office use. The tenancy agreement has been filed and registered by the Land Resources and Buildings Administration Bureau of Xiamen City on 8 March 2010; and
 - ii. the tenancy agreement is legal, valid and legally binding to both parties to the agreement.

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 February 2010 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 17 December 2010. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

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The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

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- (v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

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A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived);
or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

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(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the

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previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

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- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

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(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class

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or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully

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paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

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The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

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Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the

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holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be

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entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

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If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

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The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a

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company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

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Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 2 March 2010.

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The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged

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to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY**1. Incorporation**

The Company has established its principal place of business in Hong Kong at Suite 1906, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon. The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 February 2010.

As the Company is incorporated in the Cayman Islands, its operations are subject to the Cayman Islands law and to its constitution, which comprises the memorandum of association of the Company and the Articles. A summary of certain relevant parts of its constitution and certain relevant aspects of the Cayman Islands company law are set out in Appendix V to this prospectus.

The Company was registered with the Hong Kong Companies Registry as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 17 December 2010. Ng Kin Sun of Suite 1906, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon has been appointed as the agent of the Company for the acceptance of service of process in Hong Kong.

2. Changes in share capital

- (a) As at the date of incorporation of the Company, its authorised share capital was HK\$380,000 divided into 3,800,000 Shares of HK\$0.1 each. One Share was issued to Codan Trust Company (Cayman) Limited as subscriber for cash at par on 22 February 2010 and such Share was transferred to Mr. Lin on the same day.
- (b) Pursuant to written resolutions passed by the then sole shareholder of the Company on 17 December 2010:–
 - (i) the authorised share capital of the Company was increased from HK\$380,000 to HK\$400,000,000 by the creation of an additional 3,996,200,000 Shares, such new Shares to rank pari passu with the then existing Shares in all respects; and
 - (ii) the Directors were authorised to allot and issue 2,674, 697, 400, 450, 450, 328 Shares nil paid to Mr. Lin, Mr. Lin Genghua, Success Dragon, Golden Prince, King & Queen and Robust China (together the “Existing Shareholders”) respectively.

- (c) Pursuant to the resolutions of the Board passed on 20 December 2010, it was resolved that in exchange and as consideration for the acquisition of the entire issued share capital of 5,000 shares of US\$1 each in the capital of Sumpo Holdings from the Existing Shareholders, the Company would apply the sum of HK\$499.90 to pay up in full at par the 4,999 Shares which were issued to the Existing Shareholders nil-paid on 17 December 2010.
- (d) Immediately following the Share Offer becoming unconditional and the issue of the Offer Shares, the authorised share capital of the Company will be HK\$400,000,000 divided into 4,000,000,000 Shares and the issued share capital of the Company will be HK\$160,000,000 divided into 1,600,000,000 Shares, all of which will be fully paid or credited as fully paid. 2,400,000,000 Shares will remain unissued. Other than pursuant to the exercise of any options granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of the Company and no issue of Shares which would effectively alter the control of the Company will be made without the prior approval of the members of the Company in general meeting.
- (e) Save as aforesaid, there has been no alteration in the share capital of the Company since its incorporation.

3. Shareholders' resolutions of the Company passed on 17 December 2010

Pursuant to the written resolutions passed by the then sole shareholder of the Company on 17 December 2010, (apart from the resolutions relating to the changes in share capital of the Company referred to in the paragraph headed "Changes in share capital") resolutions were passed pursuant to which:–

- (a) the Company approved and adopted its Articles;
- (b) conditional on the same conditions as stated in the paragraph headed "Conditions of the Share Offer" under the section headed "Structure of the Share Offer" in this prospectus having been fulfilled:–
 - (i) the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares pursuant thereto;
 - (ii) subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares under the Share Offer, the Directors were authorized to allot and issue a total of 1,599,995,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at 8:00 a.m. on the Listing Date, pro-rata to their then shareholdings in the Company, and the Shares to be allotted and issued under this resolution shall rank pari passu in all respects with the existing issued Shares;

- (iii) the terms of the Share Option Scheme were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of subscription rights under any options granted under the Share Option Scheme;
- (iv) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights or pursuant to the exercise of subscription rights attaching to options under the Share Option Scheme, Shares with an aggregate nominal value not exceeding the sum of (i) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Share Offer (such share capital being inclusive of any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and (ii) the aggregate nominal amount of the share capital of the Company which may be repurchased by the Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles or the Companies Law or any other applicable laws or the date of passing of an ordinary resolution by the Shareholders at general meeting revoking or varying the authority given to the Directors, whichever occurs first;
- (v) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase Shares listed on the Stock Exchange or any other stock exchange recognised by the SFC and by the Stock Exchange for this purpose having an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Share Offer (such share capital being inclusive of any Shares which may be issued pursuant to the exercise of the Over-allotment Option) until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles or the Companies Law or any other applicable laws or the date of passing of an ordinary resolution by the Shareholders at general meeting revoking or varying the authority given to the Directors, whichever occurs first; and
- (vi) the general unconditional mandate referred to in sub-paragraph (iv) above was extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of Shares repurchased by the Company since the granting of the general mandate referred to in sub-paragraph (v) above, provided that such amount shall

not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer (such share capital being inclusive of any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

4. Corporate reorganization

The companies comprising the Group underwent a reorganisation in preparation for the Share Offer. Following the reorganisation, the Company became the holding company of the Group. The reorganisation involved the following:

- (a) On 22 February 2010, the Company was incorporated in the Cayman Islands.
- (b) On 17 December 2010, the Company increased its authorised share capital from HK\$380,000 to HK\$400,000,000.
- (c) On 17 December 2010, the Company allotted and issued 2,674, 697, 400, 450, 450, 328 Shares nil paid to Mr. Lin, Mr. Lin Genghua, Success Dragon, Golden Prince, King & Queen and Robust China (together the “Existing Shareholders”) respectively.
- (d) On 20 December 2010, in exchange and as consideration for the acquisition of the entire issued share capital of 5,000 shares of HK\$0.1 each in the capital of Sumpo Holdings from the Existing Shareholders, the Company applied the sum of HK\$499.90 to pay up in full at par the 4,999 Shares which were issued to the Existing Shareholders nil paid on 17 December 2010.

5. Changes in share capital of subsidiaries

The subsidiaries of the Company are referred to in note 22 of the accountants’ report, the text of which is set out in Appendix I to this prospectus.

The following alterations in the share capital of the Company’s subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

- (a) On 28 April 2009, Mr. Ng Leung Ho transferred 15 shares in Sumpo Holdings to Mr. Lin at the consideration of HK\$43,650,000.
- (b) On 11 September 2009, Winner Sea Limited transferred 10 shares in Sumpo Holdings to Mr. Lin at the consideration of HK\$38,204,545.
- (c) On 18 November 2009, Sumpo Holdings allotted and issued 3,000, 680 and 320 shares to Mr. Lin, Mr. Lin Genghua and Success Dragon respectively.

- (d) Pursuant to a subscription agreement dated 20 November 2009, Sumpo Holdings allotted and issued to each of Golden Prince and King & Queen 450 shares for consideration from each of them of HK\$20,250,000.
- (e) Pursuant to an equity transfer agreement dated 1 December 2009, Fujian Sumpo and Longyan Baotai transferred 98% and 2% of the registered capital of Fujian Sumhua to Xiamen Sumpo at the consideration of RMB98,000,000 and RMB2,000,000 respectively.
- (f) Pursuant to an equity transfer agreement dated 18 December 2009, Fujian Sumpo transferred 70% of the registered capital of Fujian Sumhui to Fujian Sumhua at the consideration of RMB21,000,000.
- (g) Pursuant to a share transfer agreement dated 5 February 2010, Mr. Lin transferred his 328 shares in Sumpo Holdings to Robust China at the consideration of HK\$24,928,000.
- (h) Pursuant to a share transfer agreement dated 5 February 2010, Mr. Lin transferred his 72 shares in Sumpo Holdings to Success Dragon at the consideration of HK\$5,472,000.
- (i) On 8 June 2010, Fujian Hetai was established as a wholly owned subsidiary of Fujian Sumpo with a registered capital of RMB20,000,000.
- (j) On 14 July 2010, Fujian Baojiashun was established with a registered capital of RMB120,000,000, which was owned by Fujian Sumpo and Fujian Sumhua as to 32% and 68% respectively.
- (k) Pursuant to an equity transfer agreement dated 13 August 2010, Fujian Sumhua transferred its 68% equity interest in Fujian Baojiashun to Fujian Sumpo at a consideration of RMB81,600,000.

Save as mentioned herein, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by the Company of its own securities

Introduction

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of any of its own securities.

Listing Rules

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions. The most important restrictions contained in the Listing Rules are summarised below:–

(a) Shareholders' approval

The Listing Rules provide that all proposed securities repurchases (which must be fully paid up in case of shares) on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, which may be by way of general mandate or by a special approval in relation to a specific transaction.

Note: Pursuant to the written resolutions passed by the then sole shareholder of the Company on 17 December 2010, a general unconditional mandate (the “Repurchase Mandate”) was given to the Directors authorising the repurchase of Shares by the Company on the Stock Exchange or any other recognised stock exchange on which the securities of the Company may be listed and recognised by the SFC and by the Stock Exchange for this purpose, up to an aggregate nominal value not exceeding 10% of the aggregate nominal amount of its issued share capital (such share capital being inclusive of any Shares which may be issued pursuant to the exercise of the Over-allotment Option). The Repurchase Mandate will be exercisable upon Listing and will expire at the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws to be held, or when revoked or varied by ordinary resolution of the Shareholders, whichever shall first occur.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles and the applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under Cayman Islands law, any repurchases by the Company may be made out of profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in case of any premium payable

on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles and subject to the Companies Law, out of capital.

(c) Trading restrictions

A listed company may not issue or announce an issue of new shares of the type that has been repurchased for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, all repurchases of securities on the Stock Exchange in any calendar month are limited to a maximum of 25 per cent of the trading volume of such securities on the Stock Exchange in the immediately preceding calendar month. The Listing Rules also prohibit a company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

(d) Status of repurchased shares

The Listing Rules provide that the listing of all repurchased securities shall be automatically delisted upon repurchase irrespective of whether or not such repurchase takes place on the Stock Exchange, and that the relevant share certificates must be cancelled and destroyed.

Note: Under Cayman Islands law, the Company's repurchased shares will be treated as cancelled.

(e) Suspension of repurchases

The Listing Rules require any share repurchase programme to be suspended after the directors have made any decision in respect of a price sensitive development until the price sensitive information has been made publicly available. In addition, the Stock Exchange reserves the right to suspend share repurchases on the Stock Exchange if a company has breached the Listing Rules.

(f) Connected parties

The Listing Rules prohibit a company from knowingly repurchasing securities on the Stock Exchange from a Connected Person and a Connected Person shall not knowingly sell his securities to the company.

Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 1,600,000,000 Shares in issue immediately after the Share Offer becomes unconditional, but taking no account of any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option, could accordingly result in up to 160,000,000 Shares being repurchased by the Company during the course of the period prior to the next annual general meeting of the Company.

Reasons for repurchases

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from Shareholders to enable the Directors to act on behalf of the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share of the Company and/or its earnings per Share and such repurchases will only be made if the Directors believe that such repurchases will benefit the Company and the Shareholders.

Funding of repurchases

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Articles and the applicable laws and regulations of Hong Kong (including the Listing Rules) and the Cayman Islands.

On the basis of the combined net tangible assets of the Group as at 30 June 2010, and taking into account the estimated net proceeds of the Share Offer and the current working capital position of the Group, the Directors consider that there may be material adverse effect on the working capital requirements and gearing position of the Group in the event that the Repurchase Mandate was to be exercised in full during the period before the Repurchase Mandate expires. The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time not appropriate for the Company.

General

None of the Directors, or to the best of their knowledge having made all reasonable enquires, any associate of any Director, have any present intention to sell any Shares to the Company or its subsidiaries if the Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum of Association and Articles and the applicable laws of the Cayman Islands.

If, as the result of a share repurchase, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a shareholder or a group of shareholders acting in concert, could, depending on the level of increase of its or their interest, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

Immediately following the Share Offer but taking no account of any Shares which may be taken up under the Share Offer, Mr. Lin and Mr. Lin Genghua held 642,000,000 Shares and 167,280,000 Shares representing approximately 40.12% and 10.46% of the issued share capital of the Company respectively. By virtue of their relationship of father and son, Mr. Lin and Mr. Lin Genghua are presumed to be acting in concert with each other for the purpose of the Takeovers Code and their collective shareholding will amount to 50.58%.

The decrease of issued Shares resulted from the full exercise of the Repurchase Mandate will cause the percentage shareholding of Mr. Lin on his own account to increase to approximately 44.58%. In the event of such increase, Mr. Lin may be obliged to make a mandatory offer under Rule 26 of the Takeovers Code as his shareholding would increase by more than 2% of the voting rights of the Company.

Saved as disclosed, the Directors are not aware of any Shareholder or group of Shareholders acting in concert who will become obliged to make a mandatory offer as a result of a repurchase of Shares if the Repurchase Mandate is exercised in full. The Board currently has no intention to exercise the Repurchase Mandate to the extent which will trigger a mandatory offer under Rule 26 of the Takeovers Code.

No Connected Person has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS:**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within two years preceding the date of this prospectus and are or may be material in relation to the business of the Group taken as a whole:–







- (a) the share transfer agreement dated 2 April 2009 entered into between Longyan Baotai and Longyan Huizhi, pursuant to which Longyan Baotai agreed to purchase 2% equity interest in Fujian Sumhua at a consideration of RMB2,000,000;
- (b) a subscription agreement dated 20 November 2009 (as supplemented by a supplemental deed dated 28 September 2010) entered into among Sumpo Holdings, Golden Prince, King & Queen, Mr. Lin, Lin Genghua and Success Dragon, pursuant to which Sumpo Holdings allotted and issued to each of Golden Prince and King & Queen 450 shares and received from each of them the consideration of HK\$20,250,000;
- (c) an equity transfer agreement dated 1 December 2009 pursuant to which Fujian Sumpo and Longyan Baotai transferred 98% and 2% of the registered capital of Fujian Sumhua to Xiamen Sumpo at the consideration of RMB98,000,000 and RMB2,000,000 respectively;
- (d) an equity transfer agreement dated 18 December 2009 entered into between Fujian Sumpo and Fujian Sumhua, pursuant to which Fujian Sumpo transferred 70% of the registered capital of Fujian Sumhui to Fujian Sumhua at the consideration of RMB21,000,000;
- (e) an equity transfer agreement dated 13 August 2010 entered into between Fujian Sumhua and Fujian Sumpo, pursuant to which Fujian Sumhua transferred 68% of the registered capital of Fujian Baojiashun to Fujian Sumpo at the consideration of RMB81,600,000;
- (f) three service agreements all dated 17 December 2010 each made between the Company and each of the executive Directors under which the executive Directors agreed to serve for a term of 3 years commencing from 17 December 2010 and renewable for another 1 year upon expiry with an undertaking that for so long as he is an executive Director and for a period of 12 months after his ceasing to be an executive Director, he will not engage in any business which either directly or indirectly competes with the business of the Group;
- (g) a deed of covenant dated 17 December 2010 made between the Company on the one hand and Mr. Lin and Mr. Lin Genghua on the other hand, under which each of Mr. Lin and Mr. Lin Genghua has undertaken to the Company

that for so long as their aggregate direct or indirect shareholding in the Company is 30 per cent. or more, each of them will not engage, invest, be interested or otherwise be involved in any business which either directly or indirectly competes with the business of the Group;

- (h) a share exchange agreement dated 20 December 2010 made between the Existing Shareholders and the Company relating to the corporate reorganisation of the Group referred to in paragraph headed “Corporate Reorganisation” of this Appendix;
- (i) a deed of indemnity dated 17 December 2010 executed by Mr. Lin and Mr. Lin Genghua in favour of the Company containing indemnities in respect of taxation referred to in paragraph headed “Estate duty, tax and other indemnity” of this Appendix;
- (j) an agreement dated 29 December 2010 made among, among the others, the Company and the Underwriters being the Underwriting Agreement.

2. Intellectual property

The Group is the owner and/or applicant of the following trademarks:

Trademark	Registration/ Application Number	Applicant	Place of Registration	Class (Note 3)
	1447856	Fujian Sumpo (Note 1)	PRC	29
	1447858	Fujian Sumpo (Note 1)	PRC	29
	1447859	Fujian Sumpo (Note 1)	PRC	29
	5321249	Fujian Sumpo (Note 2)	PRC	29
	1458804	Fujian Sumpo (Note 2)	PRC	31
	1458805	Fujian Sumpo (Note 2)	PRC	31
	5321250	Fujian Sumpo (Note 2)	PRC	31

Trademark	Registration/ Application Number	Applicant	Place of Registration	Class (Note 3)
	301574460	Company	Hong Kong	29, 31
	301559746	Company	Hong Kong	29, 31
	301559728	Company	Hong Kong	29, 31
	301559737	Company	Hong Kong	29, 31
	301699354	Company	Hong Kong	29, 31

Note 1: Fujian Sumhua, Xiamen Sumpo, Mr. Lin and Fujian Sumpo were/are the owners of the trademarks. Applications have been made for transferring the trademarks to the sole name of Fujian Sumpo. The relevant authority has already accepted the relevant applications for such transfers of trademarks and the renewal applications of the trademarks have also been submitted by Fujian Sumpo.

Note 2: Fujian Sumhua, Longyan Baoshun Poultry Technology Company Limited, Xiamen Sumpo and Mr. Lin were/are the owners of the trademarks. Applications have been made for transferring the trademarks to the sole name of Fujian Sumpo. The relevant authority has already accepted the relevant applications for such transfers of trademarks and the renewal applications of the trademarks have also been submitted by Fujian Sumpo.

Note 3: Class 29 generally relates to meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs, milk and milk products; edible oils and fats. Our trademarks relate more specifically to the products under the category of meat, poultry and meat extracts.

Class 31 generally relates to agricultural, horticultural and forestry products and grains not included in other classes; live animals; fresh fruits and vegetables; seeds, natural plants and flowers; foodstuffs for animals; malt. Our trademarks relate more specifically to the products under the category of agricultural products and grains not included in other classes and foodstuffs for animals.

There are no other trade or service marks, registered designs, patents or other intellectual property rights owned or used by any company within the Group.

C. FURTHER INFORMATION ABOUT SHAREHOLDERS, DIRECTORS, MANAGEMENT AND STAFF

1. Disclosure of Interests of Directors

- (a) Mr. Lin is interested in the corporate reorganisation transactions as set out in paragraph headed “Corporate reorganisation” of this Appendix.
- (b) Immediately following the Share Offer and subject to the terms and conditions of this prospectus, the interests and short positions of the Directors and chief executive in the Shares, underlying Shares and debentures in the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which a Director or chief executive is taken or deemed to have under such provisions of SFO) once the Shares are listed, or will be required pursuant to Section 352 of the SFO to be entered in the register referred to therein, once the Shares are listed, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, once the Shares are listed will be as follows:–

Interests or short positions in the Company

Name	Long/Short Position	Nature of Interest	Number and Percentage of the issued Shares (assuming no exercise of the Over-allotment Option and any options granted under the Share Option Scheme)	Class of share capital of the Company (Note 1)
Mr. Lin	Long	Beneficial Interest	642,000,000 (40.12%)	Ordinary

2. Disclosure of Interest of Substantial Shareholders

Immediately following the Share Offer but taking no account of any Shares which may be taken up under the Share Offer, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) are expected to have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:–

Name	Number and Class of Shares	Nature of Interests	Percentage of issued share capital of the Company (assuming no exercise of the Over-allotment Option and any options granted under the Share Option Scheme)
Lin Genghua	167,280,000 (Ordinary)	Beneficial interest	10.46%
Chau Gam Jaak	96,000,000 (Ordinary)	Corporate Interest <i>(Note 2)</i>	6.00%
Ho Kam Hung	108,000,000 (Ordinary)	Corporate Interest <i>(Note 3)</i>	6.75%
Ng Leung Ho	108,000,000 (Ordinary)	Corporate Interest <i>(Note 4)</i>	6.75%

Immediately following the Share Offer but taking no account of any Shares or which may be taken up under the Share Offer, so far as is known to any Director or chief executive of the Company, the following persons are expected to, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:–

Name	Name of group Members	Approximate percentage of shareholding (assuming no exercise of the Over-allotment Option and any options granted under the Share Option Scheme)
Longyan Investment	Fujian Sumpo	10%

Notes:

1. The percentage of the issued share capital of the Company (assuming that the Over-allotment Option is not exercised).
2. Chau Gam Jaak is deemed to be interested in 96,000,000 Shares held by Success Dragon, a company wholly owned by him.
3. Ho Kam Hung is deemed to be interested in 108,000,000 Shares held by King & Queen, a company wholly owned by him.
4. Ng Leung Ho is deemed to be interested in 108,000,000 Shares held by Golden Prince, a company wholly owned by him.

Save as disclosed herein, none of the Directors or any chief executive of the Company has an interest or short position in any Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. Particulars of service agreements

- (a) Each of the executive Directors has entered into a service agreement with the Company for an initial term of 3 years commencing from 17 December 2010 and is automatically renewed for another 1 year upon expiry, subject to the compliance of the Listing Rules. Each of the service agreements may be terminated by not less than 3 months' notice in writing served by either party on the other.

- (b) Save as disclosed herein, no other Directors have entered into any service agreement with any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. Executive directors' remuneration

It is estimated that under the arrangements in force at the date of this prospectus, the aggregate remuneration payable to, and benefits in kind receivable by, the Directors or proposed Directors by any member of the Group for the year ending 31 December 2010 will be approximately RMB0.5 million.

An aggregate of approximately RMB0.2 million was paid to the Directors as remuneration paid and benefits in kind granted in respect of the year ended 31 December 2009.

5. Agency fees or commissions received

The Underwriters will receive a commission of 2.5% of the Offer Price of the Offer Shares, out of which they will pay any sub-underwriting commissions. The Sponsor will receive a documentation fee and will be reimbursed for its expenses. Such commission, documentation fee and expenses, together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Share Offer which are estimated to amount in aggregate to approximately HK\$22.00 million, will be payable by the Company.

Within the two years prior to the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or capital of the Company or any of its subsidiaries.

6. Related party transactions

The related party transactions entered into by the members of the Group within the two years immediately preceding the date of this prospectus are mentioned in note 42 of the accountants' report, the text of which is set out in Appendix I to this prospectus.

7. Disclaimers

- (a) Save as disclosed in this prospectus but taking no account of Shares which may be taken up pursuant to the Share Offer, the Directors are not aware of any person who will, immediately following the completion of the Share Offer, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group.

- (b) Save as disclosed in this prospectus:
- (i) none of the directors or partners, as the case may be, of the Company or expert as referred to in the section headed “Qualifications of experts” of this appendix is interested in the promotion of the Company, or in any assets which have been within the two years immediately preceding the issue of this prospectus acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
 - (ii) no Director or expert as referred to in the section headed “Qualifications of experts” of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
 - (iii) no expert as referred to in the section headed “Qualifications of experts” of this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
 - (iv) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme adopted pursuant to the resolution(s) passed by the then sole Shareholder on 17 December 2010. For the purpose of this section, references to “Board” shall mean the Board or a duly authorised committee thereof, references to “Employee” shall mean any full time or part time employee (including any executive and non-executive Director or proposed executive and non-executive Director) of the Group, references to “Participant” shall mean any Employee, advisor, consultant, agent, contractor, client and supplier who in the sole discretion of the Board has contributed or is expected to contribute to the Group. Unless the context otherwise requires, references to “Shares” in this section include shares in the Company of any other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

1. Participants of the Share Option Scheme

The Participants of the Share Option Scheme to whom options may be granted by the Board shall include any Employee, consultant, advisor, agent, contractor, client or supplier who in the sole discretion of the Board has contributed or is expected to contribute to the Group.

2. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise and motivate the contribution of the Participants and to provide incentives and help the Company in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

3. Life of the Share Option Scheme

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Subject to the aforesaid, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the adoption of the Share Option Scheme, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

4. Subscription Price

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion at the time of the grant of the relevant option and notified to each grantee but in any case will not be less than the higher of (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; or (3) the nominal value of a Share, provided that for the purpose of calculating the subscription price, where the Company has been listed for less than 5 trading days, the issue price under the Share Offer shall be used as the closing price for any trading day falling within the period before listing. In the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

5. Restriction on the Time of Grant of Option

No offer of options shall be made after a price sensitive development or event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the board meeting for approval of the Company's interim or annual results or (b) the failure of the Company to publish its interim or the annual results announcement under the Listing Rules and ending on the date of the results announcement, no option should be granted.

6. Maximum Number of Shares

- 6.1 The total number of the Shares which may be issued upon exercise of all options which may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer, being 160,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). (the “Scheme Mandate Limit”) (including any Shares that may be issued pursuant to the exercise of the Over-allotment Option), unless the Company obtains a fresh approval from its Shareholders pursuant to paragraph 6.2 below. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company under which such options are granted, as the case may be, shall not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.
- 6.2 The Company may seek approval of the Shareholders in general meetings to renew the Scheme Mandate Limit provided that the Scheme Mandate Limit so renewed must not exceed 10% of the issued share capital of the Company at the date of the approval of the renewal by the Shareholders of the Company. Upon any such renewal, all options granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme and any other share option schemes of the Company and exercised options) prior to the approval of such renewal shall not be counted for the purpose of calculating whether the renewed Scheme Mandate Limit has been exceeded. In seeking the approval, the Company shall send a circular to the Shareholders.
- 6.3 The Company may grant options to Participant(s) beyond the Scheme Mandate Limit if the grant of such options is specifically approved by the Shareholders in general meeting. In seeking such approval, a circular must be sent to the Shareholders containing a generic description of the specified Participants, the number and terms of the options to be granted, the purpose of granting options to the specified Participants, and how these options serve such purpose.

Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time.

7. Option Shares Entitled by Each Grantee

No Participant shall be granted an option if the total number of the Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12 months period up to and including the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the Shareholders in general meeting with the proposed grantee and his associates abstaining from voting. A circular must be sent to the Shareholders disclosing the identity of the proposed grantee, the number and terms of the options granted and to be granted and other information required by the Listing Rules. The number and terms of options to be granted to such proposed grantee must be fixed before the Shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

8. Requirements on Granting Options to Connected Persons

- 8.1 Any grant of option to a director, chief executive, substantial shareholder or connected person of the Company, or any of their respective associates under the Scheme must be approved by the independent non-executive directors of the Company (excluding any independent non-executive Director who is the grantee of the option).
- 8.2 Where a grant of option is to a substantial shareholder of the Company or an independent non-executive director of the Company or any of their respective associates and the proposed grant of option, when aggregated with the options already granted and to be granted (including both exercised, cancelled and outstanding options) to such person(s) in the past twelve (12) months period, would entitle such person(s) to subscribe for over 0.1% of the total issued share capital of the Company for the time being and having an aggregate value in excess of HK\$5 million based on the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet at the date of grant, then the proposed grant of option must be subject to approval by the Shareholders on a poll in a general meeting where all Connected Persons of the Company must abstain from voting in favour (except where such Connected Person(s) intends to vote against the proposed grant of option and his intention to do so has been stated in the circular). A shareholders' circular must be prepared by the Company explaining the proposed grant of option, disclosing the number and terms of the option proposed to be granted and the recommendation from the independent non-executive directors of the Company (excluding any independent non-executive director of the Company who is the grantee of the option) as to voting and all information required under the Listing Rules. The Shareholders' approval as described above will also be required for any change in the terms of any options granted to a substantial shareholder of the Company or an independent non-executive director of the Company or any of their respective associates.

The requirements for the granting of options to a Director set out in sub-paragraphs 8.1 and 8.2 above shall not apply where the Participant is only a proposed executive or non-executive Director.

- 8.3 Disclosures will be made in the annual and interim reports of the Company including details of the options granted to the following persons: (i) a director, chief executive, substantial shareholder or connected person of the Company, or any of their respective associates; (ii) each Participant with options granted in excess of the individual limit referred to in paragraph 7 above or in the Listing Rules; (iii) aggregate figures for the Employees; (iv) aggregate figures for suppliers of goods or services; and (v) other Participants in aggregate.

9. Time of Exercise of Option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not be more than ten (10) years from the date on which an option is granted to any Participant and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

10. Rights are Personal to Grantee

An option shall be personal to the grantee and shall not be assignable and no grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option.

11. Rights on Ceasing Employment

In the event of the grantee, being an Employee at the date on which an option is granted, ceasing to be an Employee for any reason other than his death or the termination of employment on any of the grounds referred to in paragraph 13 below, the grantee may exercise the option up to his entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of one month following the date of such cessation, which date shall be the last actual working day with the Company or the relevant member of the Group whether salary is paid in lieu of notice or not or, if any of the events referred to in paragraphs 15, 16 or 17 occurs during such period, the grantee may exercise the option within the period stipulated in paragraph 15, 16 or 17 instead of the period referred to in this paragraph 11 (provided that the retirement of director(s) of the Group by rotation pursuant to the constitution of the relevant member of the Group at annual general meeting of such member who is/are re-elected at the same annual general meeting shall not be regarded as ceasing employment for the purpose of this paragraph).

12. Rights on Death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in paragraph 13 below arises prior to the death, in the case the grantee is an Employee at the date of grant), the legal personal representative(s) of the grantee shall be entitled within a period of twelve (12) months from the date of death or, if any of the events referred to in paragraphs 15, 16 or 17 occurs during such period, within the period stipulated in paragraphs 15, 16 or 17 instead of the period referred to in this paragraph 12 to exercise the option up to the entitlement of such grantee as at the date of death (to the extent which has become exercisable and not already exercised).

13. Rights on Dismissal

In the event the grantee, being an Employee at the date of grant, ceases to be an Employee by reason of termination of employment on the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant subsidiary, his option shall lapse automatically (to the extent not already exercised) on the date on which the grantee ceases to be an Employee.

14. Effect of Alterations to Capital

In the event of any alteration in the capital structure of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party) pursuant to a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital of the Company whilst any option remains exercisable, such corresponding alterations (if any) certified by an independent financial advisor or the auditors of the Company for the time being in writing to the Board as fair and reasonable and in accordance with the requirements set out in this paragraph shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription price provided that no alteration shall be made so that a Share would be issued at less than its nominal value or which would give a grantee a different proportion of the issued share capital of the Company as that to which he was previously entitled or would be to the advantage of scheme participants without specific prior approval by the Shareholders. In case of any alterations other than an alteration made on a capitalisation issue, a written confirmation from an independent financial advisor or the auditors of the Company for the time being to the Director is required to confirm that the above proviso has been satisfied.

15. Rights on a General Offer

If a general offer (whether by takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the grantee (or, as the case may be, his legal personal representatives) shall be entitled to exercise the option in full (to the extent which has become exercisable and not already exercised) at any time within fourteen (14) days after the date on which the offer becomes or is declared unconditional.

16. Rights on Winding Up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees (together with a notice of existence of the provisions of this paragraph) and thereupon, each grantee (or, as permitted under paragraph 12, his legal personal representatives) shall be entitled to exercise all or any of his options at any time not later than two (2) business days prior to the proposed general meeting of the Company to consider the voluntary winding-up (to the extent which has become exercisable and not already exercised) whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting allot the relevant Shares to the grantee credited as fully paid.

17. Rights on a Compromise or Arrangement

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph 17) on the same date as it despatches to each member or creditor of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options in whole (or in part) (to the extent not already lapsed or exercised) at any time no later than two (2) business days prior to the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement by notice in writing to Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised,

lapse and determine. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of the grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) (provided that the period within which an option can be exercised shall accordingly be extended by the length of the period of the suspension) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of the Company or any of its officers.

18. Effects of Sale, Separate Listing, Reorganisation and Consolidation of the Company

If the Board considers that a grantee is ceased to be an Employee due to the sale, or separate listing, of the company he is serving, or if the Company is merged reorganised or consolidated with another entity, the Board may at its sole discretion (a) arrange for substitute options or share purchase rights of no less than their equivalent fair value in the purchasing, surviving or newly listed company; (b) provide cash compensation equivalent to their fair value; (c) waive any conditions as to vesting; or (d) permit the continuation of the option to its original terms. If the Board does not make any of the arrangements specified in (a) to (d), the option shall lapse.

19. Lapse of Option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- 19.1 the expiry of the option period;
- 19.2 the expiry of any of the periods referred to in paragraphs 11, 12, 15 or 16 above;
- 19.3 subject to paragraph 16 above, the date of the commencement of the winding-up of the Company;
- 19.4 the date on which the grantee ceases to be an Employee by reason of paragraph 13 above;
- 19.5 subject to the proposed compromise or arrangement becoming effective, the expiry of the period referred to in paragraph 17 above;
- 19.6 the date on which the grantee commits a breach of paragraph 10 above;

19.7 the Board does not make any of the arrangements specified in paragraph 18 above; or

19.8 the date on which the option is cancelled by the Board in accordance with paragraph 22.

20. Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the memorandum of association and the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders of options to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

21. Alteration to Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme relating to (i) matters set out in Rule 17.03 of the Listing Rules to the advantage of the Participants; (ii) any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme; or (iii) the terms and conditions of the Share Option Scheme which are of a material nature (except where such alterations take effect automatically under the existing terms of the Share Option Scheme) shall not be made except with the prior sanction of a resolution by the Shareholders, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than 50 per cent in nominal value of all Shares then subject to options granted under the Share Option Scheme.

The amended terms of the scheme or the options must comply with the relevant requirements of Chapter 17 of the Listing Rules.

22. Cancellation of Options Granted

Any cancellation of options granted but not exercised must be approved by the relevant grantees unless the grantees sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

23. Performance Target

There is no performance target that must be achieved before the options can be exercised except otherwise imposed by the Board and stated in the offer of grant of an option.

24. Conditions of Share Option Scheme

The Share Option Scheme is conditional upon (1) the passing of the necessary resolutions by the Shareholders in general meeting to approve and adopt the Share Option Scheme; (2) the Listing Committee granting approval of the Share Option Scheme and the granting of options thereunder, of listing of, and permission to deal in, the Shares as mentioned herein, and any Shares to be issued pursuant to the exercise of options under the Share Option Scheme and (3) the commencement of dealings in the Shares on the Stock Exchange.

25. Present Status of the Share Option Scheme

As at the date of this prospectus, no option has been granted or agreed to be granted.

Application has been made to the Listing Committee for the approval of the Share Option Scheme, the granting of options under the Share Option Scheme and the granting of listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options under the Share Option Scheme.

E. OTHER INFORMATION**1. Estate duty, tax and other indemnity**

The Directors have been advised that no material liability for estate duty in Hong Kong is likely to fall on the Company or any of its subsidiaries.

Having taken independent tax advice, the Directors are of the view that the provision for taxation included in the audited accounts of the Group is sufficient.

Mr. Lin and Mr. Lin Genghua have under the terms of a deed of indemnity (material contract no. (i)), given an indemnity to the Group in respect of taxation falling on the Company or on any of its subsidiaries up to and including the Listing Date, save in certain circumstances including where provision has been made in the audited accounts of the Company or its subsidiaries, for the period up to 30 June 2010 and taxation which has been taken into account for the purpose of arriving at the profit forecast in Appendix II.

2. Litigation

As of the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

3. Sponsor

The Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for listings of and permission to deal in the Shares in issue and to be issued as mentioned herein and pursuant to the exercise of the options granted under the Share Option Scheme. All necessary arrangements have been made enabling the securities to be admitted into CCASS.

Kingston Corporate Finance Limited has declared its independence from the Company pursuant to Rules 3A.07 and 3A.08 of the Listing Rules.

4. Preliminary expenses

The preliminary expenses of the Company are approximately US\$10,000 and are payable by the Company.

5. Promoter

The promoter of the Company is Mr. Lin. Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters in connection with the Share Offer or the related transactions described in this prospectus.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
Kingston Corporate Finance Limited	A corporation licensed to carry out type 6 regulated activities under the SFO
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
Asset Appraisal Limited	Property valuer
Jun He Law Offices	PRC legal advisors
GFE Law Offices	PRC legal advisors
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

7. Interests of experts in our Company

None of the persons named in the paragraph headed “Qualification of experts” of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

8. Consents of experts

Kingston Corporate Finance Limited, HLB Hodgson Impey Cheng, Asset Appraisal Limited, Jun He Law Offices, GFE Law Offices and Conyers Dill & Pearman have given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their letters, reports, and/or valuation certificate opinion and/or references to their names (as the case may be) in the form and context in which they respectively appear.

9. Share Register

Subject to the provisions of the Companies Law, the principal register of members will be maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited.

10. Taxation of holders of Shares***(a) Hong Kong***

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) Consultation with professional advisers

Prospective holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

12. Compliance Advisor

The Company has appointed Kingston Corporate Finance Limited as its compliance advisor upon Listing in compliance with Rule 3A.19 of the Listing Rules.

13. Miscellaneous

- (a) Save as disclosed herein:–
 - (i) Within the two years immediately preceding the date of this prospectus:–
 - (aa) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries.
 - (ii) No share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) There has been no material adverse change in the financial position or trading position or prospects of the Group since 30 June 2010.
- (c) The Company has no founders shares, management shares or deferred shares.
- (d) There has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.
- (e) This prospectus is written in the English language and contains a Chinese translation for information purposes only. Should there be any discrepancy between the English language version of this prospectus and the Chinese translation, the English language version of this prospectus shall prevail.

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** application forms, the written consents referred to in the paragraph headed “Consents of experts” in the section headed “Statutory and General Information” in Appendix VI to this prospectus and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in the section headed “Further information about the business” in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Cheung, Tong & Rosa at Room 501, 5th Floor, Sun Hung Kai Centre, 30 Harbour Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the memorandum of association of the Company and the Articles;
- (b) the accountants’ report on our Company prepared by HLB Hodgson Impey Cheng, the text of which is set out in Appendix I to this prospectus;
- (c) the letters from HLB Hodgson Impey Cheng relating to the unaudited pro forma financial information and the profit forecast prepared by HLB Hodgson Impey Cheng, the texts of which are set out in Appendices II and III to this prospectus;
- (d) such audited financial statements as have been prepared for the companies comprising the Group for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010 or for the period of their respective dates of incorporation to 30 June 2010 where there is a shorter period;
- (e) the letter, summary of valuations and valuation certificates relating to the properties of the Group prepared by Asset Appraisal Limited, the texts of which are set out in Appendix IV to this prospectus;
- (f) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VI to this prospectus;
- (g) the service agreements referred to in the paragraph headed “Particulars of service agreements” in Appendix VI to this prospectus;
- (h) the rules of the Share Option Scheme;
- (i) the written consents referred to in the paragraph headed “Consents of experts” in the section headed under “Other information” in Appendix VI to this prospectus;
- (j) the Companies Law;

**APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- (k) the valuation report relating to biological assets and agricultural produce prepared by Asset Appraisal Limited referred to in the section headed “Financial information” of this prospectus;
- (l) the letter dated the prospectus date prepared by Conyers Dill & Pearman summarizing certain aspects of the Cayman Islands company law referred to in Appendix V to this prospectus;
- (m) the PRC legal opinions dated the prospectus date prepared by Jun He Law Offices, the legal advisors of our Company as to PRC law; and
- (n) the letter from the Sponsor relating to profit forecast of our Group, the text of which is set out in Appendix II of this prospectus.