

SUMMARY

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

OVERVIEW

We were the largest manufacturer of edible collagen sausage casing products in the PRC from 2006 to 2008, according to the ranking published by China Meat Association (中國肉類協會)^(Note). We trade under our brand name “Shenguan” (「神冠」) and our key production technologies in relation to edible collagen sausage casings have been registered as patents with the SIPO. We are the first company to obtain such patent registrations in the PRC. We are also accredited with ISO9001: 2000 Quality Management System and HACCP Standards, and have obtained FDA registration for the export of our products to the United States.

We are principally engaged in the manufacture and sale of edible collagen sausage casing products in the PRC. To maintain our market leading position in the PRC, we are also committed to the research and development of our products and manufacturing processes. As at the Latest Practicable Date, we had 106 production lines in operation at our two production bases in Wuzhou with an aggregate annual production capacity of approximately 2,417 million meters of collagen sausage casings. For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our revenue amounted to RMB178.3 million, RMB259.3 million, RMB454.1 million and RMB317.2 million, respectively.

Our products can generally be classified into two main categories, namely Western-style sausage casing and Chinese-style sausage casing. Set out below is a breakdown of our sales by product categories during the Track Record Period:

Revenue by Product Categories

	Year ended 31 December						Six months ended 30 June			
	2006		2007		2008		2008		2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Western-style collagen sausage casing	122,578	68.8	198,791	76.7	395,511	87.1	170,087	87.5	291,673	92.0
Chinese-style collagen sausage casing	55,701	31.2	60,500	23.3	58,542	12.9	24,382	12.5	25,525	8.0
Total	<u>178,279</u>	<u>100.0</u>	<u>259,291</u>	<u>100.0</u>	<u>454,053</u>	<u>100.0</u>	<u>194,469</u>	<u>100.0</u>	<u>317,198</u>	<u>100.0</u>

We have established our leading market position in our major market, the PRC, through the development of a comprehensive range of edible collagen sausage casing products, the expansion of our production capacities, the innovation of technologies and the continuous improvement in the quality of our products. Revenue generated in the PRC accounted for 92.6%, 90.6%, 95.1% and 95.1% of our total revenue for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, respectively. Our major customers in the PRC are medium to large scale sausage manufacturers. We also generate sales to overseas markets including the U.S., Malaysia and South America.

Note: According to China Meat Association (中國肉類協會), the ranking is based on its set of criteria including, but not limited to, total assets, revenue, market share and market reputation.

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We have achieved rapid business growth during the Track Record Period. Our profit before tax increased from RMB86.1 million for the year ended 31 December 2006 to RMB213.6 million for the year ended 31 December 2008, representing a CAGR of approximately 57.5%. We were named by Forbes Magazine, an international financial periodical, as one of the top 100 “China Up and Comers 2009” (2009 福布斯最具潛力中小企業(中國)).

OUR COMPETITIVE STRENGTHS

We consider our principal competitive strengths to be the following:

- (i) we are well-positioned to benefit from the growth of the processed meat product industry in the PRC;
- (ii) we have successfully developed and possess patented production technologies and will continue to improve and maintain our production technologies at advanced level;
- (iii) we have a very strong position in the collagen sausage casing industry in the PRC, and our brand name is well recognized as a source of high quality products by our target clients;
- (iv) we have a strong relationship with our customers including reputable manufacturers of sausages and processed meat products in the PRC;
- (v) we have adopted stringent quality and food safety controls for our collagen sausage casing products; and
- (vi) we have an experienced and competent management team with proven ability to deliver strong performance.

OUR BUSINESS STRATEGIES

We plan to aggressively exploit the growth in the PRC’s processed meat market by pursuing the following business strategies:

- (i) strengthen our leading position in the PRC’s rapidly growing collagen sausage casing market and increase our market share;
- (ii) leverage our patented technologies and existing production capacity to develop new products, and pursue higher cost efficiency on a larger scale;
- (iii) strengthen our existing customer base and develop new markets globally; and
- (iv) further enhance our cost structure and operational efficiency.

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SUMMARY HISTORICAL FINANCIAL INFORMATION

Our financial information included in this prospectus has been prepared in accordance with Hong Kong Financial Reporting Standards, or HKFRS. The following tables provide a summary of combined financial data about our Company. We have derived the combined financial data for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 from our audited combined financial statements set forth in the Accountants' Report in Appendix I to this prospectus. The summary combined financial data should be read together with, and is qualified in its entirety by reference to, these combined financial statements, including the related notes.

Combined statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
<i>(Amount in RMB'000)</i>					
REVENUE	178,279	259,291	454,053	194,469	317,198
Cost of sales	(75,678)	(123,082)	(203,971)	(84,762)	(120,774)
Gross profit	102,601	136,209	250,082	109,707	196,424
Other income and gains	2,579	4,747	3,882	1,943	3,921
Selling and distribution costs	(4,579)	(5,740)	(7,153)	(3,410)	(5,196)
Administrative expenses	(12,952)	(17,550)	(23,109)	(11,220)	(28,061)
Other expenses	(386)	(1,603)	(1,240)	(49)	(86)
Finance costs	(1,138)	(1,074)	(8,836)	(4,112)	(4,211)
PROFIT BEFORE TAX	86,125	114,989	213,626	92,859	162,791
Tax	2,136	13,647	(16,812)	(6,855)	(14,544)
PROFIT FOR THE YEAR/PERIOD	88,261	128,636	196,814	86,004	148,247
Other comprehensive income	–	–	–	–	31
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	<u>88,261</u>	<u>128,636</u>	<u>196,814</u>	<u>86,004</u>	<u>148,278</u>
Attributable to:					
Equity holders of our Company	84,817	120,932	172,853	77,529	129,066
Non-controlling interests	3,444	7,704	23,961	8,475	19,212
	<u>88,261</u>	<u>128,636</u>	<u>196,814</u>	<u>86,004</u>	<u>148,278</u>

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Summary statements of financial position data

	At 31 December			At 30 June
	2006	2007	2008	2009
<i>(Amount in RMB'000)</i>				
Non-current assets	139,399	207,179	271,298	411,780
Current assets	94,053	129,512	194,609	433,822
Current liabilities	51,714	79,244	119,174	505,283
Non-current liabilities	18,000	66,000	56,038	170,142
Equity attributable to equity holders of our Company	153,931	179,981	250,080	165,029
Non-controlling interests	9,807	11,466	40,615	5,148
	9,807	11,466	40,615	5,148

Summary statements of cash flow data

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
<i>(Amount in RMB'000)</i>					
Net cash inflow from operating activities	91,507	108,105	265,840	91,207	163,664
Net cash outflow from investing activities	(51,668)	(60,376)	(86,646)	(34,164)	(198,245)
Net cash inflow/(outflow) from financing activities	(26,409)	(49,341)	(107,754)	12,830	207,024
	(26,409)	(49,341)	(107,754)	12,830	207,024

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2009

Unaudited forecast combined profit attributable to
equity holders of our Company^{(1) (3)} not less than RMB279 million
(approximately HK\$317 million)

Unaudited pro forma forecast earnings per Share
on a fully diluted basis^{(2) (3)} not less than RMB0.17
(approximately HK\$0.20)

Notes:

- (1) The forecast combined profit attributable to equity holders of our Company for the year ending 31 December 2009 is extracted from the section headed "Financial Information — Profit Forecast for the Year Ending 31 December 2009" in this prospectus. The bases and assumptions on which the above profit forecast for the year ending 31 December 2009 has been prepared are set out in Appendix III "Profit Forecast" to this prospectus.

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- (2) The calculation of unaudited pro forma forecast earnings per Share on a fully diluted basis for the year ending 31 December 2009 is based on the above forecast combined profit attributable to equity holders of our Company for the year ending 31 December 2009 and assumes that a total of 1,600,000,000 Shares were in issue during the entire year, without taking into account any further Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of options which have been granted or may be granted under the Share Options Scheme.
- (3) The unaudited forecast combined profit attributable to equity holders of our Company and the unaudited pro forma forecast earnings per Share on a fully diluted basis are converted into Hong Kong dollars at an exchange rate of RMB1 to HK\$1.137. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

OFFERING STATISTICS⁽¹⁾

	Based on an Offer Price of HK\$2.10	Based on an Offer Price of HK\$3.10
Market capitalization of our Shares ⁽²⁾	HK\$3,360 million	HK\$4,960 million
Prospective price / earnings multiple on a pro forma fully diluted basis ⁽³⁾	10.6 times	15.6 times
Unaudited pro forma adjusted combined net tangible assets per Share	HK\$0.59	HK\$0.83

Notes:

- (1) All data in this table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 1,600,000,000 Shares expected to be in issue immediately upon the completion of the Global Offering.
- (3) The calculation of the prospective price / earnings multiple on a pro forma fully diluted basis is based on the forecast earnings per Share on a pro forma fully diluted basis at the respective Offer Prices of HK\$2.10 and HK\$3.10.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$2.60 (being the mid-point of the estimated Offer Price range of HK\$2.10 and HK\$3.10), the adjusted net tangible asset value per Share will be HK\$0.72 per Share, while the earnings per Share on a pro forma fully diluted basis will be diluted to HK\$0.20.

DIVIDENDS

Subject to the Companies Law, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

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Except insofar as the rights attaching to, or the terms of issue of, any Share(s) may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on our 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 our Share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on our Shares during any portion or portions of the period in respect of which the dividend is paid. Our 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 us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our earnings and profitability;
- our general business conditions;
- our financial condition;
- our operating requirements;
- our capital requirements;
- cash demand and cash flow;
- interests of our Shareholders; and
- any other factors which our Board may deem relevant.

Our future dividend payments to our Shareholders will also depend upon the availability of dividends declared and distributed by our subsidiaries in the PRC. The PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in many aspects from HKFRS. The PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute dividends. These statutory reserves are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur losses or by any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

Any dividends on our Shares will be declared and paid in Hong Kong dollars on a per Share basis. Any final dividend for a fiscal year will be subject to our Shareholders' approval.

Our future dividend policy is that approximately 30% to 50% of our profits available for distribution will be recommended for distribution for each financial year. We may distribute our distributable profits from July 2009 to December 2009 (if any) to our Shareholders after the Listing. There is no assurance that dividends of any amount will be declared or distributed in any year.

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Our subsidiaries proposed RMB80.9 million, RMB117.6 million, RMB187.0 million and RMB140.3 million in dividends to their then shareholders for profit generated during the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009, respectively. Historically, we made payment of dividends based on our business and financial conditions as well as interests of the shareholders of the subsidiaries at that time. All dividends payable for each year or period during the Track Record Period will be settled before listing. The principal source of funding for such dividend payments was the cash inflow generated from our operations.

FUTURE PLANS AND USE OF PROCEEDS

It is our goal to further expand in the collagen sausage casing market in the PRC. While leveraging on our leading position in the collagen sausage casing market in the PRC, we will continue to devote our resources to expanding production capacity and improving our production technologies to achieve production efficiency. In addition, we also plan to purchase new land sites to further expand our operations. In view of the above, our Directors have formulated a series of development plans, a summary of which is set out below:

Increasing the production capacity and improving the production equipment and machinery

Our existing production facilities are currently operating at or near their full capacity. We expect the number of our production lines will increase from 106 (being the number of production lines as at the Latest Practicable Date) to 116 by the end of 2009. In view of the increasing demand for our collagen sausage casing products, we intend to install new production lines at our new production sites, and hire, train and manage additional production personnel to increase our production capacity. The installation of new production lines will commence in the first half of 2010, and is expected to be completed in the second half of 2010. It is planned that 50 new production lines will be installed, which will increase our total production capacity by approximately 40% at the end of 2010, as compared with that at the end of 2009. Using our proprietary technologies, all the production lines will be suitable for producing Western-style sausage casings as well as Chinese-style sausage casings.

We plan to install new equipment and machinery to fulfil more diversified requirements of our customers. Our Directors believe that the continuous investments in production facilities and technology at the new production site at Wuzhou Industrial Park (梧州市工業園區) and other places will be instrumental to our business growth in the years to come.

To achieve the above plans, we plan to deploy approximately RMB198.8 million and RMB438.5 million in 2009 and 2010, respectively.

Purchasing of new land site

To address the rising demand for our products, strengthen our competitive edge and achieve economies of scales, we intend to purchase new land sites in Wuzhou for the expansion of our production capacity. On 15 April 2009, Wuzhou Shenguan entered into a project investment agreement with the People's Government of Wanxiu District of Wuzhou (梧州市萬秀區人民政府), pursuant to which Wuzhou Shenguan agreed to establish a project company (Shensheng Jiaoyuan) for the proposed investment, construction and operation of a new project of a site area of approximately 556 mu located at Wanxiu Sifuchong, Chengdong Town, Wanxiu District, Wuzhou (梧州市萬秀區城東鎮思扶沖) with a total investment of RMB380 million. As at the Latest Practicable Date, our Group has not entered into any

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formal sale and purchase agreement in respect of the proposed acquisition of the land use rights of the new land site. We plan to deploy approximately RMB48 million and RMB30 million in 2009 and 2010, respectively, on land acquisition and will make proper disclosure and/or obtain proper approval in compliance with the Listing Rules whenever the relevant opportunity arises.

Developing research and development capabilities and new products

We will continue to devote resources to our research and development capabilities and to develop our comprehensive range of collagen sausage casing products. In order to capitalize on our leadership in collagen casing production technologies, we plan to continuously launch new products with specific features and advantages into the market, which may include new types of Western-style collagen sausage casings, including sausage casings used for sausages to be sold to the Middle-East countries.

Repayment of bank loans and shareholders' loans

Our Group had the following outstanding bank loans and amount due to the then shareholders of our subsidiaries which we intend to settle by using part of the proceeds from the Global Offering:

- (i) a long-term secured bank loan of our Group with an outstanding principal amount of RMB13,000,000 as at 31 August 2009 bearing interest at a basis rate set by the People's Bank of China plus 10% per annum. The long-term secured bank loan, which is used to finance our Group's construction of new production lines, is due in February 2010;
- (ii) five short-term unsecured bank loans of our Group with an aggregate outstanding principal amount of RMB120,000,000 as at 31 August 2009 bearing interest rates ranging from approximately 4.78% to 5.31% per annum. The short-term loans were incurred within one year prior to the Listing Date to finance our Group's general working capital. Two loans are due in March 2010 and three loans are due in April 2010; and
- (iii) amount due to Hong Kong Shenguan, C.T. Company and Exceltech, in a total outstanding principal amount of approximately HK\$18.8 million as at the Latest Practicable Date, which is unsecured, interest-free and repayable on demand.

In order to reduce our gearing ratio and to improve our financial position, we intend to apply part of the proceeds from the Global Offering to repay part of our outstanding bank loans and the amount due to the then shareholders of our subsidiaries as stated above. The reason for using part of the proceeds from the Global Offering to repay the above shareholders' loan is to reduce our interest cost, although we are able to replace all our outstanding shareholders' loans with bank loans before the Listing. We shall make an irrevocable instruction to the Underwriters to apply part of the proceeds from the Global Offering to repay the amount due to the then shareholders of our subsidiaries as stated above.

To achieve our goal, we plan to leverage our commercial strengths and adopt our strategies as set out in the section headed "Business" in this prospectus.

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Use of Proceeds

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$773 million (assuming an Offer Price of HK\$2.10 per Share, being the low end of the indicative Offer Price range) to HK\$1,147 million (assuming an Offer Price of HK\$3.10 per Share, being the high end of the indicative Offer Price range), after deducting the underwriting commission and estimated expenses payable by us for the Global Offering and assuming that the Over-allotment Option is not exercised. Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$2.60 per Share, being the midpoint of the indicative Offer Price range of HK\$2.10 to HK\$3.10 per Offer Share, the net proceeds of the Global Offering would be approximately HK\$966.4 million, which we presently intend to use as follows:

- (i) approximately HK\$586.7 million for the development and expansion of our production facilities in Wuzhou, which will include approximately HK\$146.7 million for the construction of new production facilities; and approximately HK\$440.0 million for the purchase of machines and equipment;
- (ii) approximately HK\$34.1 million for the expansion of our research and development capabilities and development of new products;
- (iii) approximately HK\$79.6 million for the acquisition of new land sites;
- (iv) approximately HK\$151.2 million for the repayment of bank loans;
- (v) approximately HK\$18.2 million will be used for the repayment of the outstanding amount due to Hong Kong Shenguan, C.T. Company and Exceltech; and
- (vi) the remaining approximately HK\$96.6 million towards working capital purposes.

In the event that the Offer Price is set at HK\$2.10 or HK\$3.10 or at any price in between, we will apply the net proceeds to items (iv), (v) and (vi) as shown above and to items (i), (ii) and (iii) on a pro rata basis.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be approximately HK\$150.5 million (assuming the midpoint of the indicative Offer Price range of HK\$2.60 per Offer Share). The additional net proceeds to be received from the exercise of the Over-allotment Option will be applied pro rata for items (i), (ii) and (iii) above, but will not be applied for items (iv), (v) and (vi). As advised by C&F, we are not subject to the notice issued jointly by the MOFCOM and the SAFE in May 2007 and the notice issued by the SAFE on 10 July 2007, which restrict the remittance of the proceeds from the Global Offering into the PRC but are only applicable to foreign invested real estate enterprises.

Any deficiency in funding for the above-mentioned projects will be financed by internal funds and/or bank borrowings. To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions.

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RISK FACTORS

There are certain risks relating to an investment in the Hong Kong Offer Shares. Some of the particular risks in investing in the Hong Kong Offer Shares are set out in the section headed “Risk Factors” in this prospectus and are summarized below. You should read that section carefully before you decide to invest in the Hong Kong Offer Shares.

Risks Relating to Our Business

- Our current production capacity limits our ability to increase our revenue; increasing our production capacity will require capital expenditure and management attention
- Our future production expansion projects may not achieve the intended economic benefits
- Our business depends on a stable and adequate supply of raw materials, which is subject to price volatility and other risks
- We may face competition from international competitors or competition from other substitutes for edible collagen sausage casing products which may affect our profits
- We may not be able to manage production cost-effectively
- We have experienced high growth during the Track Record Period and may not be able to maintain similar growth levels in the future
- Product liability claims against us could result in significant costs or negatively affect our reputation and could adversely affect our results of operations
- We may not maintain sufficient insurance coverage for the risks associated with our business operations
- Our business is dependent on our manufacturing facilities. Severe damages to or shutdown of operations at any of our major manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations
- We derive a substantial portion of our sales from the PRC. Any substantial changes in the domestic demand of our products in the PRC may adversely affect our performance and profitability
- We depend on a limited number of customers for a substantial portion of our revenue and a loss of any one of our major customers could cause an adverse effect on our revenue
- As substantially all of our income is derived from the sales of edible collagen sausage casing products, any adverse change in the demand for such products would have a material adverse impact on our profitability
- We may fail in the development of new products
- We may not be able to adequately protect our intellectual property rights

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- If there is any material change in our senior management or research and development team, our business may be affected
- We cannot guarantee that our dividend policy will remain at the similar level declared and paid during the Track Record Period
- The national and regional economies may be adversely affected by an outbreak of epidemics, thereby affecting our business, financial condition and results of operation
- The global financial markets have experienced significant deterioration and volatility recently, which have had negative repercussions on the global economy and, as a result, may adversely affect our business operations

Legal and Regulatory Risks Relating to Our Industry

- Change in the existing food hygiene laws may affect our business
- Compliance with the laws, regulations or enforcement policies in the PRC or future changes therein may affect our business

Risks Relating to the PRC

- Changes in the economic, political and social conditions in the PRC could adversely affect our business
- A recently enacted PRC tax law could increase the enterprise income tax rate applicable to our operating businesses in China, which could have a material adverse effect on our results of operations
- We may be deemed a PRC tax resident enterprise under the EIT Law and its implementation regulations and be subject to PRC taxation on our worldwide income
- Interest and dividends payable by us to our foreign investors and gain on the sale of our ordinary shares may become subject to withholding taxes under PRC tax laws, which may materially and adversely affect your investment in our Shares
- Governmental control of currency conversion may affect the value of your investment
- Fluctuations in the exchange rate of RMB may adversely affect our business, financial condition and results of operations
- Uncertainty with respect to the PRC legal system could affect our operations
- PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit our ability to use the proceeds of the Global Offering to make additional capital contributions or loans to our PRC operating businesses

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- It may be difficult to enforce against us, our Directors or our senior management in the PRC any judgments obtained from non-PRC courts

Risks Relating to the Global Offering

- There has been no prior public market for our Shares, and the liquidity and market price of our Shares may be volatile
- You will experience immediate dilution and may experience further dilution if we issue additional Shares in the future
- Future sales by our Directors, officers or current Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares
- We cannot guarantee the accuracy of facts, forecasts and other statistics derived from official government publications with respect to the PRC, the PRC economy and the PRC industries that affect our business, which are contained in this prospectus
- The market price of our Shares could be lower than the Offer Price and you may thereby suffer loss
- You may experience difficulties in enforcing your Shareholder's rights because we are incorporated in the Cayman Islands, and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong and other jurisdictions
- You should not rely on any information contained in press articles or other media regarding our Company and the Global Offering