

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Immediately following completion of the Capitalization Issue and the Global Offering, Rich Top Future, Glories Site, Hong Kong Shenguan, Xian Sheng and Ms. Zhou will control more than 30% of our issued share capital, irrespective of whether the Over-allotment Option is exercised partially or fully, or at all. For the purpose of the Listing Rules, Rich Top Future, Glories Site, Hong Kong Shenguan, Xian Sheng and Ms. Zhou are our Controlling Shareholders. Each of Rich Top Future, Glories Site, Hong Kong Shenguan, Xian Sheng and Ms. Zhou confirms that she/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, the Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

- (i) *Financial independence:* Our Group has an independent financial system and relies principally on cash from operations to carry on its business during the Track Record Period. This is expected to continue after the Listing. Save as disclosed in the paragraph headed “Repayment of bank loans and shareholders’ loans” in the section headed “Future Plans and Use of Proceeds” in this prospectus, all amounts due to/from related parties (except for those of a trading nature) as at 30 June 2009 will be settled or capitalized before the Listing. As at the Latest Practicable Date, we had shareholders’ loans amounting to RMB18.8 million (which will be fully settled or capitalized before or upon the Listing) and have no borrowings secured by guarantees or assets provided by our Controlling Shareholders.
- (ii) *Operational independence:* We have established our own organizational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their associates. Other than the purchases made with Wuzhou Junye Printing Material as set out in the paragraphs headed “Non-exempt continuing connected transactions” under the section headed “Connected transactions” in this prospectus, no services and facilities are intended to be provided by our Controlling Shareholders and/or their associates to our Group. As we have independent suppliers capable of supplying inner packaging materials with comparable quality and price to those offered by Wuzhou Junye Printing Material, our Group is able to operate independently from our Controlling Shareholders after the Listing.
- (iii) *Independence of management:* Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business while preserving the management and operational continuity of our Group. The Board’s main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in the collagen sausage casing business, to implement our Group’s policies and strategies. In addition, the business of our Group has been operated under substantially the same management throughout the Track Record Period and up to the Latest Practicable Date. All our Directors (save for Ms. Zhou) and senior management are independent from our Controlling Shareholders and their respective associates.

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- (iv) *Independence of major suppliers:* Our Directors confirm that, save for Wuzhou Junye Printing Material, none of our Controlling Shareholders, our Directors and their respective associates, have any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

As we have independent suppliers capable of supplying inner packaging materials with comparable quality and price to those offered by Wuzhou Junye Printing Material, our Group is able to source raw materials from independent suppliers.

- (v) *Independence of major customers:* Save as disclosed in the paragraphs headed “Wuzhou Xiansheng – A Minority Shareholder of Wuzhou Shenguan” under the section headed “History, Reorganization and Group Structure” and the paragraphs headed “Customers” under the section headed “Business” in this prospectus, our Directors confirm that none of our Controlling Shareholders, our Directors and their respective associates, have any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.
- (vi) *Ownership of trademarks and patents:* As at the Latest Practicable Date, our Group has registered or obtained licenses for, or is in the process of applying for the registration of, trademarks and patents, which are relevant to our Group’s operation. Such details are set out under the paragraph headed “Intellectual property rights” in Appendix VII to this prospectus.

RULE 8.10 OF THE LISTING RULES

The Controlling Shareholders and our Directors do not have any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and each of Ms. Zhou, Mr. Low and Mr. Wei (the “Covenantors”), each of the Covenantors have executed a deed of non-competition (the “Deeds”) on 19 September 2009 in favor of us (for ourselves and for the benefit of each member of our Group). Pursuant to the Deeds, during the period that the Deeds remains effective, each of the Covenantors irrevocably and unconditionally undertakes with us (for ourselves and for the benefit of each member of our Group) that he/she/it shall not, and shall procure his/her/its associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group save for the holding of not more than 5% shareholding interests (individually or with his/her/its associates) in any company listed on a recognized stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/her associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/her/its associates).

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When business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective associates to, give us notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal. Any decision on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed(s) will be disclosed in the annual report of our Company, and if appropriate, our Company will consider issuing announcements.

Our Board will establish a committee comprising all of our independent non-executive Directors which will be delegated with the authority to review on an annual basis the above undertakings from the Covenantors. The Covenantors also undertake to provide all information necessary for the enforcement of the Deeds as requested by the committee from time to time, and make an annual declaration on compliance with the Deeds in the annual report of our Company.

The undertakings mentioned above are conditional upon the fulfilment of the conditions stated in the paragraph headed “Conditions of the Hong Kong Public Offering” under the section headed “Structure of the Global Offering” in this prospectus. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus, the Deeds shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deeds.

The Deed(s) shall terminate on the earliest of the date on which (i) in the case of Ms. Zhou, Ms. Zhou and/or her associates shall cease to be interested in aggregate 30 per cent. or more of the entire issued share capital of our Company or otherwise cease to be a Controlling Shareholder; in the case of Mr. Low or Mr. Wei, Mr. Low or Mr. Wei (as the case may be) and/or their respective associates shall cease to be interested in aggregate 10% or more of (direct or indirectly) of the entire issued share capital of Rich Top Future; or if Rich Top Future shall cease to be a Controlling Shareholder; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

Investment in Wuzhou Shenguan Real Estate Development Co., Ltd. (梧州市神冠房地產開發有限公司)

Wuzhou Shenguan Real Estate Development Co., Ltd. (梧州市神冠房地產開發有限公司) was established in Wuzhou on 3 August 2007 and is principally engaged in the operation and development of real estate, sales of commercial houses, property management, and wholesale and retail of building materials. Upon its establishment, Wuzhou Shenguan Real Estate Development Co., Ltd. (梧州市神冠房地產開發有限公司) was owned as to 67% by Ms. Zhou, 9% by Mr. Wei, 6% by Mr. He Xiangji (何祥吉先生), 3% by Mr. Ru Xiquan (茹希全先生), 3% by Ms. Cai Yueqing (蔡月卿女士), 3% by Mr. Shi Guicheng (施貴成先生), 3% by Mr. Mo Yunxi (莫運喜先生), 3% by Mr. Li Baowei (黎保偉先生), 2% by an Independent Third Party and 1% by Wuzhou Shenguan, respectively.

In order to focus on its collagen sausage casing business, Wuzhou Shenguan disposed of its 1% equity interest in Wuzhou Shenguan Real Estate Development Co., Ltd. (梧州市神冠房地產開發有限公司) to Ms. Zhou on 17 June 2008 for a consideration of RMB100,000, which represented the registered capital contributed by Wuzhou Shenguan.