

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on 24 February 2009. Our Company has established a principal place of business in Hong Kong at Unit 2902, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 30 June 2009. In connection with such registration, Loong & Yeung of Suites 2201-2203, 22/F., Jardine House, 1 Connaught Place, Central, Hong Kong has been appointed as the agent for the acceptance of service of process and any notices serve on our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, our operation is subject to the Companies Law and to our constitution which comprises the Memorandum and Articles of Association. A summary of various parts of the constitution and certain relevant aspects of the Cayman Islands company law is set out in Appendix VI to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, our authorized share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, one of which was allotted and issued nil paid to the subscriber to the memorandum of association of our Company, and the one nil paid Share was subsequently transferred from the subscriber to Ms. Zhou on 24 February 2009.
- (b) On 22 June 2009, the one nil paid Share was transferred from Ms. Zhou to Rich Top Future at the consideration of HK\$1.
- (c) Pursuant to the Reorganization and as consideration for the acquisition by our Company of one ordinary share of US\$1 in the issued share capital of each of Jumbo Gain and Full Win, and 10,000 ordinary shares of US\$1 each in the issued share capital of Shenguan Industrial, on 18 September 2009, (i) 999,999 Shares, all credited as fully paid, were allotted and issued to Rich Top Future; and (ii) the one nil paid Share then held by Rich Top Future was credited as fully paid at par.
- (d) On 19 September 2009, Rich Top Future transferred 103,350 Shares, 32,890 Shares and 21,650 Shares to Xian Sheng, Wealthy Safe and Cheng Sheng, respectively, all at the consideration of HK\$1.
- (e) On 19 September 2009, our Shareholders resolved to increase the authorized share capital of our Company from HK\$380,000 to HK\$200,000,000 by the creation of an additional of 19,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.

- (f) Immediately upon completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme, 1,600,000,000 Shares will be issued fully paid or credited as fully paid and 18,400,000,000 Shares will remain unissued.
- (g) Save as mentioned above, there has been no alteration in the share capital of our Company.
- (h) Other than pursuant to the Capitalization Issue, the Global Offering and the exercise of the options to be granted under the Share Option Scheme and the Over-allotment Option, there is no present intention to issue any of the authorized but unissued share capital of our Company, and without prior approval of our Shareholders in general meeting, no issue of Shares will be made that would effectively alter the control of our Company.

3. Written resolutions of all our Shareholders passed on 19 September 2009

By written resolutions of all our Shareholders passed on 19 September 2009:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) the authorized share capital of our Company was increased from HK\$380,000 (divided into 38,000,000 Shares of HK\$0.01 each) to HK\$200,000,000 (divided into 20,000,000,000 Shares of HK\$0.01 each) by the creation of an additional of 19,962,000,000 Shares of HK\$0.01 each, each ranking pari passu with our Shares then in issue in all respects;
- (c) conditional on the Listing Committee granting listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and the Over-allotment Option, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Global Offering was approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering to rank pari passu with the then existing Shares in all respects;
 - (ii) conditional further upon the Listing Committee granting the listing of, and permission to deal in, our Shares falling to be issued pursuant to the exercise of the options granted under the Share Option Scheme, the rules of the Share Option Scheme were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option

Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) conditional further upon the Listing Committee granting the listing of, and permission to deal in, our Shares falling to be issued pursuant to the exercise of the option granted under the Over-allotment Option, the Over-allotment Option was approved and adopted and the Directors were authorized to allot, issue and deal with our Shares pursuant to the exercise of the Over-allotment Option and to take all such actions as they consider necessary or desirable to implement the Over-allotment Option; and
 - (iv) the Capitalization Issue was approved and conditional further on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize an amount of HK\$11,990,000 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 1,199,000,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 19 September 2009 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorized to give effect to such capitalization and distributions.
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than 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 of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the Global Offering, Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued under the Over-allotment Option, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any

other stock exchange on which the securities of our Company may be listed and which is recognized by the Securities and Futures Commission in Hong Kong and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued under the Over-allotment Option, such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue.

4. Corporate reorganization

The companies comprising our Group underwent the Reorganization to rationalize our Group's structure in preparation for the listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group.

The Reorganization included the following major steps:

- (a) On 21 April 2008, Shenguan Industrial was incorporated in the BVI with limited liability with an authorized capital of US\$50,000 divided into 50,000 shares of US\$1 each.
- (b) On 30 April 2008, Shenguan Investments was incorporated in Hong Kong with limited liability with an authorized capital of HK\$1,000 divided into 100,000 shares of HK\$0.01 each, one of which was allotted and issued at par to the subscriber to the memorandum and articles of association of Shenguan Investments on the same date.
- (c) On 29 August 2008, 10,000 shares in Shenguan Industrial were allotted and issued to Shenguan BVI at the consideration of US\$10,000.
- (d) On 29 August 2008, the one share in Shenguan Investments was transferred from the subscriber to the memorandum and articles of association of Shenguan Investments to Shenguan Industrial at the consideration of HK\$0.01.

- (e) On 2 January 2009, Full Win was incorporated in the BVI with limited liability and was authorized to issue a maximum of 50,000 shares.
- (f) On 2 January 2009, Jumbo Gain was incorporated in the BVI with limited liability and was authorized to issue a maximum of 50,000 shares.
- (g) On 13 February 2009, Excel Gather was incorporated in Hong Kong with limited liability with an authorized capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, one of which was allotted and issued at par to the subscriber to the memorandum and articles of association of Excel Gather.
- (h) On 24 February 2009, our Company was incorporated in the Cayman Islands with limited liability with an authorized share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, one of which was allotted and issued nil paid to the subscriber to the memorandum of association of our Company and the one Share was subsequently transferred to Ms. Zhou on the same date.
- (i) On 26 February 2009, Forever Gather was incorporated in Hong Kong with limited liability with an authorized capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, one of which was allotted and issued at par to the subscriber to the memorandum and articles of association of Forever Gather.
- (j) On 11 March 2009, by a directors' resolution, Full Win was authorized to issue a maximum of 50,000 shares each with a par value of US\$1. On the same date, one share in Full Win, credited as fully paid, was allotted and issued to Rich Top Future.
- (k) On 11 March 2009, by a director's resolution, Jumbo Gain was authorized to issue a maximum of 50,000 shares each with a par value of US\$1. On the same date, one share in Jumbo Gain, credited as fully paid, was allotted and issued to Glories Site.
- (l) On 11 March 2009, the one share in Excel Gather was transferred from the subscriber to the memorandum and articles of association of Excel Gather to Full Win at the consideration of HK\$1.
- (m) On 11 March 2009, the one share in Forever Gather was transferred from the subscriber to the memorandum and articles of association of Forever Gather to Jumbo Gain at the consideration of HK\$1.
- (n) On 14 May 2009, Shengguan BVI transferred its 10,000 shares in Shenguan Industrial, representing the entire issued share capital of Shenguan Industrial to Ms. Zhou at the consideration of HK\$1.
- (o) Pursuant to a share transfer agreement dated 26 May 2009, Wuzhou Xiansheng transferred its 18.7% equity interest in Wuzhou Shenguan to Hong Kong Shenguan at the consideration of RMB15,764,100.

- (p) Pursuant to the share transfer agreement dated 27 May 2009 referred to in item (f) of the paragraph headed “Summary of material contracts” in this appendix, Exceltech transferred its 20.21% equity interest in Wuzhou Shenguan to Excel Gather at the consideration of RMB17,036,030.
- (q) Pursuant to the share transfer agreement dated 27 May 2009 referred to in item (g) of the paragraph headed “Summary of material contracts” in this appendix, C.T. Company transferred its 13.30% equity interest in Wuzhou Shenguan to Excel Gather at the consideration of RMB11,211,900.
- (r) Pursuant to the share transfer agreement dated 27 May 2009 referred to in item (h) of the paragraph headed “Summary of material contracts” in this appendix, Hong Kong Shenguan transferred its 63.49% equity interest in Wuzhou Shenguan to Forever Gather at the consideration of RMB53,523,070.
- (s) On 22 June 2009, the one Share was transferred from Ms. Zhou to Rich Top Future at the consideration of HK\$1.
- (t) On 22 June 2009, Glories Site transferred the one share in Jumbo Gain, representing the entire issued share capital of Jumbo Gain, to Rich Top Future and 65,454 shares in Rich Top Future, credited as fully paid, were allotted and issued to Glories Site as consideration. Before completion of the above share transfer and issue of shares, Rich Top Future was owned as to 60.31% by Brighten Lane and 39.69% by Sky Green. After completion of the above share transfer and issue of shares, Rich Top Future was owned as to approximately 65.45% by Glories Site, as to approximately 20.84% by Brighten Lane and as to approximately 13.71% by Sky Green.
- (u) On 22 June 2009, Ms. Zhou transferred her 10,000 shares in Shenguan Industrial, representing the entire issued share capital of Shenguan Industrial, to Rich Top Future at the consideration of HK\$1.
- (v) On 18 September 2009, pursuant to the agreement referred to in item (m) of the paragraph headed “Summary of material contracts” in this appendix, our Company acquired from Rich Top Future (i) one share in Jumbo Gain, representing the entire issued share capital of Jumbo Gain; (ii) one share in Full Win, representing the entire issued share capital of Full Win; and (iii) 10,000 shares in Shenguan Industrial, representing the entire issued share capital of Shenguan Industrial, and as consideration, (i) in aggregate 999,999 Shares, all credited as fully paid, were allotted and issued to Rich Top Future; and (ii) the one nil paid Share then held by Rich Top Future was credited as fully paid at par.

Immediately after completion of the share transfer referred to in item (v) above, our Company then became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. In addition to the alterations described in paragraph headed "Corporate reorganization" above, the following changes in the share capital (or registered capital, as the case may be) of the subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus:

Wuzhou Shenguan

- (i) On 27 June 2008, the Wuzhou Government approved the increase in the registered capital of Wuzhou Shenguan from RMB30,000,000 to RMB73,300,000 by the conversion of the capital reserves of RMB35,911,884.10 and reserve funds of RMB7,388,115.90 into registered capital. Each of Hong Kong Shenguan, Exceltech, C.T. Company and Wuzhou Xiansheng contributed RMB19,394,070, RMB8,750,930, RMB5,758,900 and RMB9,396,100, respectively, by the capitalization of their respective share in the capital reserves and reserve funds of Wuzhou Shenguan in proportion to their respective capital contribution to Wuzhou Shenguan and their respective percentage of capital contribution in Wuzhou Shenguan remained unchanged.
- (ii) On 1 June 2009, the Wuzhou Government approved the increase in the registered capital of Wuzhou Shenguan from RMB73,300,000 to RMB84,300,000 by the conversion of the capital reserves of RMB752,447 and the reserve funds of RMB10,247,553 into registered capital. Each of Hong Kong Shenguan, Exceltech, C.T. Company and Wuzhou Xiansheng contributed RMB4,926,900, RMB2,223,100, RMB1,463,000 and RMB2,387,000, respectively, by the capitalization of their respective share in the capital reserves and reserve funds of Wuzhou Shenguan in proportion to their respective capital contribution to Wuzhou Shenguan and their respective percentage of capital contribution in Wuzhou Shenguan remained unchanged.

Shenguan Biological

Shenguan Biological was established in the PRC on 8 April 2008 with a registered capital of RMB10,000,000 being contributed by Wuzhou Shenguan.

On 22 May 2009, its sole equity holder, Wuzhou Shenguan resolved to increase the registered capital of Shenguan Biological from RMB10,000,000 to RMB30,000,000. As at 31 May 2009, Wuzhou Shenguan had fully settled the increased amount of RMB20,000,000 in the registered capital of Shenguan Biological.

Shensheng Jiaoyuan

Shenguan Jiaoyuan was established in the PRC on 29 April 2009 with a registered capital of RMB10,000,000 being contributed by Wuzhou Shenguan.

Wuzhou Xingke

Shenguan Biological acquired the entire equity interest in Wuzhou Xingke pursuant to (i) a share transfer agreement dated 8 July 2008 between Shenguan Biological and Fan Yanping, by which Fan Yanping transferred 90% equity interest in Wuzhou Xingke to Shenguan Biological; and (ii) a share transfer agreement dated 8 July 2008 between Shenguan Biological and Fan Pengfei, by which Fan Pengfei transferred 10% equity interest in Wuzhou Xingke to Shenguan Biological. At the time of the acquisition, the registered capital of Wuzhou Xingke was RMB500,000.

Save as disclosed above and as mentioned in the paragraph headed “Corporate reorganization” in this appendix, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders’ approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note Pursuant to the written resolutions of all our Shareholders passed on 19 September 2009, a general unconditional mandate (the “Repurchase Mandate”) was given to our Directors authorizing our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or any other stock exchange on which the securities of our Company may be listed and which is recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, such number of Shares representing up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering, but excluding any Shares which may be issued under the Over-allotment Option and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Companies Law or any other applicable laws of the Cayman Islands or the Articles to be held, and when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting of our Company.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares 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.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorized by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of our subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 1,600,000,000 Shares in issue after completion of the Capitalization Issue and Global Offering but taking into no account any Shares to be issued upon the exercise of the Over-allotment Option, and on the basis of 1,660,000,000 Shares in issue after the completion of the Capitalization Issue and Global Offering, and upon the exercise of the Over-allotment Option in full, could accordingly result in up to 160,000,000 Shares and 166,000,000 Shares, respectively, being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) *Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our 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 our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) *General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our 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 and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our 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 in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a project investment agreement dated 21 March 2008 in Chinese entered into between Wuzhou Shenguan and the Management Committee of Wuzhou Industrial Park, Guangxi (廣西梧州工業園區管理委員會), pursuant to which Wuzhou Shenguan agreed to invest an amount of RMB280 million for the proposed investment, construction and operation of a new project in Wuzhou Industrial Park (梧州工業園區);
- (b) a project investment supplemental agreement dated 21 March 2008 in Chinese in relation to the agreement referred to in item (a) above and entered into between Wuzhou Shenguan and the Management Committee of Wuzhou Industrial Park, Guangxi (廣西梧州工業園區管理委員會), pursuant to which Wuzhou Shenguan and the Management Committee of Wuzhou Industrial Park, Guangxi (廣西梧州工業園區管理委員會) agreed on, inter alia, further details on the transfer of land under the new project;

- (c) a construction investment agreement for standard factory and other projects dated 21 March 2008 in Chinese in relation to the agreement referred to in item (a) above and entered into between Wuzhou Shenguan and the Management Committee of Wuzhou Industrial Park, Guangxi (廣西梧州工業園區管理委員會), pursuant to which Wuzhou Shenguan and the Management Committee of Wuzhou Industrial Park, Guangxi (廣西梧州工業園區管理委員會) agreed on, inter alia, further details on the transfer of land under the new project;
- (d) a wealth management agreement (for legal persons) dated 1 April 2009 in Chinese entered into between Wuzhou Shenguan and Wuzhou Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司梧州分行), pursuant to which Wuzhou Shenguan agreed to subscribe for super-short and unfixed term RMB wealth management products offered by Wuzhou Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司梧州分行) in the amount of RMB45,000,000;
- (e) a project investment agreement in relation to Shensheng Jiaoyuan dated 15 April 2009 in Chinese entered into between Wuzhou Shenguan and 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 invest an amount of RMB380 million for the proposed investment, construction and operation of a new project at Wanxiu Sifuchong, Chengdong Town, Wanxiu District, Wuzhou (梧州市萬秀區城東鎮思扶沖);
- (f) a share transfer agreement dated 27 May 2009 in Chinese entered into between Exceltech and Excel Gather, pursuant to which Exceltech transferred its 20.21% equity interest in Wuzhou Shenguan to Excel Gather at the consideration of RMB17,036,030;
- (g) a share transfer agreement dated 27 May 2009 in Chinese entered into between C.T. Company and Excel Gather, pursuant to which C.T. Company transferred its 13.30% equity interest in Wuzhou Shenguan to Excel Gather at the consideration of RMB11,211,900;
- (h) a share transfer agreement dated 27 May 2009 in Chinese entered into between Hong Kong Shenguan and Forever Gather, pursuant to which Hong Kong Shenguan transferred its 63.49% equity interest in Wuzhou Shenguan to Forever Gather at the consideration of RMB53,523,070;
- (i) a termination agreement dated 19 June 2009 in Chinese entered into between Wuzhou Shenguan and Wuzhou Sanjian, pursuant to which Wuzhou Shenguan and Wuzhou Sanjian agreed to terminate the agreement dated 12 November 2005 and the supplemental agreement dated 12 December 2005, both related to, inter alia, the disposal of certain assets by Wuzhou Sanjian to Wuzhou Shenguan;
- (j) a share transfer supplemental agreement dated 12 July 2009 in Chinese entered into between Exceltech and Excel Gather, pursuant to which Exceltech and Excel Gather agreed the consideration of RMB17,036,030 under the agreement as referred to in item (f) above to be settled in Hong Kong dollars and in the amount of HK\$19,321,798.80;

- (k) a share transfer supplemental agreement dated 12 July 2009 in Chinese entered into between C.T. Company and Excel Gather, pursuant to which C.T. Company and Excel Gather agreed the consideration of RMB11,211,900 under the agreement as referred to in item (g) above to be settled in Hong Kong dollars and in the amount of HK\$12,716,230.01;
- (l) a share transfer supplemental agreement dated 12 July 2009 in Chinese entered into between Hong Kong Shenguan and Forever Gather, pursuant to which Hong Kong Shenguan and Forever Gather agreed the consideration of RMB53,523,070 under the agreement as referred to in item (h) above to be settled in Hong Kong dollars and in the amount of HK\$60,704,400.59;
- (m) a share transfer agreement dated 18 September 2009 entered into between Rich Top Future and our Company, and Ms. Zhou, Mr. Low and Mr. Wei as warrantors, pursuant to which our Company acquired from Rich Top Future (i) one share in Jumbo Gain, representing the entire issued share capital of Jumbo Gain; (ii) one share in Full Win, representing the entire issued share capital of Full Win; and (iii) 10,000 shares in Shenguan Industrial, representing the entire issued share capital of Shenguan Industrial, and as consideration, (i) in aggregate 999,999 Shares, all credited as fully paid, were allotted and issued by the Company to Rich Top Future; and (ii) the one nil paid Share then held by Rich Top Future was credited as fully paid at par by the Company;
- (n) an instrument of transfer dated 18 September 2009 entered into between Rich Top Future and our Company for the transfer of one share in Jumbo Gain as referred to in item (m) above for the consideration of (i) crediting the one nil paid Share then held by Rich Top Future as fully paid at par by the Company; and (ii) allotting and issuing 634,899 Shares, all credited as fully paid, by the Company to Rich Top Future;
- (o) an instrument of transfer dated 18 September 2009 entered into between Rich Top Future and our Company for the transfer of one share in Full Win as referred to in item (m) above for the consideration of allotting and issuing 335,100 Shares, all credited as fully paid, by the Company to Rich Top Future;
- (p) an instrument of transfer dated 18 September 2009 entered into between Rich Top Future and our Company for the transfer of 10,000 shares in Shenguan Industrial as referred to in item (m) above for the consideration of allotting and issuing 30,000 Shares, all credited as fully paid, by the Company to Rich Top Future;
- (q) a corporate investor agreement dated 18 September 2009 entered into between our Company, the Joint Bookrunners and China Life Insurance (Overseas) Co. Ltd., pursuant to which China Life Insurance (Overseas) Co., Ltd. will subscribe at the Offer Price for such number of Offer Shares that may be purchased with US\$12 million, further details are set out in the section headed “Cornerstone Investor” in this prospectus.

- (r) a deed of non-competition undertaking dated 19 September 2009 in Chinese executed by Ms. Zhou in favor of our Company, details of which are set out in the paragraph headed “Non-competition undertaking” under the section headed “Relationship with Our Controlling Shareholders” in this prospectus;
- (s) a deed of non-competition undertaking dated 19 September 2009 in Chinese executed by Mr. Low in favor of our Company, details of which are set out in the paragraph headed “Non-competition undertaking” under the section headed “Relationship with Our Controlling Shareholders” in this prospectus;
- (t) a deed of non-competition undertaking dated 19 September 2009 in Chinese executed by Mr. Wei in favor of our Company, details of which are set out in the paragraph headed “Non-competition undertaking” under the section headed “Relationship with Our Controlling Shareholders” in this prospectus;
- (u) a deed of indemnity dated 28 September 2009 executed by Ms. Zhou, Hong Kong Shenguan, Glories Site, Xian Sheng and Rich Top Future in favor of our Group containing the indemnities referred to in the paragraph headed “Tax Indemnity” in this appendix; and
- (v) the Hong Kong Underwriting Agreement dated 29 September 2009.



2. Intellectual property rights

Trademarks

As at the Latest Practicable Date, our Group had the following registered trademarks:

Trademark	Registration Number	Class	Registration Date	Expiry Date	Place of registration
	745585	18	14 May 1995	13 May 2015	the PRC
	1013248	29	21 May 1997	20 May 2017	the PRC
	85132	18	7 March 2005	7 March 2015	Vietnam
	897093	18	15 August 2006	15 August 2016	Madrid, Spain
	3,369,568	18	15 August 2006	15 August 2016	USA
	636004	18	17 August 2006	16 August 2016	Thailand
	06015025	18	23 August 2006	23 August 2016	Malaysia
	828586969	18	26 July 2006	26 July 2016	Brazil

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks, the registration of which has not yet been granted:

Trademark	Application Date	Application Number	Class	Place of Application
	10 October 2006	1319331	18	Canada
	10 July 2009	301381699	18, 29	Hong Kong

Patents

As at the Latest Practicable Date, our Group had the following registered patents in the PRC:

Patent	Patent Number	Registrant	Expiry Date
A method and facilities for production of collagen sausage casing	ZL95116018.4	Wuzhou Shenguan	25 September 2015
A method for production of collagen sausage casing	ZL95118575.6	Wuzhou Shenguan	7 November 2015
Method and facilities for production of collagen sausage casing from alkaline collagen	ZL95119364.3	Wuzhou Shenguan	5 December 2015
Method for production of edible collagen sausage casing	ZL96122253.0	Wuzhou Shenguan	19 December 2016

As at the Latest Practicable Date, our Group had applied for registration of the following patents in the PRC, the registration of which has not yet been granted:

Patent	Application Number	Application Date
Method for production of collagen sausage casing in small to medium diameters	200810116408.X	9 July 2008
A kind of batch folding machine	200910080281.5	17 March 2009
A kind of batch folding machine	200920106537.0	17 March 2009
A kind of continuous folding machine	200910080761.1	27 March 2009
A kind of continuous folding machine	200920106498.4	27 March 2009
A kind of fiber remover	200910080760.7	27 March 2009
A kind of fiber remover	200920106499.9	27 March 2009
A kind of mixing and kneading machine	200910080759.4	27 March 2009
A kind of mixing and kneading machine	200920106500.8	27 March 2009
A kind of hydraulic filtering machine	200910088472.6	2 July 2009
A kind of hydraulic filtering machine	200920109783.1	2 July 2009

Domain name

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Date of Registration
shenguan.com.cn	20 May 2001

3. Information about the PRC Subsidiaries of our Group**Wuzhou Shenguan**

Name:	梧州神冠蛋白腸衣有限公司 (Wuzhou Shenguan Protein Casing Co., Ltd.)
Date of establishment:	26 November 2004
Corporate nature:	Limited liability company (Taiwan, Hong Kong, Macau and domestic equity joint-venture)
Present member and percentage of shareholding:	63.49% held by Forever Gather 33.51% held by Excel Gather 3.00% held by Wuzhou Xiansheng
Total investment:	RMB120,000,000
Total registered capital:	RMB84,300,000 (fully paid up)
Attributable interest of our Company	97.00%
Term:	30 years
Scope of business:	manufacture and sale of collagen sausage casings and dried meat, storage of frozen food, manufacture and processing of leather goods, manufacture and processing of animal skins, primary processing of agricultural products; sales of own products
Legal representative:	Ms. Zhou

Shenguan Biological

Name:	梧州市神冠生物實業開發有限公司 (Wuzhou Shenguan Biological Industrial Development Limited)
Date of establishment:	8 April 2008
Corporate nature:	Limited liability company (solely invested by foreign-invested enterprise)
Present member and percentage of shareholding:	100% held by Wuzhou Shenguan
Total registered capital:	RMB30,000,000 (fully paid up)
Attributable interest of our Company	97.00%
Term:	20 years
Scope of business:	manufacture and sale of collagen sausage casings; construction of standard industrial plants
Legal representative:	Ms. Zhou

Shensheng Jiaoyuan

Name:	梧州市神生膠原製品有限公司 (Wuzhou Shensheng Collagen Products Limited)
Date of establishment:	29 April 2009
Corporate nature:	Limited liability company (solely invested by foreign-invested enterprise)
Present member and percentage of shareholding:	100% held by Wuzhou Shenguan

Total registered capital:	RMB10,000,000 (fully paid up)
Attributable interest of our Company	97.00%
Term:	20 years
Scope of business:	provision of consultancy services in respect of collagen technology and investment, and construction of industrial plants
Legal representative:	Ms. Zhou

Wuzhou Xingke

Name:	廣西梧州星科電子有限公司 (Guangxi Wuzhou Xingke Electronic Company Limited)
Date of establishment:	31 December 2005
Corporate nature:	Limited liability company (solely owned by legal person)
Present member and percentage of shareholding:	100% held by Shenguan Biological
Total registered capital:	RMB500,000 (fully paid up)
Attributable interest of our Company	97.00%
Term:	Under de-registration process
Legal representative:	Mr. Li Baowei

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following the completion of the Global Offering and the Capitalization Issue but taking no account of our Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be

notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) *Long position in our Shares*

Name of Director	Capacity/Nature	No. of Shares held	Approximate percentage of interest
Ms. Zhou	Interest in controlled corporations (note1)	1,134,552,000	70.91%

(ii) *Long position in the ordinary shares of associated corporation*

Name of Director	Name of associated corporation	Capacity/Nature	No. of securities held	Approximate percentage of shareholding
Ms. Zhou	Rich Top Future	Interest in controlled corporation (note 1)	65,454	65.45%
Mr. Low	Rich Top Future	Interest in controlled corporation (note 2)	20,835	20.84%

Note:

- (1) Ms. Zhou holds 100% interest in Hong Kong Shenguan and Hong Kong Shenguan holds 100% interest in Glories Site, which holds approximately 65.45% interest in Rich Top Future. Hong Kong Shenguan also holds 100% interest in Xian Sheng. Therefore, Ms. Zhou is deemed or taken to be, interested in all the Shares which are beneficially owned by Rich Top Future and Xian Sheng for the purpose of the SFO. Ms. Zhou is a director of Hong Kong Shenguan, Glories Site, Xian Sheng and Rich Top Future.
- (2) Mr. Low holds 100% interest in Brighten Lane, which holds approximately 20.84% interest in Rich Top Future. Mr. Low is a director of Brighten Lane and Rich Top Future.

- (b) So far as is known to our Directors and save as disclosed in this prospectus and taking no account of any Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Global Offering and the Capitalization Issue, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, 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:

Long position in our Shares

Name	Nature of interest	No. of Shares held	Approximate percentage of shareholding
Rich Top Future	Beneficial owner	1,010,532,000	63.16%
Xian Sheng	Beneficial owner	124,020,000	7.75%
Glories Site	Interest in controlled corporation (note 1)	1,010,532,000	63.16%
Hong Kong Shenguan	Interest in controlled corporations (note 2)	1,134,552,000	70.91%
Mr. Sha	Interest of spouse (note 3)	1,134,552,000	70.91%

Note:

- (1) Glories Site holds approximately 65.45% interest in Rich Top Future. Therefore, Glories Site is deemed or taken to be, interested in all the Shares which are beneficially owned by Rich Top Future for the purpose of the SFO.
- (2) Hong Kong Shenguan holds 100% interest in Glories Site, which holds approximately 65.45% interest in Rich Top Future. Hong Kong Shenguan also holds 100% interest in Xian Sheng. Therefore, Hong Kong Shenguan is deemed or taken to be, interested in all the Shares which are beneficially owned by Rich Top Future and Xian Sheng for the purpose of the SFO.
- (3) Mr. Sha is the spouse of Ms. Zhou. Therefore, Mr. Sha is deemed or taken to be, interested in all the Shares in which Ms. Zhou is interested for the purpose of the SFO.

2. Particulars of service agreements

Each of our executive and non-executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date, subject to the termination provisions therein. Each of our executive and non-executive Directors may terminate the appointment by giving the other party not less than three months' prior notice in writing.

Each of our independent non-executive Directors has entered into a service agreement with our Company as an independent non-executive Director for a term of two years commencing on the Listing Date. Each of our independent non-executive Directors or our Company may terminate the appointment at any time during the two-year term by giving the other party at least three month's notice in writing.

Save as disclosed in this prospectus, no Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the years ended 31 December 2006, 2007 and 2008 were approximately RMB3.5 million, RMB4.2 million and RMB4.4 million, respectively.

Mr. Low had not received any remuneration during the Track Record Period as he was only engaged in strategic decision making process and did not involve in our daily business operation.

Except for the year ended 31 December 2008, during which Ms. Zhou, Ms. Cai Yueqing (蔡月卿女士), Mr. Shi Guicheng (施貴成先生) and Mr. Ru Xiquan (茹希全先生) had waived performance bonuses of RMB1,148,000, RMB457,000, RMB457,000 and RMB457,000, respectively, there was no other arrangement under which any of our Directors waived or agreed to waive any remuneration during the Track Record Period.

- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2009 will be not more than RMB1,100,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	<i>HK\$</i>
Ms. Zhou*	1,200,000
Ms. Cai Yueqing (蔡月卿女士)*	480,000
Mr. Shi Guicheng (施貴成先生)*	480,000
Mr. Ru Xiquan (茹希全先生)*	480,000

Non-executive Director	<i>HK\$</i>
Mr. Low	180,000
Independent non-executive Directors	<i>HK\$</i>
Mr. Tsui Yung Kwok (徐容國先生)	180,000
Mr. Meng Qinguo (孟勤國先生)	180,000
Mr. Yang Xiaohu (楊小虎先生)	180,000

* *Ms. Zhou, Ms. Cai Yueqing (蔡月卿女士), Mr. Shi Guicheng (施貴成先生) and Mr. Ru Xiquan (茹希全先生), being also the senior management of Wuzhou Shenguan, are also entitled to a performance – based bonus. The calculation of the performance-based bonus is as follows: for the years ended 31 December 2006, 2007 and 2008, if the profit after tax as stated in the PRC audited accounts of Wuzhou Shenguan for the relevant periods was over RMB10 million, Ms. Zhou, Ms. Cai Yueqing (蔡月卿女士), Mr. Shi Guicheng (施貴成先生) and Mr. Ru Xiquan (茹希全先生) were entitled to a performance bonus at 1.5%, 0.6%, 0.6% and 0.6% of the profit after tax of Wuzhou Shenguan, respectively. For the six months ended 30 June 2009, if the profit after tax as stated in the PRC audited accounts of Wuzhou Shenguan is over RMB10 million, Ms. Zhou, Ms. Cai Yueqing (蔡月卿女士), Mr. Shi Guicheng (施貴成先生) and Mr. Ru Xiquan (茹希全先生) will be entitled to a performance bonus at 1.0%, 0.4%, 0.4% and 0.4% of the profit after tax of Wuzhou Shenguan, respectively.*

4. Fees or commission received

Save as disclosed in this prospectus, none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under notes 18 and 35 to the Accountants’ Reports set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “Consents of experts” in 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 our Group taken as a whole;

- (d) taking no account of Shares which may be issued pursuant to options which may be granted under our Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have any interest 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 be interested, directly or indirectly, 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;
- (e) taking no account of Shares which may be issued pursuant to options which may be granted under our Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	19 September 2009, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolution
“Board”	the board of Directors or a duly authorized committee of the board of Directors

“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of all Shareholders passed on 19 September 2009:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), Director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange’s daily quotations sheet on the date of offer of an option to a participant, which must be a trading day (i.e. any day on which the Stock Exchange is open for the business of dealing in securities); (ii) the average of the closing prices of our Shares as stated in the Stock Exchange’s daily quotations sheets for the 5 trading days immediately preceding the date of offer of an option to a participant; and (iii) the nominal value of a Share on the date of offer of an option to a participant, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than 5 trading days, the new issue price shall be used as the closing price for any trading day fall within the period before Listing.

(iv) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

(v) *Maximum number of Shares*

- (aa) Subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 160,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 160,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of our Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.
- (cc) our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under

the Share Option Scheme or any other share option schemes of our Company, if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

- (aa) Any grant of an option to a Director, chief executive or substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of our Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by Shareholders at a general meeting of our Company. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) An offer for the grant of options may not be made after a price sensitive event of our Company 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, no options may be granted during the period commencing one month immediately preceding the earlier of:
- (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted on any day on which financial results of our Company are published and:
- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) 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 exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles 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 to participate in all dividends or other distributions paid or made 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 on or before the date of allotment, save that our Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by 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 (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her 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 our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group when an Offer is made to him and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months

after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be and no such certification is required in case of adjustment made on a capitalization issue) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes), provided that (i) any alteration shall give a grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled; (ii) any adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as practicable the same (but shall not be greater than) as it was before; and (iii) no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our 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 referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than 2 business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our 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 Suspension Date, 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. The Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. 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 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) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii) and (xviii) above;

- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group;
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) 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 which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(xxiv) Termination to the Share Option Scheme

Our 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 options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on the Listing Committee granting the listing of, and permission to deal in our Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Committee for listing of and permission to deal in 160,000,000 Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax indemnity

The Controlling Shareholders have, pursuant to the deed of indemnity referred to in item (u) of the paragraph headed “Summary of material contracts” of this appendix, given indemnities in respect of, among other things:

- (a) estate duty or tax which might be payable by any member of our Group, by reason of any laws of the applicable jurisdictions to any member of our Group; and taxation resulting from income, profits or gains earned, accrued or received on or before the date on which the Global Offering becomes unconditional (the “**Fulfilment Date**”), save in the following circumstances:
 - (i) to the extent that full provision has been made for such taxation in the audited combined accounts of the Group for the Track Record Period, as set out in Appendix I to this prospectus;
 - (ii) to the extent that the taxation arises in the ordinary course of business of the Group and falls on any of the members of the Group in respect of their current accounting periods or any accounting period commencing on or after the Fulfilment Date;
 - (iii) to the extent that provision or reserve made for taxation in the audited accounts of the members of the Group or any of them for the Track Record Period are finally established to be an over-provision or an excessive reserve provided

that the amount established to be the excessive portion of the over-provision or the excessive reserve shall only be applied to reduce the Controlling Shareholders' liability in respect of taxation up to 30 June 2009;

- (iv) to the extent that such taxation arises or is increased by an increase in any taxation claim to the extent that such taxation claim or such increased amount of the taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any change in law and/or rates of taxation after the Fulfilment Date with retrospective effect; or
 - (v) for which any member of our Group is primarily liable in respect of or in consequence of any event occurring or income, profits or gains earned, accrued or received or transactions in the ordinary course of business after 30 June 2009.
- (b) any penalties, claims, actions, payments, demands, proceedings, judgments, settlement payments, losses, liabilities, damages, costs, charges, fees, expenses or fines (other than those having been paid or duly and sufficiently provided in the Accountants' Report) which our Group may suffer or incur, directly or indirectly, as a result of or in connection with any failure or delay in tax filing in respect of the taxable income derived by any members of our Group on or before the Fulfilment Date;
 - (c) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses or fines which our Group may suffer or incur, directly or indirectly, as a result of or in connection with any non-compliance with the applicable laws, rules and regulations in respect of the manufacturing or sale of edible collagen sausage casing products by any member of our Group on or before the Fulfilment Date (except as a result of any retrospective change in the law coming into force after the Fulfilment Date);
 - (d) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines which our Group may suffer or incur as a result of directly or indirectly or in connection with any loss in respect of the title defects, legality of the tenancy agreements and non-registration of tenancy agreements for properties set out in group I and group II in Appendix IV to this prospectus (except as a result of any retrospective change in the law coming into force after the Fulfilment Date).

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or the PRC is likely to fall on our Group.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have, on behalf of our Company, made an application to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and our Shares falling to be issued pursuant to the exercise of any options granted under our Share Option Scheme.

Each of the Joint Sponsors has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$48,000 and are payable by our Company.

5. Promoter

The promoter of our Company is Ms. Zhou. Save as disclosed in this prospectus, within the two years immediately 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 Global Offering or the related transactions described in this prospectus.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Macquarie Capital Securities Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities (as defined under the SFO)
China Merchants Securities (HK) Co., Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities (as defined under the SFO)
Ernst & Young	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Property valuer
Commerce & Finance Law Firm	Registered law firm in the PRC
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

7. Consents of experts

Each of Macquarie Capital Securities Limited, China Merchants Securities (HK) Co., Limited, Ernst & Young, DTZ Debenham Tie Leung Limited, Commerce & Finance Law Firm and Conyers Dill & Pearman has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. 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.

9. Taxation of holders of Shares*(a) Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) Cayman Islands

Under the present Cayman Islands law, transfers of our Shares are exempt from the Cayman Islands stamp duty.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasized that none of our Company, our Directors or their parties involved in the Global Offering accepts 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.

10. Miscellaneous*(a) Save as disclosed in this prospectus:**(i) within the two years immediately preceding the date of this prospectus:*

- (aa) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash; and*

- (bb) no discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
 - (cc) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 30 June 2009 (being the date to which the latest audited combined financial statements of our Group were made up).
- (c) Save as disclosed in this prospectus, neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (d) Save as disclosed in this prospectus, none of the persons named in the paragraph headed “Consents of experts” is interested beneficially or non-beneficially in any shares in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any share in any member of our Group.
- (e) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (f) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name by our Company in conjunction with our English name does not contravene Cayman Islands law.
- (i) The English text of this prospectus shall prevail over the Chinese text.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).