
SUMMARY

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

OVERVIEW OF OUR BUSINESS

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

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

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

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

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

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

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

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

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

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

PRODUCTS

Our main products include:

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

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

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

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SALES AND CUSTOMERS

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

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

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

Direct sales of chicken meat products to our customers

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

Sales of chicken meat products to distributors

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

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

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

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

COMPETITIVE STRENGTHS

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

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

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OUR BUSINESS STRATEGIES

Continuing to increase market coverage

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

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

Enhancing marketing and distribution and exploring new opportunities

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

Enhancing our brand image and recognition

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

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CORPORATE INVESTORS

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

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

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

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

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FUTURE PLANS AND PROSPECTS

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

Increase our production capacity

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

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

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

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

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

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

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

Note:

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

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Enhance the quality of our products and increase our product varieties

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

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

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SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

Combined Statements of Comprehensive Income

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

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

Notes:

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

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

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

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

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Gross profit and gross profit margin

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

Gross profit

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

Gross profit margin (Note 1)

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

Note:

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

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

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

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

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

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

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

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

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

Note:

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

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

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

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Summary of Statements of Financial Position

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

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

SUMMARY

Summary of Cash Flow Data

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

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

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PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

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

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

Sensitivity analysis

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

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

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

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

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

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

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

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

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

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

Market comparables

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

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

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

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

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USE OF PROCEEDS

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

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

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

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

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

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

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

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

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

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

OFFER STATISTICS

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

Notes:

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

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

DIVIDEND POLICY

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

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

RISK FACTORS

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

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

Risks associated with our business operations

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

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

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

Risks associated with the PRC

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

Risks associated with the Shares and the Share Offer

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