
HISTORY AND DEVELOPMENT

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

HISTORY AND DEVELOPMENT OF OUR OPERATING SUBSIDIARIES

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

Fujian Sumpo

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

Longyan Baotai

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

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

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

Xiamen Sumpo Trading

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

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

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

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

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

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

Fujian Baojiashun

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

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

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

Fujian Hetai

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

HISTORY AND DEVELOPMENT OF OUR DISCONTINUED OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

HISTORY AND PAST SHAREHOLDINGS IN SUMPO HOLDINGS

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

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

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

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

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

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

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

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

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

Subscription of shares in Sumpo Holdings

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

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

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Corporate Investors

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

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

Note:

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

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

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

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

CORPORATE REORGANIZATION

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

Disposal of Fujian Sumhua

On 1 December 2009:

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

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

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

HISTORY AND DEVELOPMENT

Disposal of Fujian Sumhui

On 18 December 2009:

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

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

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

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

Incorporation of the Company

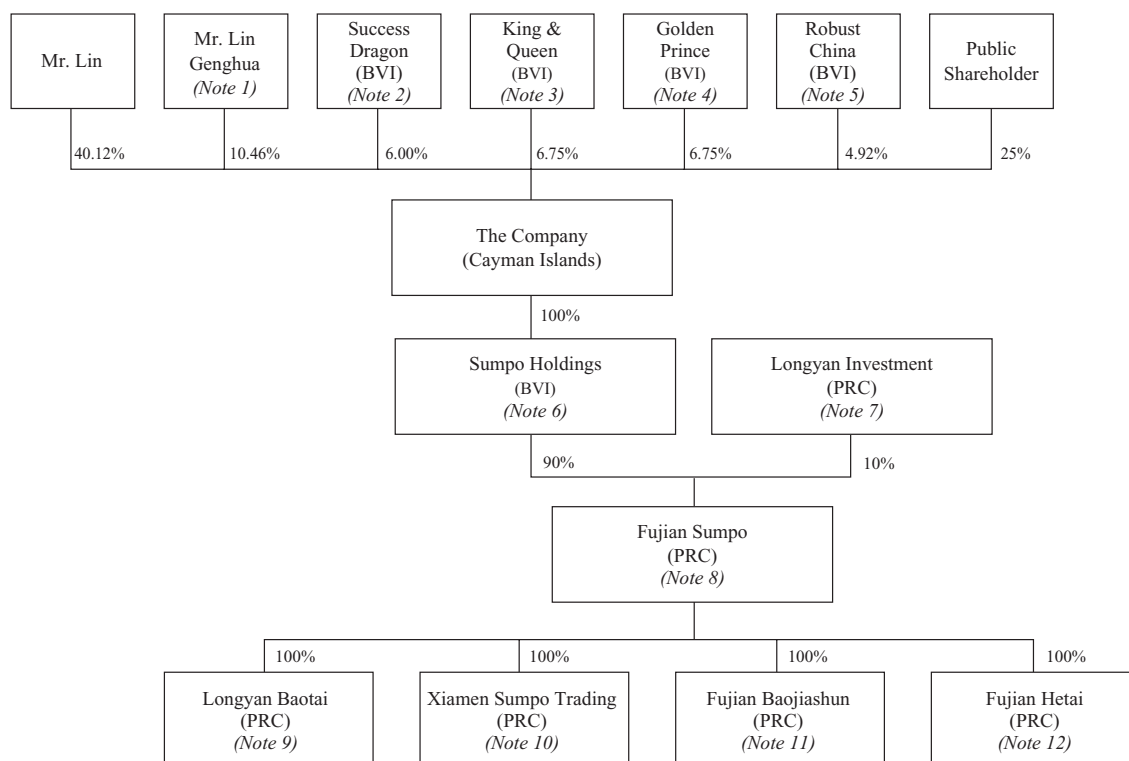
The Company was established in the Cayman Islands on 22 February 2010 with Mr. Lin holding 1 Share. On 17 December 2010, the Company allotted and issued an additional 4,999 Shares all nil-paid to the then shareholders of Sumpo Holdings in proportion to their respective shareholding in Sumpo Holdings.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

HISTORY AND DEVELOPMENT

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

GROUP STRUCTURE

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



Notes:

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

HISTORY AND DEVELOPMENT

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

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