
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Immediately upon completion of the Share Offer and the Capitalization Issue, Mr. Lin and Mr. Lin Genghua (the son of Mr. Lin) will together hold an aggregate of 50.58% of the entire issued share capital of the Company (without taking into account the Shares, if any, to be allotted and issued pursuant to the Share Option Scheme and the Over-allotment Option).

Each of Mr. Lin and Mr. Lin Genghua is interested in a number of companies which have been excluded from our Group (collectively the “Excluded Business Group”). The principal activities of some of the companies within the Excluded Business Group are summarized as follows:

Name of company	Principal activities	Mr. Lin’s effective interest	Mr. Lin Genghua’s effective interest
Fujian Sumhua (<i>Note 1</i>)	Slaughtering and processing of livestock, production and sales of pork products	58.29%	28.29%
Longyan Baoxing (<i>Note 2</i>)	Breeding and sales of crossbreed pigs and commodity pig breeds	58.29%	28.29%
Fujian Sumhui (<i>Note 3</i>)	Sales of commodity pig breeds	40.8%	19.80%
Guangzhou Gengsen Food Trading Company Limited (廣州耿森食品貿易有限公司) (<i>Note 4</i>)	Wholesale of pork related food products	58.29%	28.29%
Xiamen Ronghecheng Food Company Limited (廈門容和盛食品有限公司) (<i>Note 5</i>)	Wholesale and retail of fresh pork and pork related pre-packaged foods	58.29%	28.29%
Xiamen Sumpo (<i>Note 6</i>)	Trading of electronic products (<i>Note 7</i>)	58.29%	28.29%

Notes:

1. Fujian Sumhua is wholly-owned by Xiamen Sumpo.
2. Longyan Baoxing is wholly-owned by Fujian Sumhua.
3. Fujian Sumhui is 70% owned by Fujian Sumhua.
4. Guangzhou Gengsen Food Trading Company Limited is a wholly-owned subsidiary of Fujian Sumhua.
5. Xiamen Ronghecheng Food Company Limited is a wholly-owned subsidiary of Fujian Sumhua.

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6. The registered shareholders of Xiamen Sumpo are as follows:
- | | |
|--|--------|
| • Mr. Lin | 20.03% |
| • Ms. Fu | 13.42% |
| • Mr. Lin Genghua | 1.02% |
| • Long Yan Baoshun Poultry Technology Company Limited (a company wholly-owned by Mr. Lin through Vastcosmos Investments Limited) | 38.26% |
| • Winston Wine Pty Ltd (a company wholly-owned by Mr. Lin Genghua) | 27.27% |
7. Ximen Sumpo is also the holding company of certain companies, including Fujian Sumhua and Xiamen Sumpo Electronic (which is engaged in the manufacture of electronic equipment).

Other than the above companies, the Excluded Business Group also includes some other companies which are not engaged in food production industry, such as the companies engaged in the business of investment holding, manufacture of electronic products and importation of wine.

None of the companies within the Excluded Business Group carries out the chicken business. Although some of the companies within the Excluded Business Group are engaged in pork related business, due to the very different texture and taste between chicken meat and pork which cater for different appetites of different people, the Directors are of the view that pork and chicken products will not easily substitute each other and accordingly, the business of such companies does not necessarily compete with that of our Group. Furthermore, the breeding environment, the production facilities and process, the sales and distribution channels, the sales team and the target customers of our products are distinctly different from those related to pork business. Hence, such companies are not considered to be in competition with the Group.

Further, the Excluded Business Group also includes Xiamen Sumpo, Longyan Baoshun Poultry Technology Company Limited (龍岩寶順畜禽科技有限公司) and Xiamen Winston Trading Limited (廈門威士頓貿易有限公司) whose business licences allow them to carry out the activities such as the wholesale of refrigerated food products, the research and development of broiler breeding technology and the sales of packaged products. However, as at the Latest Practicable Date, these companies have not carried out the aforesaid business and have no intention to carry out such business in the future and therefore we are of the view that these companies are not in competition with our Group.

Independence of management, financing and operation

Our Directors consider that our Group will be able to be operationally and financially independent from the Controlling Shareholders and their respective associates.

Financial independence:

Our Group has an independent financial system and makes financial decisions according to its own business needs. All the guarantees provided by the Controlling Shareholders and/or their respective associates for the benefit of our Group have been released. All amounts due from the Controlling Shareholders and/or their respective associates to our Group have been settled as at the Latest Practicable Date. Therefore, there is no financial dependence by our Group on the Controlling Shareholders or any of their respective associates.

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Operational independence:

Our Group has an independent work force to carry out procurement, production, sales and marketing and has not shared its operation team with the Controlling Shareholders and its respective associates. Our Group has independent access to our suppliers and customers. Our Group has also implemented internal controls to facilitate the effective operations of our business. Other than those transactions disclosed under the paragraphs headed “Exempt Continuing Connected Transactions” and “Continuing Connected Transactions in which Waivers are Granted” of the section headed “Connected Transactions” of this prospectus which are not material to our Group, there is no business transaction between our Group on the one hand, and the Controlling Shareholders and their respective associates on the other hand. The Directors consider that our Group’s operations do not rely on the Controlling Shareholders or any of their respective associates.

Management independence:

Save for Mr. Lin, the Board comprises two other executive Directors and four independent non-executive Directors, which will function independently from the associates of Mr. Lin. Save for his various positions in our Group as mentioned in the sub-paragraph headed “Executive Directors” under the paragraph headed “Directors” under the section headed “Directors, Senior Management and Staff” of this prospectus, Mr. Lin has also held certain positions in other companies outside our Group in which he or Mr. Lin Genghua is interested, such as being the chairman of Xiamen Sumpo. Save for Mr. Lin and Mr. Wu Shiming, no Director or member of the senior management team will serve any executive or management role in Xiamen Sumpo. Mr. Lin intends to spend not less than 60% of his working time on our Group after Listing. Each Director is aware of his fiduciary duties as a director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions.

Our independent non-executive Directors are experienced in different areas and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board will be made only after due consideration of independent and impartial opinions. The Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions. Further, the Board acts collectively by majority decisions in accordance with the Articles of Association and the laws, and no single Director is supposed to have any decision-making power unless otherwise authorized by the Board.

In addition, our Group has adopted certain corporate governance measures for conflict situation in order to safeguard the interests of our Shareholders as a whole, the details of which are set out in the paragraph headed “Corporate Governance” below.

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Having considered the above factors, the Directors are satisfied that they are able to perform their roles in our Company independently, and the Directors are of the view that our Group is capable of managing the business independently from Mr. Lin and his associates after the Share Offer.

Delineation of business

Before the Reorganization, Fujian Sumpo beneficially owned:

- (a) the entire registered capital of each of Longyan Baotai, Xiamen Sumpo Trading, Fujian Baojiashun and Fujian Hetai, which remain the wholly-owned subsidiaries of Fujian Sumpo after Reorganization and form part of our Group; and
- (b) the entire registered capital of each of Fujian Sumhua and Longyan Baoxing, 80% equity interest in Fujian Senhong and 70% equity interest in Fujian Sumhui (collectively, the “Excluded Companies”).

Pursuant to the Reorganization, Fujian Sumpo has disposed of all of its interest in the Excluded Companies.

Other than the Excluded Companies, Mr. Lin and Mr. Lin Genghua are also interested in a number of other companies within the Excluded Business Group which have engaged in business with our Group that will constitute continuing connected transactions of our Group upon Listing, including:

- Fujian Sumhua, whose principal activities are slaughtering and processing of livestocks, production and sales of pork products, has purchased from our Group (i) chicken blood and chicken feather to produce blood powder and feather powder respectively, and (ii) chicken meat to manufacture sausages; and
- Xiamen Oporto, whose principal activities are operating the business of fast food restaurants, has purchased chicken meat from our Group for its business.

Notwithstanding that there are certain continuing connected transactions between the Group and some companies within the Excluded Business Group, there is clear delineation of business between our Group and the Excluded Business. We are simply a supplier of chicken blood and chicken feather or chicken meat products to the Excluded Business Group and the reason for such continuing connected transactions with the Excluded Business Group is that either the products are of no use to our business or we do not carry out the business which the Excluded Business Group is engaged in, such as operating fast food restaurants and manufacturing sausage.

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As at the Latest Practicable Date, save for Mr. Lin, Mr. Wu Shiming, Mr. Zhang Xiangyang and Mr. Ke, there is no overlap of any other directors or members of the senior management team between our Group and those of the companies in the Excluded Business Group. Set out below is a table summarizing the positions held by our Directors and senior management in our Company and the Excluded Business Group as at the Latest Practicable Date:

Name	Major Roles in our Group	Major Roles in Excluded Business Group	Expected Time Allocated to our Group after Listing
Mr. Lin	executive Director, chief executive officer and the chairman of our Company	Chairman of Xiamen Sumpo (<i>Note</i>)	not less than 60% of his working time
Mr. Wu Shiming	executive Director	Director of Xiamen Sumpo	not less than 70% of his working time
Mr. Yin Shouhong	executive Director	None	full-time
Mr. Hu Chung Ming	independent non-executive Director	None	N/A
Mr. Liao Yuan	independent non-executive Director	None	N/A
Mr. Chau On Ta Yuen	independent non-executive Director	None	N/A
Mr. Wei Ji Min	independent non-executive Director	None	N/A
Mr. Ke	vice chairman of Fujian Sumpo	director of Fujian Sumhua	nearly 100% of his working time
Mr. Zhang Xiangyang	deputy general manager of Fujian Sumpo	director of Fujian Sumhua and chairman of Xiamen Ronghecheng Company Limited	not less than 70% of his working time

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Name	Major Roles in our Group	Major Roles in Excluded Business Group	Expected Time Allocated to our Group after Listing
Mr. Chen Dongpei	chief financial officer and the secretary of the board of directors of Fujian Sumpo	None	full-time
Mr. Ng Kin Sun	chief financial officer and company secretary of our Company	None	full-time

Note: Mr. Lin has also held a number of other positions in other companies in the Excluded Business Group which are not engaged in food production industry, such as the companies engaged in the business of investment holding and electronic products.

Mr. Lin and Mr. Wu Shiming also participate in other non-competing companies in which Mr. Lin or Mr. Lin Genghua is interested. However, their roles are confined to the formulation of overall development and business strategies at a strategic level and they are not involved in the day-to-day management and operation of such companies.

Mr. Lin intends to spend not less than 60% of his working time on our Group after Listing. The Directors are of the view that Mr. Lin will be able to fulfil his duties as an executive Director even if he does not devote all his working time on the business of our Group. During the Track Record Period, Mr. Lin spent a similar proportion of his working time on the business of our Group whilst he was engaged in other businesses at the same time. Despite so, the business of our Group continued to prosper and the profit of our Group continued to increase significantly during the Track Record Period. In light of the aforesaid, it is considered that the time devoted by Mr. Lin will be sufficient for the Group's business and development.

For the biographical details of the aforesaid Directors and senior management, please refer to the section headed "Directors, Senior Management and Staff" of this prospectus.

We believe that the Board has a balanced composition of executive Directors and independent non-executive Directors so that there is a strong element on the Board that can effectively exercise independent judgment. None of our independent non-executive Directors has any relationship with the Controlling Shareholders. Mr. Wei Ji Min possesses in-depth knowledge in the agricultural and livestock industry in the PRC while Mr. Chau On Ta Yuen has held directorships in a number of listed companies. Mr. Hu Chung Ming has knowledge and experience in accounting and finance while Mr. Liao Yuan possesses 13 years of experience in financial management. With expertise in different professional fields, the independent non-executive Directors have the necessary caliber and expertise to form and exercise independent judgment in the event that any conflict of interests between our Group and the overlapping Directors arises. Further, we have implemented various measures to

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manage the conflict of interests arising from competing business, if any, and to safeguard the interests of the Shareholders, details of which are set out in the paragraphs headed “Non-competition Undertakings” and “Corporate Governance” in this section.

Further, as the manufacturing of chicken meat products and pork products require different sets of equipment, upon completion of the Reorganization, the Excluded Companies do not have the capability to engage in the business of our Group without installing new production facilities.

Prior to our disposal of the Excluded Companies, for each of the three years ended 31 December 2007, 2008 and 2009, the aggregate turnover of the Excluded Companies amounted to approximately nil, RMB334.8 million, RMB520 million respectively; and the aggregate net loss of the Excluded Companies amounted to approximately nil, RMB2.7 million, RMB25.6 million respectively. After our disposal of the Excluded Companies, the Excluded Companies recorded a revenue of approximately RMB63.2 million and RMB242.4 million respectively and a gain of approximately RMB1.9 million and a loss of approximately RMB7.9 million for the one month ended 31 December 2009 and the six months ended 30 June 2010 respectively.

The Directors are not aware of any current plan of the Controlling Shareholders to inject the Excluded Business into the Company.

We have entered into a number of agreements with Fujian Sumhua, details of which are set out in the paragraphs headed “Exempt Continuing Connected Transactions” and “Continuing Connected Transactions in which Waivers are Granted” of the section headed “Connected Transactions” of this prospectus.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group on the one hand, and the Controlling Shareholders on the other hand, the Controlling Shareholders have executed a deed of non-competition on 17 December 2010 in favour of our Company (for itself and for the benefit of each member of our Group). Pursuant to the deed of non-competition, the Controlling Shareholders have jointly and severally, irrevocably and unconditionally undertaken with our Company (for itself and for the benefit of each member of our Group) that with effect from the Listing Date and for as long as the Shares remain listed on the Stock Exchange and the Controlling Shareholders are, either individually or collectively with their respective associates, directly or indirectly interested in not less than 30% of the issued share capital of our Company, the Controlling Shareholders and their respective associates (other than members of our Group) shall not directly or indirectly be engaged, invest, be interested or otherwise be involved in any chicken-related business and any other business which is carried out by our Group (the “Restricted Activity”) in the PRC save for the holding of not more than 5% shareholding interests (individually or with other executive Directors and/ or their respective associates) in any company which is engaged or interested in the Restricted Activity, provided that (a) that company is listed on a recognized stock exchange; or (b) the Controlling Shareholders do not have any right to appoint any person to the board of directors of that company and there is at least one other shareholder

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having shareholding in that company which is larger than the aggregate shareholding of the Controlling Shareholders in that company; or (c) the obtaining of our Company's approval as mentioned in the paragraph below.

The Controlling Shareholders are entitled to engage or have an interest in any Restricted Activity in the PRC provided that the principal terms thereof have been disclosed to our Company and such Restricted Activity has been offered or made available to at least one member of the Group on such terms; and the Company, after consultation with the independent non-executive Directors, has confirmed in writing (provided always that those Directors who are interested in the relevant Restricted Activity shall not vote on the relevant resolutions of the Board) that it or any of its Subsidiary does not wish to be engaged or interested in the relevant Restricted Activity and has approved the Controlling Shareholders engaging, or having an interest, in the relevant Restricted Activity.

Pursuant to the said deed of non-competition, each of the Controlling Shareholders has also undertaken not to, and procure his associates not to, use the trademarks as set out under the paragraph headed "Intellectual Property" in Appendix VI to this prospectus under classes 29 and 31 anywhere in the world (including the PRC). The Controlling Shareholders have also agreed to indemnify our Group on a full indemnity basis for any loss or damages suffered by our Group as a result of the Controlling Shareholders' continuous use of the said trademarks.

For details of our intellectual property rights, please refer to the paragraphs headed "Intellectual Property Rights" in the "Business" section of this prospectus.

Each of the executive Directors has executed a service agreement with the Company on 17 December 2010. Pursuant to the service agreement, each of the executive Directors has irrevocably and unconditionally undertaken with the Company that, unless with the prior written consent of the Board (provided always that those Directors who are interested in the relevant Restricted Activity shall not vote on the relevant resolutions of the Board), during his service as an executive Director and for a period of 12 months after the relevant executive Director has ceased to be an executive Director, each of the executive Directors shall not and shall procure their respective associates not to, whether directly or indirectly, engage or hold any interest in any business in competition with or likely to be in competition with the business of any member of our Group save for the holding of not more than 5% shareholding interests (individually and/or together with their respective associates) in any company listed on a recognized stock exchange.

CORPORATE GOVERNANCE

Our Company has adopted the following stringent corporate governance measures for conflict situation in order to safeguard the interests of our Shareholders as a whole:

- (a) all the Conflicted Directors will abstain from participation in any board meeting of our Company or part thereof when matters relating to the exercise of any rights of first refusal granted to our Group or any other connected transactions with those companies controlled by the Controlling Shareholders (other than our

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Group) are discussed, unless his attendance is agreed by a majority of the independent non-executive Directors. Notwithstanding his attendance, he shall not vote or be counted towards the quorum in respect of such matters;

- (b) an independent board committee comprising all of the independent non-executive Directors will decide whether or not to pursue the opportunity offered by the companies controlled by the Controlling Shareholders other than our Group. When considering whether or not to pursue such opportunity, the independent board committee of our Company will consider whether the relevant business opportunities are expected to present a sustainable level of profitability, accord with the development strategy of our Group at the material time, and would be in the best interests of the Shareholders as a whole. Notwithstanding that the Conflicted Director shall abstain from voting on any resolution of the board relating to connected transactions with those companies controlled by the Controlling Shareholders other than our Group, the Conflicted Directors shall be obliged to provide useful information to assist the independent board committee or independent financial advisor or other professional advisors for them in assessing such opportunity. Such independent board committee may appoint an independent financial advisor or other professional advisors to give the necessary advice;
- (c) our Company has appointed Kingston Corporate Finance Limited as our compliance advisor which shall provide us with professional advice and guidance in respect of compliance with the Listing Rules and applicable laws; and
- (d) the Board will establish a committee comprising all independent non-executive Directors which will be delegated with the authority to review on an annual basis the above undertaking from the Controlling Shareholders and the executive Directors. Our Company will disclose the decision on the matters reviewed by the committee relating to the enforcement of the undertaking given by the Controlling Shareholders and the executive Directors in its annual report or by way of announcement to the public in addition to complying with the disclosure requirements under the Listing Rules. The Controlling Shareholders and the executive Directors also undertake to provide all information necessary for the enforcement of the non-competition undertakings as requested by the committee from time to time and make an annual declaration on compliance with the non-competition undertakings in the annual report of our Company.