
CONNECTED TRANSACTIONS

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Lease Agreement with Xiamen Sumpo

Transaction Details

On 1 January 2010, Xiamen Sumpo, as lessor, entered into a lease agreement (the “Lease Agreement (Xiamen)”) with Xiamen Sumpo Trading, as lessee, for a term of 3 years commencing from 1 January 2010 in respect of an office premise located at Room A, 1st floor, Sumpo Building, No. 48-50 Huarong Road, Huli District, Xiamen (廈門市湖里區華榮路48-50號森寶大廈一樓A室) with a gross floor area of approximately 180 sq.m. as office at a quarterly rental of RMB13,500. The rental payable to Xiamen Sumpo was determined on an arm’s length basis.

The Valuer has confirmed that the rental payment under the Lease Agreement (Xiamen) is within the range of the prevailing market rate.

The Directors (including the independent non-executive Directors) are of the view that the Lease Agreement (Xiamen) has been entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of the Lease Agreement (Xiamen) are fair and reasonable and in the interests of the Shareholders as a whole.

Connectedness

Mr. Lin, the Chairman and an executive Director, owns approximately 58.29% equity interest in Xiamen Sumpo. As such, Xiamen Sumpo is an associate of Mr. Lin and is thus a Connected Person of the Company under the Listing Rules. Accordingly, the Lease Agreement (Xiamen) will constitute a continuing connected transaction of the Company upon Listing under the Listing Rules.

Proposed Annual Caps and Historical Amounts

The aggregate amount and annual cap of rental payable by Xiamen Sumpo Trading per year shall be RMB54,000. The said rental payment is determined with reference to the prevailing market rate. For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the aggregate amount of rental paid to Xiamen Sumpo for the said office premise were RMB72,000, RMB60,000, RMB24,000 and RMB27,000 respectively.

Since each of the percentage ratios (other than the profit ratio), where applicable, calculated by reference to the Listing Rules, for the Lease Agreement (Xiamen) on an annual basis is less than 0.1%, the Lease Agreement (Xiamen) is exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Rule 14A.33(3) of the Listing Rules.

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Lease Agreement with Fujian Sumhua

Transaction Details

On 13 August 2010, Fujian Baojiashun, as lessor, entered into a lease agreement (the “Lease Agreement (Longyan)”) with Fujian Sumhua, as lessee, for a term of 2 years in respect of the Longyan Land Properties at an aggregate monthly rental of RMB20,757, which is payable by Fujian Sumhua quarterly. The rental payable to Fujian Baojiashun was determined on an arm’s length basis.

Fujian Baojiashun acquired from Fujian Sumhua at a consideration of approximately RMB81 million or its equivalent in other currency the land use rights of a parcel of land with an area of 116,606.1 sq. m. adjacent to our existing production base on 12 August 2010 where our new slaughtering and processing plant will be erected. The Directors confirm that an undeveloped portion of the land parcel with an area of approximately 63,000 sq. m. has been reserved for the development of the new slaughtering and processing plant. There are already certain developments erected with a total gross floor area of 17,877.6 sq. m. on a portion of such parcel of land, including the Longyan Land Properties. Before Fujian Baojiashun acquired the said land use rights from Fujian Sumhua, the Longyan Land Properties have already been used by Fujian Sumhua as office and dormitory. Since our Group still has sufficient space to use without the Longyan Land Properties and Fujian Sumhua would like to continue to use the Longyan Land Properties by paying rental to Fujian Baojiashun at the prevailing market rate, we have decided to enter into the Lease Agreement (Longyan). Such arrangement also enables our Group to generate rental income. The Valuer has confirmed that the rental payment under the Lease Agreement (Longyan) is within the range of the prevailing market rate.

The Directors (including the independent non-executive Directors) and the Sponsor are of the view that the Lease Agreement (Longyan) has been entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of the Lease Agreement (Longyan) are fair and reasonable and in the interests of the Shareholders as a whole.

Connectedness

Fujian Sumhua is wholly-owned by Xiamen Sumpo and Mr. Lin, an executive Director, owns approximately 58.29% equity interest in Xiamen Sumpo. As such, Fujian Sumhua is an associate of Mr. Lin and is thus a connected person of the Company under the Listing Rules. Accordingly, the Lease Agreement (Longyan) will constitute a continuing connected transaction of the Company under the Listing Rules.

Proposed Annual Caps and Historical Amounts

The aggregate amount of rental payable by Fujian Sumhua per year shall be RMB249,084. The said rental payment is determined with reference to the prevailing market rate. No such lease had been entered into with Fujian Sumhua prior to 2010 and therefore, there is no historical amount of rental paid for this transaction.

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Since each of the percentage ratios (other than the profit ratio), where applicable, calculated by reference to the Listing Rules, for the Lease Agreement (Longyan) on an annual basis is less than 0.1%, the Lease Agreement (Longyan) is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS IN WHICH WAIVERS ARE GRANTED

Supply Agreements in respect of Agricultural Side Products

Transaction Details

Fujian Sumpo (as supplier) and Fujian Sumhua (as purchaser) entered into two supply agreements in respect of agricultural side products (each of them have been amended by the supplemental deeds dated 15 December 2010) (collectively, the "Supplemented Supply Agreements (Side Products)") on 3 June 2010 pursuant to which Fujian Sumpo has agreed to supply to Fujian Sumhua:

- (i) all chicken blood produced during the slaughtering process at a price of RMB0.001 per head of broiler slaughtered for the purpose of the production of blood powder, provided that Fujian Sumpo may make appropriate adjustment to the price with reference to the market price of blood powder; and
- (ii) all chicken feathers produced during the slaughtering process at a price of RMB0.05 per head of broiler slaughtered for the purpose of the production of feather powder, provided that Fujian Sumpo may make appropriate adjustment to the price with reference to the market price of feather powder.

The selling prices of chicken blood and chicken feathers were determined based on market prices, which were not less favourable than those available from or offered by Independent Third Parties.

Pursuant to the terms of the Supplemented Supply Agreements (Side Products), Fujian Sumpo shall have the absolute discretion to sell the chicken blood and chicken feather to any other parties.

To the best knowledge of the Directors, Fujian Sumhua will mix such chicken blood with pig blood to make blood powder and use chicken feathers to make feather powder.

The Supplemented Supply Agreements (Side Products) shall be for a term of 3 years and shall have been commenced from 1 January 2010 (i.e. it will expire on 31 December 2012) and may be renewable upon expiry by way of agreement between the parties.

The Directors (including independent non-executive Directors) are of the view that (i) the Supplemented Supply Agreements (Side Products) have been entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of the Supplemented Supply Agreements (Side Products) are fair and reasonable and

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in the interests of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Supplemented Supply Agreements (Side Products) are fair and reasonable and are in the interest of our Shareholders as a whole.

Connectedness

As already mentioned above, Fujian Sumhua is an associate of Mr. Lin and is thus a Connected Person of the Company under the Listing Rules. Accordingly, the Supplemented Supply Agreements (Side Products) will constitute continuing connected transactions of the Company upon Listing under the Listing Rules.

Historical Amounts

For each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, the aggregate amount of the purchase price paid by Fujian Sumhua for the purchase of the agricultural side products were RMB620,965.32, RMB776,257.48 and RMB379,554.77 respectively.

Proposed Annual Caps

The approximate aggregate amount of purchase price payable by Fujian Sumhua per year will not exceed RMB918,000, RMB1,836,000 and RMB2,754,000 for the years ending 31 December 2010, 31 December 2011 and 31 December 2012 respectively. The increase in the annual caps from the year ending 31 December 2010 to the year ending 31 December 2012 is determined with reference to the historical amounts paid by Fujian Sumhua and the increase in our production capacity after completion of our expansion plan, the details of which are set out in the section “Future Plans and Use of Proceeds” of this prospectus.

The Directors estimate that the number of broilers produced by us will be increased from 18,000,000 in 2010 to 54,000,000 by the end of 2011 and therefore, the amount of side products will increase accordingly.

Since the relevant percentage ratios (other than the profit ratio), where applicable, calculated by reference to the Listing Rules, for the Supplemented Supply Agreements (Side Products) on an annual basis is more than 0.1% but less than 5%, the Supplemented Supply Agreements (Side Products) are subject to the reporting, annual review and announcement requirements but exempt from independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Stock Exchange has granted a waiver from strict compliance with the announcement requirement.

Supply Agreement in respect of chicken meat products

Transaction Details

On 31 May 2010, our Group, as supplier, entered into a supply agreement (as amended by a supplemental deed dated 15 December 2010) in respect of chicken meat products (the “Supply Agreement (Oporto)”) with Xiamen Oporto Catering Management Co. Limited (“Xiamen Oporto”), pursuant to which our Group has agreed to supply to Xiamen Oporto,

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and Xiamen Oporto has agreed to purchase from our Group, the chicken meat products manufactured by our Group. Xiamen Oporto shall issue tentative purchase orders for the forthcoming month on or before the 25th day of each month and our Group shall have the absolute discretion to decide as to whether to accept such purchase order. The selling price of the products shall be determined with reference to the prevailing market price and the agreed unit price in the last transaction immediately before the relevant transaction, provided that appropriate adjustment to the selling prices shall be made if the production costs change.

The Supply Agreement (Oporto) shall be for a term of 3 years and shall have been commenced from 1 January 2010 (i.e. it will expire on 31 December 2012) and may be renewable upon expiry by way of agreement between the parties.

The Directors (including independent non-executive Directors) are of the view that (i) the Supply Agreement (Oporto) have been entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of the Supply Agreement (Oporto) are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Supply Agreement (Oporto) are fair and reasonable and are in the interest of our Shareholders as a whole.

To the best knowledge of the Directors, Xiamen Oporto operates the business of fast food restaurants and the chicken meat supplied by us will be used by Xiamen Oporto for processing into various fast food products.

Connectedness

Xiamen Oporto is owned by Mr. Lin Genghua (a substantial Shareholder of the Company and the son of Mr. Lin), Mr. Jin Huafeng and Mr. Hu Song as to 70%, 15% and 15% respectively and is thus a Connected Person of the Company under the Listing Rules. Accordingly, the Supply Agreement (Oporto) will constitute a continuing connected transaction of the Company upon Listing under the Listing Rules. Each of Mr. Jin Huafeng and Mr. Hu Song is an Independent Third Party.

Proposed Annual Caps

The approximate aggregate amount of purchase price payable by Xiamen Oporto per year will not exceed RMB561,000, RMB2,123,000 and RMB5,291,000 for the years ending 31 December 2010, 31 December 2011 and 31 December 2012 respectively. The increase in the annual cap from RMB561,000 for the year ending 31 December 2010 to RMB5,291,000 for the year ending 31 December 2012 is due to the expected continuing expansion of the business of Xiamen Oporto and the increase in the number of fast food chain stores operated by it, which commenced its business in 2010. To the best knowledge of the Directors, Xiamen Oporto plans to increase the number of fast food restaurants from 2 as at the Latest Practicable Date to about 5 by the end of 2011 and 9 by the end of 2012. It is estimated that the purchase price payable by each restaurant which is operating throughout the whole year is in the range of RMB490,000 to RMB730,000. No similar transactions have been carried

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out with Xiamen Oporto prior to 2010 and the aggregate amount of the purchase price paid by Xiamen Oporto for the purchase of the chicken meat product was RMB170,470.50 during the six months ended 30 June 2010.

Since the relevant percentage ratios (other than the profit ratio), where applicable, calculated by reference to the Listing Rules, for the Supply Agreement (Oporto) on an annual basis are more than 0.1% but less than 5%, the Supply Agreement (Oporto) is subject to the reporting, annual review and announcement but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Stock Exchange has granted a waiver from strict compliance with the announcement requirement.

Supply Agreement in respect of frozen chicken meat products

Transaction Details

On 16 May 2010, our Group, as supplier, entered into a supply agreement (as amended by a supplemental deed dated 15 December 2010) in respect of frozen chicken meat products (the "Supply Agreement (Frozen Chicken)") with Fujian Sumhua, pursuant to which our Group has agreed to supply to Fujian Sumhua and Fujian Sumhua has agreed to purchase from our Group, frozen chicken meat products. Fujian Sumhua shall issue purchase orders to our Group from time to time and our Group shall have the absolute discretion to decide as to whether to accept such purchase orders or not. The selling prices of the frozen chicken meat products shall be determined with reference to the prevailing market prices.

The Supply Agreement (Frozen Chicken) shall be for a term of 3 years and shall have been commenced from 1 January 2010 (i.e. it will expire on 31 December 2012) and may be renewable upon expiry by way of agreement between the parties.

To the best knowledge of the Directors, the frozen chicken meat will be used by Fujian Sumhua for manufacturing sausages, the ingredients of which include, among other things, pork and chicken meat.

The Directors (including the independent non-executive Directors) are of the view that (i) the Supply Agreement (Frozen Chicken) has been entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of the Supply Agreement (Frozen Chicken) are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Supply Agreement (Frozen Chicken) are fair and reasonable and are in the interest of our Shareholders as a whole.

Historical Amounts

For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the aggregate amount of the purchase price paid by Fujian Sumhua for the purchase of the frozen chicken meat products was nil, RMB41,163.45, RMB1,769,097.72 and RMB693,555.34 respectively.

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Connectedness

As already mentioned above, Fujian Sumhua is a connected person of the Company under the Listing Rules. Accordingly, the Supply Agreement (Frozen Chicken) will constitute a continuing connected transaction of the Company upon Listing under the Listing Rules.

Proposed Annual Caps

The approximate aggregate amount of purchase price payable by Fujian Sumhua per year will not exceed RMB1,430,000, RMB1,770,000 and RMB2,810,000 for the years ending 31 December 2010, 31 December 2011 and 31 December 2012 respectively. The increase in the annual cap from 2010 to 2012 is determined with reference to the historical amounts paid by Fujian Sumhua and the expected continuing expansion of Fujian Sumhua's sausage manufacturing business. To the best knowledge of the Directors, Fujian Sumhua's expected annual consumption of chicken meat for manufacturing the sausage is expected to increase from about 140 tonnes in 2010 to about 250 tonnes in 2012.

Since the relevant percentage ratios (other than the profit ratio), where applicable, calculated by reference to the Listing Rules, for the Supply Agreement (Frozen Chicken) on an annual basis are more than 0.1% but less than 5%, the Supply Agreement (Frozen Chicken) is subject to the reporting, annual review and announcement but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Stock Exchange has granted a waiver from strict compliance with the announcement requirement.

As the nature of the Supplemented Supply Agreements (Side Products), the Supply Agreement (Oporto) and the Supply Agreement (Frozen Chicken) are similar, the Stock Exchange may aggregate such transactions and treat them as if they were one transaction under Rule 14A.25 of the Listing Rules. However, even if these transactions are aggregated, the relevant percentage ratios (other than the profit ratio), where applicable, calculated by reference to the Listing Rule will still fall within the 5% threshold in Rule 14A.34 of the Listing Rules and therefore, the aforesaid transactions are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements set out in Rules 14A.37 and 14A.40 of the Listing Rules but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

The Sponsor is of the view that (i) the non-exempt continuing connected transactions described above have been entered into in our ordinary and usual course of business on normal commercial terms, are fair and reasonable and are in the interests of our Shareholders as a whole; and (ii) the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and are in the interests of our Shareholders as a whole.