



天溢果業控股有限公司 Tianyi Fruit Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 00756

INTERNATIONAL OFFERING



evolution
WATTERSON SECURITIES 
Evolution Watterson Securities Limited

International Co-ordinator, Bookrunner, Sponsor and Lead Manager



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent, professional advice.



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INTERNATIONAL OFFERING

Number of Offer Shares	: 250,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 25,000,000 Shares (subject to reallocation)
Number of International Placing Shares	: 225,000,000 Shares (subject to the Over-allotment Option and reallocation)
Maximum Offer Price	: HK\$0.73 per Offer Share (payable in full upon application in Hong Kong dollars and subject to refund on final pricing), plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%
Par Value	: HK\$0.01 per Offer Share
Stock Code	: 00756

International Co-ordinator, Bookrunner, Sponsor and Lead Manager



Evolution Watterson Securities Limited

The Stock Exchange of Hong Kong Limited, or the Stock Exchange, and Hong Kong Securities Clearing Company Limited, or HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies and Available for Public Inspection in Hong Kong" in Appendix VII to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong, or the SFC, and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the International Co-ordinator (acting for itself and on behalf of the other Underwriters) on the Price Determination Date or such later date as may be agreed by us and the International Co-ordinator but in any event no later than Tuesday, 8 July 2008. The Offer Price will be not more than HK\$0.73 per Offer Share and is currently expected to be not less than HK\$0.63 per Offer Share. The International Co-ordinator (acting for itself and on behalf of the other Underwriters) may reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction of the number of the Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the International Offering. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Hong Kong Offer Shares and/or the indicative Offer Price range is so reduced, such applications cannot subsequently be withdrawn. If, for any reason, the Offer Price is not agreed between the Company and the International Co-ordinator (on behalf of the Underwriters) on or before Tuesday, 8 July 2008, the International Offering will not become unconditional and will lapse immediately.

We are incorporated under the laws of the Cayman Islands and our businesses are located in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between these countries and Hong Kong. Potential investors should also be aware that the regulatory frameworks in these countries are different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the Shares. Such differences and risk factors are set out in the section headed "Risk Factors" and "Appendix V — Summary of the Company's Constitutional Document and the Cayman Islands Company Law" in this prospectus.

Pursuant to the force majeure provisions contained in the Underwriting Agreements in respect of the Offer Shares, the International Co-ordinator, on behalf of the Underwriters, has the right in certain circumstances, in the sole opinion of the International Co-ordinator, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the date when dealings in the Shares first commence on the Stock Exchange (such first dealing date is currently expected to be Thursday, 10 July 2008). Further details of the terms of the force majeure provisions are set out in the section headed "Underwriting — Grounds for termination" in this prospectus.

EXPECTED TIMETABLE FOR THE HONG KONG PUBLIC OFFERING

The Company will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable (note 1) of the Hong Kong Public Offering.

Date

Latest time to complete electronic applications under White Form eIPO service through the designated website www.eipo.com.hk (note 2)	11:30 a.m. on Friday, 4 July 2008
Application lists of the Hong Kong Public Offering open (note 3)	11:45 a.m. on Friday, 4 July 2008
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Friday, 4 July 2008
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 4 July 2008
Application lists of the Hong Kong Public Offering close	12:00 noon on Friday, 4 July 2008
Expected Price Determination Date (note 4) on or about	Monday, 7 July 2008
Announcement of ● the level of applications in the Hong Kong Public Offering; ● the level of indications of interest in the International Placing; and ● the basis of allotment of the Hong Kong Offer Shares to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or about	Wednesday, 9 July 2008
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see paragraph headed "Publication of Results, Despatch/Collection of Share Certificates and Refund Cheques" in the section headed "How to Apply for Hong Kong Offer Shares") from	Wednesday, 9 July 2008
Despatch of Share certificates and refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on (notes 5, 6 and 7)	Wednesday, 9 July 2008
Dealings in Shares on the Stock Exchange to commence on	Thursday, 10 July 2008

EXPECTED TIMETABLE FOR THE HONG KONG PUBLIC OFFERING

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the International Offering, including its conditions, are set out in the section headed “Structure of the International Offering” in this prospectus.
2. You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “**black**” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 4 July 2008, the application lists will not open and close on that day. Further information is set out in the paragraph headed “Effect of bad weather on the opening of the application lists” under the section headed “How to apply for Hong Kong Offer Shares” in this prospectus.
4. The Price Determination Date is expected to be on or about Monday, 7 July 2008, and in any event will be on or before Tuesday, 8 July 2008. If, for any reason, the Offer Price is not agreed on or before Tuesday, 8 July 2008, the International Offering will not proceed.
5. The Company will not issue any temporary documents of title in respect of the Offer Shares. Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 10 July 2008 (Hong Kong time), provided that (i) the International Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
6. Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque.
7. Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect their refund cheques (where applicable) and Share certificates (where applicable) in person from our Company’s Hong Kong share registrar may collect their refund cheques (where applicable) and Share certificates (where applicable) in person from our Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 July 2008 or any other date as notified by our Company in the newspaper as the date of collection/despatch of refund cheques/Share certificates. Identification and (where applicable) authorisation documents acceptable to our Hong Kong share registrar must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect their refund cheques (where applicable) in person may collect their refund cheques (where applicable) but may not elect to collect their Share certificates (where applicable), which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Hong Kong Offer Shares is the same as that for **WHITE** Application Form applicants.

Applicants who opt for personal collection must not authorize any person to make collection on their behalf. Applicants being corporation which opt for personal collection must attend by their authorized representatives with letters of authorization of their corporations stamped with the corporation’s chops (being the name of the

EXPECTED TIMETABLE FOR THE HONG KONG PUBLIC OFFERING

corporations). Both individuals and authorized representatives of corporations (as applicable) must produce, at the time of collection, evidence of identity and authority (as applicable) acceptable to the Company's Hong Kong share registrar.

Uncollected Share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus.

For details of the structure of the International Offering, including conditions of the Hong Kong Public Offering, please refer to the section headed "Structure of the International Offering".

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the International Co-ordinator, the Underwriters, any of their respective directors or any other person or party involved in the International Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Shares are summarised in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Shares.

OVERVIEW

According to the certificate issued by the China Beverage Industry Association (中國飲料工業協會) on 15 February 2008, we are one of the leading domestic producers in the FCOJ industry in PRC in terms of production quantity. It was forecasted by the United States Department of Agriculture, Foreign Agriculture Service in its Global Agriculture Information Network Report dated 29 November 2007 that approximately 20,000 tonnes of FCOJ were produced domestically in China in 2007 while we produced approximately 7,222 tonnes of FCOJ in 2007. Since 1993, we have principally engaged in the production and distribution of FCOJ and its related product, namely orange pulp. Since November 2004, we have also engaged in the wholesale of fresh oranges. During the Track Record Period, in order to fully utilize the production capacity of our production plants for those periods other than the pressing season of oranges, we have also engaged in the production and distribution of concentrated strawberry juice and concentrated gooseberry juice. Since 2006, in order to further widen our product range, we have also engaged in the production and distribution of dehydrated longans. Nevertheless, FCOJ and its related product and fresh oranges remain dominantly our primary products in terms of both revenue and sales volume during the Track Record Period. As advised by our legal advisers as to PRC law, we have obtained all the relevant licences, permits and approvals for our business activities and operations.

The table below sets out a breakdown of our turnover categorized by product types during the Track Record Period:

	Year ended 31 December					
	2005		2006		2007	
	RMB'000	%	RMB'000	%	RMB'000	%
FCOJ and its related product	44,398	47.0	70,725	40.3	124,337	46.8
Fresh oranges	43,793	46.3	94,818	54.0	127,128	47.9
Others (note)	<u>6,289</u>	<u>6.7</u>	<u>9,900</u>	<u>5.7</u>	<u>14,130</u>	<u>5.3</u>
Total	<u>94,480</u>	<u>100.0</u>	<u>175,443</u>	<u>100.0</u>	<u>265,595</u>	<u>100.0</u>

Note: Others include the turnover generated from the sales of concentrated strawberry juice, concentrated gooseberry juice and dehydrated longans.

Our products are all sold within the PRC domestic market.

A majority of our customers of our FCOJ and its related product are food and beverages manufacturers. In respect of the sales of our fresh oranges, most of our customers are fresh fruit wholesalers and fresh fruit distributors. In respect of the sales of our other products (which includes

SUMMARY

concentrated strawberry juice, concentrated gooseberry juice and processed dehydrated longans), most of our customers are food and beverages manufacturers and wholesalers and distributors for our processed dehydrated longans.

Our existing production plants and office are strategically located at Quanzhou and Sanming, Fujian Province, the PRC. They are in close proximity to our leased orange farms and our orange suppliers, thereby allowing us to lower our transportation costs and enhancing logistics efficiency.

Our production plants in Quanzhou and Sanming have a production volume of about 4,738 and 2,484 metric tonnes of FCOJ per pressing season respectively in 2007. For detailed information of our production capacity and production volume, please refer to the paragraphs headed “Production” in the section “Business” of this prospectus.

Sanming production plant is leased to us whilst Quanzhou production plant is owned by us. As advised by our legal advisers as to PRC law, we have obtained the necessary land title documents in connection with our property interests in the Quanzhou production plant.

We operate 23 leased orange farms. The table below sets out the geographical locations and other details of our orange farms.

<u>Location</u>	<u>Commencement date of leasing</u>	<u>Expiration date of leasing</u>	<u>Approximate area</u> <i>(mu)</i>	<u>Approximate number of orange trees in each farm</u>	<u>Annual rental</u> <i>(RMB)</i>	<u>Number of forestry right holders</u>
Sanyuan Qu Zhong Cun Xiang Nan Keng Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉南坑村)	1 January 2004	31 December 2008	1,480	88,800	429,200	12
Sha Xian Fu Kou Zhen Liu Keng Cun, Sanming City, Fujian Province (福建省三明市沙縣富口鎮柳坑村)	1 January 2004	31 December 2008	1,390	83,400	403,100	16
Mei Lie Qu Chen Da Zhen Bi Xi Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮碧溪村)	1 January 2004	31 December 2008	2,020	121,000	585,800	19
Yong An Shi Hong Tian Zhen Xiao Sang Cun, Sanming City, Fujian Province (福建省三明市永安市洪田鎮小嶸村)	1 January 2004	31 December 2008	1,200	72,000	348,000	15
Sanyuan Qu Xin Kou Zhen Xi Ji Cun, Sanming City, Fujian Province (福建省三明市三元區莘口鎮西際村)	1 January 2004	31 December 2008	1,760	105,000	510,400	18
Sanyuan Qu Yan Qian Zhen Ao Keng Cun, Sanming City, Fujian Province (福建省三明市三元區岩前鎮歐坑村)	1 January 2004	31 December 2008	1,650	99,000	478,500	17
Shun Chang Xian Yang Kou Zhen Shi Xi Cun, Nanping City, Fujian Province (福建省南平市順昌縣洋口鎮石溪村)	1 January 2005	31 December 2009	1,603	96,100	480,900	20
Yanping Qu Xia Yang Zhen Da Geng Cun, Nanping City, Fujian Province (福建省南平市延平區峽陽鎮大埂村)	1 January 2005	31 December 2009	1,426	85,500	427,800	18

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<u>Location</u>	<u>Commencement date of leasing</u>	<u>Expiration date of leasing</u>	<u>Approximate area</u> (<i>mu</i>)	<u>Approximate number of orange trees in each farm</u>	<u>Annual rental</u> (<i>RMB</i>)	<u>Number of forestry right holders</u>
Sanyuan Qu Zhong Cun Xiang Mi Yang Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉米洋村)	1 January 2005	31 December 2009	1,636	98,100	490,800	13
Mei Lie Qu Chen Da Zhen Yu Xi Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮漁溪村)	1 January 2005	31 December 2009	1,812	108,700	543,600	18
Sanyuan Qu Zhong Cun Xiang Ding Tie Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉頂太村)	1 January 2005	31 December 2009	1,451	87,000	435,300	15
Sanyuan Qu Zhong Cun Xiang Ji Feng Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉吉峰村)	1 January 2005	31 December 2009	1,031	61,800	309,300	9
Xu Bi Xiang Liao Yuan Cun, Sanming City, Fujian Province (福建省三明市徐碧鄉廖源村)	1 January 2005	31 December 2009	1,033	61,900	309,900	12
Sanyuan Qu Zhong Cun Xiang Zhong Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉中村)	1 January 2006	31 December 2010	1,068	64,000	325,740	10
Taiping Zhen Nan Xi Cun Nanping City, Fijian Province (福建省南平市太平鎮南溪村)	1 January 2006	31 December 2010	1,496	90,000	456,280	16
Sanyuan Qu Zhong Cun Xiang Keng Yuan Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉坑源村)	1 January 2006	31 December 2010	1,313	78,700	400,465	16
Sanyuan Qu Zhong Cun Xiang Du Shui Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉杜水村)	1 January 2006	31 December 2010	944	56,600	287,920	11
Shun Chang Xian Yang Kou Zhen Dao Wu Cun, Nanping City, Fujian Province (福建省南平市順昌縣洋口鎮道吳村)	1 January 2006	31 December 2010	1,475	88,000	449,875	14
Mei Lie Qu Chen Da Zhen Zhong Nan Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮棕南村)	1 January 2006	31 December 2010	904	54,240	275,720	10
Mei Lie Qu Chen Da Zhen Tai Xi Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮台溪村)	1 January 2006	31 December 2010	1,042	62,520	317,810	13
Mei Lie Qu Chen Da Zhen Chen Dun Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮陳墩村)	1 January 2006	31 December 2010	1,075	64,500	327,875	11
Mie Lie Qu Chen Da Zhen Chang Xi Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮長溪村)	1 January 2006	31 December 2010	963	57,780	293,715	12

SUMMARY

<u>Location</u>	<u>Commencement date of leasing</u>	<u>Expiration date of leasing</u>	<u>Approximate area</u> <i>(mu)</i>	<u>Approximate number of orange trees in each farm</u>	<u>Annual rental</u> <i>(RMB)</i>	<u>Number of forestry right holders</u>
Mei Lie Qu Chen Da Zhen Sha Zhao Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮砂蕉村)	1 January 2006	31 December 2010	1,026	61,560	312,930	12
Total:			<u>30,798</u>			

The total quantity of oranges produced by our leased orange farms was approximately 59,952 tonnes, 98,483 tonnes and 98,033 tonnes respectively for the three years ended 31 December 2007.

In addition to relying on the supply of oranges from our leased orange farms, we had sourced oranges from other orange farmers in Fujian Province for production of our FCOJ and its related product. We also procure fertilizers and pesticides for the use of our leased orange farms from fertilizers and pesticides suppliers.

OUR COMPETITIVE STRENGTHS

We believe that our success to date and potential for future growth can be attributed to a combination of strengths, including the following:

- Well-established and reputable customer base
- One of the leading producers of FCOJ in the large and rapidly growing juice market in China
- Well-established network for raw material procurement and supply chain management
- A vertically integrated processing platform
- Automated production process, proven system of large scale manufacturing and quality control
- Experienced management with a record of delivering growth and profitability

OUR STRATEGIES

We aim to maximize shareholders' value and pursue a business growth strategy based on the following principal components:

- Continue to focus on the fast-growing juice concentrates market in China and consolidate and further increase our market share;
- Expand production capacities by building new production facilities in strategic locations and further strengthen our raw materials supply base; and
- Expansion of our products range and client base.

SUMMARY

RISK FACTORS

We consider that our business is subject to a number of risk factors, which can be summarized as follows:

Risk Relating To Our Business

- Heavy reliance on the sale to a few of our customers
- Natural disaster
- Cultivation bases and processing facilities concentrated in Fujian Province
- Reliance on two main products
- Reliance on oranges as the major primary raw material
- Leasing of orange farms
- Risks related to the breach of orange farm leases by the farmer-households and the relevant villagers' committees
- Defective title of certain properties used by us
- Relationship with workers who provide farming support
- Reliance on key management personnel and technical staff
- Inability to renew and obtain the relevant certificates of the products
- Inability to meet the operational and licensing requirement set by our largest customer
- The construction and installation of our new production plants may not be completed within the time frame or at the cost levels originally anticipated and, as a result, we may not be able to implement our future plans for expansion
- Our plan to expand our orange farms and production plant in other provinces may not succeed or materialize
- Trade mark protection
- Our combined profit attributable to equity holders of the Company for the six-month period ending 30 June 2008 may not necessarily give any indication of, and should not be interpreted as a guidance of, our full year financial results for 2008

Risks Relating To The Industry

- Competition
 - FCOJ and its related product
 - Fresh oranges

SUMMARY

- Compliance with PRC environmental protection regulations
- Compliance with food hygiene laws

Risks Relating To Conducting Operations In China

- Changes in PRC Government regulations and policies in relation to the industries in which we or our customers operate may adversely affect our business operations
- Political and economic policies of the PRC Government could affect our business, results of operations and financial condition
- A slow-down of the PRC economy could adversely affect our business and growth prospects
- The outbreak of any severe communicable disease in the PRC, if uncontrolled, may materially and adversely affect our results of operations
- The PRC legal system is not fully developed and there are inherent uncertainties that could limit the legal protections available to the Group
- It may be difficult to effect service of process upon us or our Directors or executive officers who live in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts
- PRC Government control of currency conversion and future movements in exchange rates may adversely affect our ability to distribute dividends, increase competition from imports, affect the value of our net assets, earnings and dividends in foreign currency terms, or inhibit our ability to import equipment

Risks Relating To The International Offering

- There has been no prior public market for our Shares, and an active trading market may not develop after the International Offering
- The liquidity and market prices of our Shares following the International Offering may be volatile
- A potential sale of Shares by our existing Shareholders could have an adverse effect on our Share price
- There is no guarantee that dividends will be declared in the future
- Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from executing our growth strategy successfully
- There are risks associated with forward-looking statements
- Certain facts and statistics contained in this prospectus have come from official government sources whose reliability cannot be assumed or assured

SUMMARY

TRADING RECORD

The following tables present our summary financial information for the Track Record Period which is extracted from the accountants' report set out in Appendix I to this prospectus. This summary should be read in conjunction with our financial information included in the accountants' report set out in Appendix I to this prospectus, including the notes thereto. Our financial information is prepared in accordance with IFRS.

Combined Income Statements

	Year ended 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	94,480	175,443	265,595
Cost of sales	<u>(76,038)</u>	<u>(142,078)</u>	<u>(202,480)</u>
Gross profit	18,442	33,365	63,115
Gain from changes in fair value of biological assets less estimated point-of-sale costs	32,563	60,536	44,001
Other income	858	1,007	757
Distribution costs	(1,579)	(2,048)	(5,085)
Administrative expenses	(3,387)	(6,430)	(5,417)
Other expenses	<u>(2)</u>	<u>(51)</u>	<u>(118)</u>
Profit from operations	<u>46,895</u>	<u>86,379</u>	<u>97,253</u>
Finance income	10	32	222
Finance expenses	<u>(786)</u>	<u>(914)</u>	<u>(1,727)</u>
Net finance costs	<u>(776)</u>	<u>(882)</u>	<u>(1,505)</u>
Profit before tax	46,119	85,497	95,748
Income tax	<u>(12,661)</u>	<u>(23,717)</u>	<u>(25,899)</u>
Profit for the year	<u>33,458</u>	<u>61,780</u>	<u>69,849</u>
Attributable to:			
Equity holders of the Company	30,112	55,602	62,818
Minority interests	<u>3,346</u>	<u>6,178</u>	<u>7,031</u>
Profit for the year	<u>33,458</u>	<u>61,780</u>	<u>69,849</u>
Earnings per share (RMB cents)			
— Basic	<u>4.46</u>	<u>8.24</u>	<u>9.31</u>

Note: The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to the equity holders of the Company for the Track Record Period and the 675,000,000 shares of the Company in issue and issuable, comprising 90,000,000 shares (the entire 100,000,000 shares in issue at the date of the prospectus, excluding 10,000,000 shares issued in relation to the acquisition of minority interests from Mr. Sin Ke on 22 May 2008) in issue at the date of the prospectus and 585,000,000 (the entire 650,000,000 shares to be issued pursuant to the Capitalisation Issue, excluding 65,000,000 shares to be issued to Mr. Sin Ke via Key Wise) shares to be issued, pursuant to the Capitalisation Issue, as if the shares were outstanding throughout the Track Record Period.

SUMMARY

Combined Balance Sheets

	At 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	9,084	19,003	27,459
Land use rights	2,661	2,591	2,521
Rental prepayments	<u>27,529</u>	<u>18,328</u>	<u>9,357</u>
	39,274	39,922	39,337
	-----	-----	-----
Current assets			
Inventories	37,994	59,207	33,060
Biological assets	5,439	5,777	5,799
Rental prepayments	9,201	9,201	8,971
Trade and other receivables	10,054	43,727	122,513
Cash and cash equivalents	<u>1,090</u>	<u>16,451</u>	<u>67,783</u>
	63,778	134,363	238,126
	-----	-----	-----
Total assets	<u><u>103,052</u></u>	<u><u>174,285</u></u>	<u><u>277,463</u></u>
Current liabilities			
Loans and borrowings	11,716	14,975	17,000
Trade and other payables	9,439	7,881	5,627
Income tax payables	<u>6,166</u>	<u>12,125</u>	<u>15,137</u>
	27,321	34,981	37,764
	-----	-----	-----
Net current assets	<u>36,457</u>	<u>99,382</u>	<u>200,362</u>
	-----	-----	-----
Total assets less current liabilities	<u>75,731</u>	<u>139,304</u>	<u>239,699</u>
	-----	-----	-----
Non-current liabilities			
Loans and borrowings	719	—	35,000
Deferred tax liabilities	<u>4,401</u>	<u>6,913</u>	<u>2,459</u>
	5,120	6,913	37,459
	-----	-----	-----
Total liabilities	<u>32,441</u>	<u>41,894</u>	<u>75,223</u>
	-----	-----	-----
Net assets	<u>70,611</u>	<u>132,391</u>	<u>202,240</u>
	-----	-----	-----
Capital and reserves			
Share capital	18,000	18,000	730
Reserves	<u>45,550</u>	<u>101,152</u>	<u>181,240</u>
	63,550	119,152	181,970
Total equity attributable to equity holders of the Company	63,550	119,152	181,970
Minority interests	<u>7,061</u>	<u>13,239</u>	<u>20,270</u>
	70,611	132,391	202,240
Total equity	<u><u>70,611</u></u>	<u><u>132,391</u></u>	<u><u>202,240</u></u>

SUMMARY

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

OFFER STATISTICS

	Based on an Offer Price of HK\$0.63 per Share	Based on an Offer Price of HK\$0.73 per Share
Market capitalisation of the Shares (note 1)	HK\$630 million	HK\$730 million
Historical price/earnings multiple (note 2)	6.2 times	7.2 times
Unaudited pro forma adjusted net tangible asset value per Share (note 3)	RMB0.32	RMB0.34

Notes:

- (1) The calculation of the market capitalisation of the Shares is based on 1,000,000,000 Shares in issue immediately after completion of the International Offering and the Capitalisation Issue but does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and the Repurchase Mandate.
- (2) The calculation of the historical price/earnings multiple is based on the historical earnings per share of RMB0.09 for the year ended 31 December 2007, at the respective Offer Price of HK\$0.63 and HK\$0.73.
- (3) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed "Financial Information" in this prospectus and on the basis of 1,000,000,000 Shares in issue at the respective Offer Price of HK\$0.63 and HK\$0.73 per Share immediately following completion of the International Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and the Repurchase Mandate.

DIVIDEND POLICY

Our Directors may declare dividends, if any, after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on IFRS, our Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. The distribution of dividend for any financial year shall be subject to Shareholders' approval.

Subject to the factors above, we plan to distribute regular dividends after the Listing. Going forward, we intend to distribute as dividend to our shareholders approximately 15% of our total distributable profits in respect of the year ending 31 December 2008 and for each of the following years. Please see "Risk Factors — There is no guarantee that dividends will be declared in the future."

SUMMARY

PROFIT FORECAST

Our Directors forecast that, on the bases and assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the forecast combined profit attributable to equity holders of the Company prepared in accordance with IFRS for the six-month period ending 30 June 2008 will not be less than RMB21.5 million. To arrive at the forecast combined profit attributable to equity holders of the Company, the Directors have estimated the fair value gain for the six months ending 30 June 2008 to be nil as we are of the view that it is impracticable to reliably measure the quantity and quality of the oranges from our leased oranges farms which will be matured in November and December 2008 and the immature oranges as at 30 June normally do not have a market value.

We have undertaken to the Stock Exchange that our interim financial report for the six-month period ending 30 June 2008 will be audited pursuant to Rule 11.18 of the Listing Rules.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the International Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the International Offering, and assuming an Offer Price of HK\$0.68 per share, being the mid-point of the indicative Offer Price range) will be approximately HK\$141.0 million. We currently intend to apply these net proceeds in the following manner:

- approximately HK\$103.0 million (equivalent to approximately 73.1% of our total estimated net proceeds) for acquiring land use rights, plant construction, purchase and installation of production and processing equipment. Whilst we have not identified any particular land use right for establishment of our new plant to which the net proceeds from the International Offering will apply, we currently plan to use approximately (i) HK\$10.0 million to acquire land use rights in the first half of 2009; (ii) approximately HK\$38.0 million will be spent as capital expenditure for the construction of the production plant which is expected to commence in around in the second half of 2008 and is expected to complete before June 2009; and (iii) approximately HK\$55.0 million to acquire two sets of production facilities in 2009. Once completed, we expect the production plant to have an annual production capacity of 9,000 tonnes concentrated fruit juice. Investors should carefully read the risk factors “The construction and installation of our new production plants may not be completed within the time frame or at the cost levels originally anticipated and, as a result, we may not be able to implement our future plans for expansion” and “Our plan to expand our orange farms and production plant in other provinces may not succeed or materialise” under the section headed “Risk Factors” of this prospectus;
- approximately HK\$23.0 million (equivalent to approximately 16.3% of our total estimated net proceeds) for expanding of the total area of the orange farms we operate by approximately 10,000 mu (approximately equals to 6,666,667 sq.m.). Whilst we have not identified any particular orange farms to which the net proceeds from the International Offering will apply, we currently plan to look for suitable lands situated in Chongqing and Hunan Province of the PRC and lease approximately 10,000 mu of orange farms by the end of 2008;

SUMMARY

- approximately HK\$4.0 million (equivalent to approximately 2.8% of our total estimated net proceeds) for enhancing our marketing activities and expanding and improving the coverage of our sales network. In particular, we currently plan to use (i) approximately HK\$2.0 million to participate marketing activities such as exhibitions, industry conference and promotion in different market mediums in the period from September 2008 to June 2010; (ii) approximately HK\$1.5 million to set up sales representative offices in three top-tier cities in China in 2009; and (iii) approximately HK\$0.5 million to recruit new sales and marketing staff between the period from September 2008 to September 2009;
- approximately HK\$4.0 million (equivalent to approximately 2.8% of our total estimated net proceeds) for improving the orange planting technology and further developing our technological know-how on production of fruit concentrate products. In particular, we currently plan to use (i) approximately HK\$2.0 million to establish a citrus technology centre in collaboration with other institute for the development of citrus production technique between the period of around September 2008 and June 2009; (ii) approximately HK\$1.5 million to establish a fruit and vegetable juice processing technology centre to research and develop the technique of fruit and vegetable processing technique in the last quarter of 2008; and (iii) approximately HK\$0.5 million for recruitment of research and development staff between the period of around October 2008 to December 2009. As at the Latest Practicable Date, we have not signed any agreement with any institute to perform the aforementioned projects; and
- approximately HK\$7.0 million (equivalent to approximately 5.0% of our total estimated net proceeds) will be used for our general working capital.

As at the Latest Practicable Date, other than the non-binding memorandum of understanding between us and Kaixian Jinhua Agriculture Development Co., Ltd. on 21 April 2008 as disclosed in the section “Business” under the paragraph “Our Strategies” of this prospectus, we have yet to identify any specific land acquisition or orange farms leasing opportunity. In selecting the location of our farms we will adopt the criteria as set out in the section “Business” under the paragraph “Selection of orange farms” of this prospectus. In selecting the location of the site for our production plant, we look for a site which is (i) in close proximity of other orange farms to ensure an abundant supply of raw materials; (ii) a pollution-free environment; (iii) supported by an efficient transportation system and auxiliary support facilities; and (iv) and a sufficient supply of competitively priced land.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the International Offering (assuming the Over-allotment Option is not exercised) will increase or decrease by approximately HK\$12.0 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purpose on a pro-rata basis.

For further information about our planned capital expenditure, please refer to the section headed “Financial Information — Planned Capital Expenditure” in this prospectus.

If the Over-allotment Option is exercised in full, the net proceeds from the International Offering will increase to approximately HK\$165.0 million, assuming an Offer Price of HK\$0.68 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the International Offering will increase or decrease by approximately HK\$1.9 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) or, where the context so requires, either of them.
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 7 June 2008, as amended from time to time.
“associate(s)”	has the meaning ascribed thereto in the Listing Rules.
“Board”	our board of Directors.
“Business Day”	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business.
“BVI”	the British Virgin Islands.
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company referred to in the section headed “Written resolutions of all the Shareholders of our Company passed on 7 June 2008” in Appendix VI to this prospectus.
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC.
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant.
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant.
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation.
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant.
“Cheer Sky”	Cheer Sky Limited, a company incorporated in BVI on 8 January 2008 with limited liability and wholly owned by Mr. Sin.
“China” or “PRC”	the People’s Republic of China, but for the purposes of this prospectus and for geographical reference only (unless otherwise indicated), excluding Taiwan, Macau and Hong Kong.
“Coca-Cola”	Coca-Cola (China) Beverages Ltd., being an Independent Third Party and our largest customer during the Track Record Period.
“Companies Law”	the Companies Law (2007 Revision) of the Cayman Islands.

DEFINITIONS

“Company” or “our Company”	Tianyi Fruit Holdings Limited 天溢果業控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 5 February 2008.
“connected person”	shall have the same meaning as defined in the Listing Rules.
“Controlling Shareholders”	Key Wise and Mr. Hong.
“Covenantor(s)” or “Indemnifier(s)”	Key Wise, Mr. Hong, Cheer Sky, Mr. Sin, or any one of them.
“Director(s)”	director(s) of the Company.
“Evolution Watterson”, “International Co-ordinator” or “Sponsor”	Evolution Watterson Securities Limited, a licensed corporation under the SFO permitted to engage in type 1, 4 and 6 of the regulated activities (as defined under the SFO), acting as the sole international co-ordinator, bookrunner, lead manager of the International Offering and sole sponsor to the Listing.
“First Trading”	First Trading Limited, a company incorporated in BVI on 19 September 2007 with limited liability and wholly owned Mr. Ye Jinxing. Save for its shareholding in the Company, First Trading and Mr. Ye Jinxing are Independent Third Parties.
“First Trading Investor Rights Agreement”	the investor rights agreement dated 9 January 2008 and entered into amongst Sunshine Vocal, Mr. Hong, First Trading and Mr. Sin.
“GDP”	gross domestic product.
“Green application form(s)”	the application form(s) to be completed by White Form eIPO service provider designated by the Company.
“Group”, “our Group”, “our”, “we” or “us”	the Company and its subsidiaries or where the text refers to any time before the Company became the holding company of its present subsidiaries, the Company’s present subsidiaries and the business currently operated by such subsidiaries as the case may be.
“HK\$”, “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong.
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited.
“HKSCC Nominees”	HKSCC Nominees Limited.
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC.
“Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time.

DEFINITIONS

“Hong Kong Offer Shares”	the Shares offered by us for subscription pursuant to the Hong Kong Public Offering.
“Hong Kong Potel”	Potel Limited, a company incorporated in Hong Kong on 3 September 2007 with limited liability and an indirect wholly owned subsidiary of our Company.
“Hong Kong Public Offering”	the offering by our Company of initially 25,000,000 Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the International Offering” in this prospectus) for cash at the Offer Price (plus brokerage of 1% of the Offer Price, SFC transaction levy of 0.004% of the Offer Price and Stock Exchange trading fee of 0.005% of the Offer Price) on the terms and conditions described in this prospectus and the Application Forms.
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus.
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 27 June 2008 relating to the Hong Kong Public Offering entered into by our Company, the executive Directors, the Covenantors, the International Co-ordinator and the Hong Kong Underwriters as further described in the section headed “Underwriting — Underwriting arrangements and expenses — (a) Hong Kong Public Offering” in this prospectus.
“Hui’An Luoyang”	惠安縣洛陽經濟開發公司Hui’An Luoyang Economy Development Company, a state-owned PRC entity and an Independent Third Party.
“IFRS”	the International Financial Reporting Standards, which include standards and interpretations approved by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC).
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are, to the best information, belief and knowledge of the our Directors, independent of and not connected with any member of the Group, the Directors, the chief executives and the substantial shareholders (as defined in the Listing Rules) of our Company and its subsidiaries and their respective associates.
“International Offering”	the Hong Kong Public Offering and the International Placing.
“International Placing”	the conditional placing of initially 225,000,000 Shares by the International Underwriters with professional and institutional investors for cash at the Offer Price, as further described in the section headed “Structure of the International Offering”.
“International Placing Shares”	the Shares offered pursuant to the International Placing.

DEFINITIONS

“International Underwriters”	the underwriters of the International Placing listed in the section headed “Underwriting — International Underwriters” in this prospectus.
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or before the Price Determination Date by, among others, the International Co-ordinator, the International Underwriters and us in respect of the International Placing, as further described in the section headed “Underwriting — Underwriting arrangements and expenses — (b) International Placing”.
“Issuing Mandate”	the general unconditional mandate given to our Directors by the Shareholders relating to the issue of new Shares, further details of which are contained in the section headed “Written resolutions of all the Shareholders of our Company passed on 7 June 2008” in Appendix VI to this prospectus.
“Kam Ion”	Kam Ion Fa Kung Mau Iek Hong (金潤化工貿易行), a commercial enterprise established in Macau and wholly owned by Mr. Hong.
“Key Wise”	Key Wise Group Limited, a company incorporated in BVI on 8 January 2008 with limited liability and owned by Mr. Hong and Cheer Sky as to 86.856% and 13.144% respectively.
“Kingdom Glory”	<p>Kingdom Glory Overseas Limited, a company incorporated in BVI on 6 September 2007 with limited liability and owned as to 42.85%, 28.57% 14.29% and 14.29% by Perfect Landmarks Limited, Mobile Consultants Limited, Sunshine Asset Management (HK) Limited and Sunshine Greater China Master Fund respectively.</p> <p>Perfect Landmarks Limited is a wholly owned subsidiary of YS Investment Holdings Limited, which in turn is wholly owned by Mr. Chan Hon Ping. Both YS Investment Holdings Limited and Mr. Chan Hon Ping are Independent Third Parties.</p> <p>Mobile Consultants Limited is wholly owned by Ms. So Hon Chun. Ms. So Hon Chun is an Independent Third Party.</p> <p>The shareholders of Sunshine Asset Management (HK) Limited include Mr. Yang Yuchuan, Mr. Kwan Yam Hung, Mr. Shum Sai Chit, Mr. Wang Li An, Ms. Tan Ming Yue, Wealthy Bridge Investments Limited, Sunshine Partners Financial Holdings Limited, Reachup Holdings Limited and Mount Wave Investments Limited. The aforesaid shareholders of Sunshine Asset Management (HK) Limited and their respective ultimate shareholders are Independent Third Parties.</p> <p>Sunshine Greater China Master Fund is wholly owned by Sunshine Asset Management Limited, which in turn is wholly owned by Sunshine Asset Management (HK) Limited.</p>

DEFINITIONS

“Kingdom Glory Investor Rights Agreement”	the investor rights agreement dated 22 October 2007 and entered into amongst Sunshine Vocal, Mr. Hong, Kingdom Glory and Mr. Sin.
“Latest Practicable Date”	Tuesday, 24 June 2008, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication.
“Listing”	listing of the Shares on the Stock Exchange.
“Listing Committee”	the Listing Committee of the Stock Exchange.
“Listing Date”	the date, expected to be on or about Thursday, 10 July 2008, on which our Shares are listed and dealings in our Shares commence on the Stock Exchange.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange.
“Macau”	the Macau Special Administrative Region of the PRC (or where the context requires, the jurisdictional region known as Macau prior to its reunification to the PRC in 1999).
“Macau Dehong”	澳門德宏實業發展公司 (Tak Vang Sap Ip Fat Chin Hong), a commercial enterprise wholly owned and operated by Mr. Hong and established since October 1992 duly incorporated and validly existing under the laws of Macau.
“Manwell Limited”	Manwell (China) Limited, a company incorporated in Hong Kong on 22 November 2007 with limited liability and an indirect wholly owned subsidiary of our Company.
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 7 June 2008, as amended from time to time.
“Mr. Hong”	Mr. Hong Hong U (洪鴻瑜), the Chairman and the ultimate controlling shareholder of our Company.
“Mr. Sin”	Mr. Sin Ke (辛克), an executive Director and the chief executive officer of our Company.
“Offer Price”	the offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.73 and expected to be not less than HK\$0.63, at which the Hong Kong Offer Shares are to be subscribed pursuant to the Hong Kong Public Offering and International Placing Shares are to be offered pursuant to the International Placing, to be agreed upon by the International Co-ordinator (on behalf of the Underwriters) and us on or before the Price Determination Date.

DEFINITIONS

“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares, collectively, and where relevant, together with any additional Shares issued pursuant to the exercise of the Over-allotment Option.
“Over-allotment Option”	the option granted by us to the International Underwriters exercisable by the International Co-ordinator on behalf of the International Underwriters subject to the terms and conditions of the International Underwriting Agreement pursuant to which we may be required to issue up to an additional aggregate of 37,500,000 Shares (representing 15% of the Shares initially being offered under the International Offering) to cover overallocations in the International Placing, details of which are described in the section headed “Structure of the International Offering — Over-allotment and stabilisation”.
“PBOC”	the People’s Bank of China.
“PRC GAAP”	the generally accepted accounting principles in the PRC.
“PRC Government”	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities).
“Pre-IPO Investors”	First Trading, Perfect Landmarks Limited, Mobile Consultants Limited, Sunshine Asset Management (HK) Limited and Sunshine Greater China Master Fund.
“Price Determination Date”	the date, expected to be on or about 5:00 p.m. (Hong Kong time) on Monday, 7 July 2008 which the Offer Price is determined, or such later time as the International Co-ordinator (on behalf of the Underwriters) and us may agree.
“Quanzhou Riri”	日日(泉州)飲料有限公司 Riri (Quanzhou) Drink Co Ltd, a domestic company with limited liability incorporated in the PRC on 7 May 1999. Prior to 13 December 2007, Quanzhou Riri was owned by Ms. Hong Manna, who is the spouse of Mr. Sin and the sister of Mr. Hong. After Ms. Hong Manna transferred all her equity interests in Quanzhou Riri to an Independent Third Party on 13 December 2007, Quanzhou Riri is an Independent Third Party to the Group.
“Quanzhou Yuansen”	泉州源森貿易有限公司 Quanzhou Yuansen Trading Limited, a domestic company with limited liability incorporated in the PRC on 4 December 2007 and wholly-owned by Ms. Xin Liang, who is the sister of Mr. Sin.
“Regulation S”	Regulation S under the U.S. Securities Act.

DEFINITIONS

“Reorganisation”	the reorganisation arrangements undergone by us in preparation for the Listing as described in the section headed “History and Development — Reorganisation” and “Corporate Reorganisation” in Appendix VI to this prospectus.
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Directors by the Shareholders, further details of which are contained in the section headed “Written resolutions of all the Shareholders of our Company passed on 7 June 2008” in Appendix VI to this prospectus.
“Restricted Activity”	any business which competes or is likely to compete directly or indirectly with the Group’s business as set out in this prospectus, in the PRC and any other area in which the Group carries on business.
“Rich Anges”	Rich Anges Limited, a company incorporated in BVI on 10 October 2007 with limited liability and a direct wholly owned subsidiary of our Company.
“RMB” or “Renminbi”	the lawful currency of the PRC.
“sq.m.”	square meters.
“SAFE”	the State Administration of Foreign Exchange of the PRC, which is the PRC government agency responsible for matters relating to foreign exchange administration.
“Sanming Summi”	三明森美食品有限公司 Sanming Summi Food Co., Ltd., a domestic enterprise established in the PRC on 27 September 2007 and an indirect wholly owned subsidiary of our Company.
“SFC”	the Securities and Futures Commission of Hong Kong.
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time.
“Shareholder(s)”	holders of the Shares.
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 7 June 2008, the principal terms of which are summarised in the section headed “Share Option Scheme” in Appendix VI to this prospectus.
“Shares” or “our Shares”	ordinary shares in the share capital of our Company, with a nominal value of HK\$0.01 each.
“Stock Borrowing Agreement”	the stock borrowing agreement to entered into between, among others, Key Wise and Evolution Watterson on or before the Price Determination Date.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

DEFINITIONS

“subsidiaries”	has the meaning ascribed thereto in section 2 of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong).
“substantial shareholders”	shall have the meaning as defined in the Listing Rules.
“Summi Fujian”	森美(福建)食品有限公司 Summi (Fujian) Food Co., Ltd. (formerly known as 泉州森美天然食品飲料有限公司 Quanzhou Summi Natural Food & Drink Co., Ltd.), a wholly foreign owned enterprise established in the PRC on 15 March 1993 and an indirect wholly owned subsidiary of our Company.
“Sunshine Vocal”	Sunshine Vocal Limited, a company incorporated in BVI on 17 July 2007 with limited liability and a direct wholly owned subsidiary of our Company.
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers.
“Track Record Period”	comprises the period for the three years ended 31 December 2007.
“Underwriters”	the Hong Kong Underwriters and the International Underwriters.
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement.
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction.
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time.
“U.S.\$” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States.
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO www.eipo.com.hk .
“White Form eIPO Service Provider”	the White Form eIPO service provider designated by the Company, as specified on the designated website www.eipo.com.hk .
“Zhongshan Kam Ion”	中山金潤化工有限公司 (Zhongshan Kam Ion Chemical Limited), a wholly foreign owned enterprise incorporated in the PRC on 24 August 2005 and wholly owned by Kam Ion.
“%”	per cent.

DEFINITIONS

Unless otherwise specified, translations of (i) HK\$ into RMB and RMB into HK\$; and (ii) HK\$ into U.S.\$ and U.S.\$ into HK\$ in this prospectus are based on the rates set out below respectively (for the purpose of illustration only):

*HK\$1.00 : RMB0.89
HK\$7.80 : U.S.\$1.00*

Any discrepancies in any table or chart between the total shown and the sum of amounts listed are due to rounding.

If there is any discrepancy or inconsistency between the Chinese names of the PRC entities in this prospectus and their English translations, the Chinese version shall prevail.

No representation is made that any amounts in RMB and HK\$ and/or U.S.\$ and HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains certain definitions and other terms related to our business and used in this prospectus. The terms and their meanings may not correspond to the standard industry meanings and usage of the terms.

“aseptic packaging”	the process of transferring a sterilized product into pre-sterilized containers, followed by aseptic hermetical sealing, with a pre-sterilized closure, in a atmosphere free of micro-organisms to prevent contamination.
“Brix”	is a measurement of the mass ratio of dissolved sucrose to water in a liquid. A 65 Brix solution means 65 grams of sucrose per 100 grams of liquid.
“concentrating”	a process of careful separation of water from juice by way of evaporation.
“fair value gain”	gain from changes in fair value of biological assets (namely oranges shortly before harvest), being the difference between the fair value of biological assets and the cultivation costs, less estimated point-of-sale costs. The fair value of the oranges shortly before harvest is measured with reference to the prevailing market price of oranges at or close to the harvest date and weight of the harvested quantity. Estimated point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.
“fair value adjustment”	recognition of fair value gain included in inventories as cost of sales in the combined income statements due to sales and disposals of fresh oranges or FCOJ and its related product.
“FCOJ”	frozen concentrated orange juice.
“concentrated fruit juice”	an aqueous liquid expressed and extracted from one or more fruits and reduced in weight and volume through the removal of water from juice.
“HACCP”	Hazard Analysis and Critical Control Point, a food safety system adopted by the Food and Drug Administration of the U.S. that involves identification, evaluation, control and prevent of microbiological contaminants or other significant hazards in food production and handling processes.
“ISO”	acronym for a series of globally recognized quality management and quality assurance standards published by the International Organisation for Standardization, a non-government organization based in Geneva, Switzerland, for assessing the quality systems of business organization.

GLOSSARY OF TECHNICAL TERMS

“ISO 9001”	a constituent part of the ISO9000 series, which covers areas of management responsibility, quality system, contract review, document and data control, purchasing, control of customer’s supplied-products, product identification and traceability, process control, inspection and testing, measuring and equipment testing, control of non-conforming product, remedial and preventive action, handling, storage, packaging, delivery, control of quality records, internal quality audits training, servicing as well as statistical techniques.
“mesh”	the number of opening per linear inch of a screen.
“pasteurization”	a production process involves heating juice for a very short period of time to a set temperature, which is high enough to destroy harmful bacteria and to inactivate enzymes used for degrading starch and pectin in juice, yet preserves much of the nutritional content and flavour in the juice.
“pectin”	a natural gelling agent found in ripe fruit.
“ppm”	parts-per-million, denotes the number of parts per 1,000,000 parts.
“pressing season”	The period between mid-November and late April of the following year in the oranges prolific provinces in the PRC is the orange harvesting season and the natural storage life of orange and such period generally coincides with our FCOJ production period.
“SSE”	Single Strength Equivalent, the volume of single-strength juice that can be reconstituted from concentrated orange juice, which is a standard volume measurement for ready-to-drink orange juice.
“ultra-filtration”	a juice filtration process of using a membrane strainer to remove fine particles, insoluble solids, as well as micro-organisms, from the juice in order to clarify the same.
“μm”	micrometer(s), a measurement unit of wavelength.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risk and uncertainties described below before making an investment in the Share we offer in this International Offering. You should pay particular attention to the fact that our business is located almost exclusively in the PRC, and we are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business or financial condition could be materially adversely affected by any of these risks. The trading price of our Shares we offer in this International Offering could decline due to any of these risks, and you may lose all or part of your investment.

RISK RELATING TO OUR BUSINESS

Heavy reliance on the sale to a few of our customers

For the three financial years ended 31 December 2007, our five largest customers (three of whom being customers of our FCOJ and its related product while two of whom are customers of our fresh oranges for the year ended 31 December 2007. For the two financial years ended 31 December 2005 and 2006 all of our five largest customers are customers of our FCOJ) accounted for in aggregate 31.3%, 26.3% and 33.9% of our total turnover. We do not have long-term contractual arrangements with such customers. There is no assurance that our major customers will continue their business dealings with us or that the income generated from dealings with them will increase or be maintained in the future. Any cessation of, or substantial reduction in the volume of business with any of our major customers could adversely affect the financial performance or profitability and our prospects.

Natural disaster

Our business may be interrupted or otherwise affected by natural disasters, such as floods, drought, snow storm, and earthquakes that could cause material shortage in the supply of oranges, which are the key raw material for the production of our products, or damage our production facilities. Our insurance policies do not cover loss of profits or any other consequential damage or loss incurred or suffered by us arising from interruption caused by natural disasters. The occurrence of natural disasters that interrupt or affect our business would have an adverse effect on our operating results.

Cultivation bases and processing facilities concentrated in Fujian Province

We source oranges used for our production of our FCOJ from orange farmers in Sanming Region and Nanping Region of Fujian Province as well as our leased orange farms. The 23 orange farms we operate are also located in Sanming Region and Nanping Region of Fujian Province. Our production activities are carried out at our production plants in Fujian Province. As the orange farms and the production plants are concentrated in Fujian Province and are closely located, any natural disasters, pollutions or any events that have adverse effect on the environment of the orange farms in Fujian Province might affect the quality and quantity of our cultivation, and our business and financial position will be adversely affected.

RISK FACTORS

Reliance on two main products

Sales derived from FCOJ and its related product and fresh oranges produced by us accounted for 93.3%, 94.4% and 94.7% of our total turnover for the three years ended 31 December 2007 respectively. In case of a decrease in the demand or our failure to respond to any future change of customers' preference for our FCOJ and its related product or fresh oranges, our sales and profit will be adversely affected.

Reliance on oranges as the major primary raw material

Orange is the major primary raw material used in the production of our products. We source oranges from our leased orange farms and the orange farmers in the vicinity of our production plants. We have more than 100 suppliers from whom we sourced the oranges and we had not entered into any long-term contracts with any of these suppliers. There is no guarantee that we are able to secure a consistent supply of oranges to meet our present or expanding need in the future.

Additionally, orange supply (including those oranges sourced externally and those oranges collected in our leased orange farms) may be affected by weather, development or farming technology, pest control device and government policy, all of which are factors beyond our control.

We may be unable to operate our production plants up to its present capacity as a result of the interruption to or a shortage in the supply of oranges, or if the shortage is severe, production may be adversely affected and thereby leading to reduced revenues or no production output and sales. In the event of a shortage in the supply of oranges or a shortage in the supply of oranges of the requisite quality, our production will be affected. In such event, our turnover and hence our profits will be adversely affected.

Leasing of orange farms

All of our orange farms are leased by us. Particulars of the leased farms and the lease agreements are set out in the paragraph headed "Location of orange farms" under the section headed "Business" and our property valuation report in Appendix IV to this prospectus. As at 31 December 2007, the unamortized prepaid rental amounted to approximately RMB18.33 million. We face risks related to the breach of the orange farm leases by the farmer-households and the relevant villagers' committees. The lessor under any of the leases may act in breach of their obligations under the relevant lease agreement, or decide not to renew the lease upon the expiry of its terms. The terms of the current lease agreements entered into by us are five years. 6 leases with an aggregate area of 9,500 mu (approximately equals to 6,333,000 sq.m.) will expire by 31 December 2008 while 7 leases with an aggregate area of 9,992 mu (approximately equals to 6,661,000 sq.m.) will expire by 31 December 2009 and 10 leases with an aggregate area of 11,306 mu (approximately equals to 7,537,000 sq.m.) will expire by 31 December 2010. Though we have the right of first refusal to renew the leases, there is no guarantee that we can reach an agreement on the renewal of lease with the respective lessor.

All of the orange farm leases provide that the lessor will have the right to terminate the lease should we fail to operate the orange farm in accordance with the respective orange farm lease, abandon the orange farms, cause damage to the chattels on the orange farms or fail to pay rents as they fall due. We have prepaid the rentals of all the leases and there has been no termination of any leases during the Track Record Period. Should the lessors terminate a lease with us without cause, we can only rely on general contract law principles to recover the balance of any prepayment made and to seek damages in compensation for the wrongful termination. Our operation may be adversely affected.

RISK FACTORS

Risks related to the breach of the orange farm leases by the farmer-households and the relevant villagers' committees

The bulk of our production activity takes place at our orange farms, all of which are located in China. The 23 leases currently entered into by us are leased from the farmer-households and the relevant villagers' committees.

The forestry use right certificates to the orange farms are held by the farmer-households and the relevant villagers' committee. All the relevant farmer-households had given their authorization to the respective villagers' committee to deal with all matters related to the lease arrangements on their behalf.

However, in the event of a breach by the respective lessor (such as wrongful termination, denial of our rights under the orange farm leases as set out in the "Business" section of this prospectus or other similar acts of repudiation), we have received PRC legal advice that we will only be entitled to damages against the relevant lessor. In the event that we are not able to source other supply of oranges, it will cause disruption to our business and our financial performance will be adversely affected.

Defective title of certain properties used by us

To facilitate our management and operation of the orange farms, we occupied certain staff quarter huts and warehouses which were built by the respective local villagers' committees or farmer-households themselves on the orange farms of which leases have been granted to us. These buildings are not owned by us. These buildings were built on rural land within the orange farms rather than on land for construction. The respective local villagers' committees or farmer-households did not notify the relevant government authorities in relation to the construction of such buildings.

Relocation may be necessary if the relevant government authorities decide to take action against these buildings resulting in demolition. In the event of demolition of these buildings, we plan to relocate to the huts and houses of the villagers adjacent to the orange farms and we may be required to pay the relocation costs.

Relationship with workers who provide farming support

The majority of the labour force required to support our cultivation activities is met through labour recruitment arrangements which we have in place with the relevant villagers' committees of the orange farms where farming support and labour is required. Under those arrangements, the farming support is procured by the villagers' committees and our legal advisers as to PRC laws advised that those workers are not our employees under the PRC laws. We did not enter into written employment contracts directly with individual workers. In view of the relationship between us, the various villagers' committees and the individual workers (which is elaborated further in the 'Business' section of this prospectus), we will not be able to exercise direct control over the workers and to secure long-term services from those workers who have developed and gained farming skills. Our operation will be adversely affected should we have problems with receiving stable and dedicated farming and other labour support.

If we are unable to maintain the arrangement with the villagers' committees for procurement of labour and if no suitable alternative farming support could be procured at the desired locations on commercially viable terms, there could be disruption to our business and our financial performance will be adversely affected.

RISK FACTORS

Reliance on key management personnel and technical staff

Our success is attributable to, amongst other things, the expertise and experience of the executive Directors and the members of our senior management in the fruit juice processing industry, and their relationships with our major customers and suppliers. In particular, we consider the service of Mr. Sin, our chief executive officer and executive Director, who has more than 14 years of experience in FCOJ industry in China, to be essential to our continuing success. The loss of service of any of the executive Directors or members of our senior management in the absence of any suitable replacements may have a material adverse effect on our operations and future profitability. Our future also depends on our ability to attract, employ and retain skilled and experienced managerial staff and technicians to support any of our expansion plan. Our failure to recruit and retain such employees and technicians may have a material impact on our business and operation.

Inability to renew and obtain the relevant certificates of the products

Our ISO9001:2000 certificate and HACCP certification both are due to expire on 28 September 2010. The renewal of these certificates is subject to the approval of relevant authorities upon re-examination of our products. There can be no assurance that the relevant authorities would renew those certificates. Failure to renew these certificates may undermine our customers' confidence and thereby adversely affecting our sales and financial conditions. In particular, our largest customer may cease to order from us.

Inability to meet the operational and licensing requirement set by our largest customer

Our largest customer imposes operational and licensing requirement on us. Our largest customer requires us to comply with all the relevant laws and regulations related to our operation which includes labour law, hygiene standards, safety requirement and environmental protection laws and regulations. Failure to meet these operational and licensing requirements may cause our largest customer to cease to order from us and thereby adversely affecting our sales and financial conditions.

The construction and installation of our new production plants may not be completed within the time frame or at the cost levels originally anticipated and, as a result, we may not be able to implement our future plans for expansion

We intend to increase our production volume, particularly with respect to our FCOJ and its related product, which will require us to construct new production plant and purchase additional machinery. We are expanding our current production plants and we anticipate to construct new production plant(s) in the future in order to implement our future plans for expansion. The schedule for construction of these production plants could be materially and adversely affected by technical difficulties, human or other resource constraints, or for other reasons. If the new production facilities fails to reach the originally designed levels at the originally planned cost, we may not be able to achieve the intended economic benefit from the new production facilities, such as economics of sales, in full or at all, which may materially and adversely affect us.

Our plan to expand our orange farms and production plant in other provinces may not succeed or materialise

Currently, our sales volume is limited by our production capacity. In anticipation of growing demand for our products and with an objective to diversifying sources of oranges, we intend to expand our orange farm(s) and production plant(s) to other provinces in the near future. To support

RISK FACTORS

our increased capacity, we intend to expand the total area of the orange farms we operate from the present approximately 30,798 mu (20,532,102 sq.m.) to approximately 50,000 mu (33,333,500 sq.m.) by securing new orange farm leases in the future. We currently intend to expand our the total area of the orange farms in provinces other than Fujian Province. Up to the Latest Practicable Date, our operations are based in Fujian Province only. The schedule for the expansion of our orange farm(s) and production plant(s) could be materially and adversely delayed by technical difficulties, human or other resource constraints, or for other reasons beyond our control. It is possible that our plan to expand our orange farms and production plant in other provinces may not succeed or materialise.

Trade mark protection

We have marketed and sold our concentrated fruit juice products in the PRC using “” as our brand name, which we have registered as trademarks in the PRC. The name “” is important to our continuous development of the PRC market. Any significant infringement of our brand name or trademark could have a material adverse effect on our business. Please refer to the paragraph “Intellectual Property Rights” in the section headed “Business” of this prospectus for further details.

Our combined profit attributable to equity holders of the Company for the six-month period ending 30 June 2008 may not necessarily give any indication of, and should not be interpreted as a guidance of, our full year financial results for 2008

Our Directors forecast that, on the bases and assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the forecast combined profit attributable to equity holders of the Company prepared in accordance with IFRS for the six-month period ending 30 June 2008 will not be less than RMB21.5 million. However, due to the factors described under this section, many of the factors affecting our financial results are beyond our control, our combined profit attributable to equity holders forecast for the six-month period ending 30 June 2008 may not necessarily give any indication of, and should not be interpreted as a guidance of, our full year financial results for 2008 and the actual results may differ significantly than those forecasted.

RISKS RELATING TO THE INDUSTRY

Competition

FCOJ and its related product

We face competition from offering similar products as us in terms of quality, delivery time and price. We believe we mainly face competition from overseas suppliers. Currently, we consider Brazil as the major exporter of FCOJ in the worldwide market. Amongst these countries, we believe Brazil to be the largest competitor to manufacturers of FCOJ in the PRC in terms of price and quality. In addition to overseas competitors, we also face competition from the local suppliers. Keen competition in the orange juice industry in the PRC and overseas could have an adverse impact on the demand and pricing of our products, and hence our business and profitability.

Fresh oranges

The fresh orange market in the PRC is highly fragmented and characterized by intense competition. We believe that our major competitors are international and domestic orange growers. Some of these competitors have better financial, technical and marketing resources, recognized brand names and larger customer base than us. It is also possible that these competitors may have

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the ability to respond more quickly to new or emerging technologies, may adapt more quickly to changes in customer requirements and may devote more resources to the development, promotion and sales of their products than us. There can be no assurance that we will be able to continue to compete successfully against our competitors or such competition will not have any material adverse effect on our business, financial position and results of operations.

Compliance with PRC environmental protection regulations

We carry on business in an industry which is subject to PRC environmental protection law and regulations. Enterprises engaged in food production should comply with the law and regulations concerning environmental protection. If an enterprise fails to report or provide false information about the environmental pollution caused by it, it will receive a warning or be penalized. Failure to eliminate or control pollution within the required timeframe may result in the payment of a fee for excessive discharge; or imposition of a fine; or suspension or close down of the operation. We have been complying with the relevant PRC environmental protection law and regulations. Nevertheless, there can be no assurance that the PRC government will not change the existing law and regulations or make additional or stricter law and regulations on environmental protection, compliance of which may cause us to incur significant capital expenditures. There is no assurance that we will be able to comply with any such law and regulation as may be amended or promulgated in the future.

Compliance with food hygiene laws

Our operations are subject to compliance with the PRC food hygiene laws and regulations. Failure to comply with such food hygiene laws and regulations may result in fines, suspension of operations, loss of hygiene licence and, in more extreme cases, criminal proceedings against the enterprise and its management. We have been complying with the relevant PRC food hygiene laws and regulations. Nevertheless, there is no assurance that the existing PRC food hygiene laws will not be changed in the future. In such event, additional cost may need to be incurred by us to comply with more stringent laws and regulations, which could have an adverse impact on our financial position.

RISKS RELATING TO CONDUCTING OPERATIONS IN CHINA

Our production facilities are all located in China and all of our sales are derived from China. We are paid in Renminbi by our customers. Accordingly, our profitability, financial position and prospects will be affected by the economic, political, fluctuation of exchange rate of the Renminbi with other currencies and legal development in China.

Changes in PRC Government regulations and policies in relation to the industries in which we or our customers operate may adversely affect our business operations

The PRC is a country that experiences constant changes in government regulations and policies. Our products can be applied across various industries, and each industry may experience different changes in government policies and regulations at any one time. We cannot assure you that there will not be any unfavourable changes in the PRC Government policy that affect the industries in which we or our customers operate, which could in turn adversely affect the demand for our products.

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Political and economic policies of the PRC Government could affect our business, results of operations and financial condition

Substantially all of our business assets and operations are located in the PRC. As a result, our business, results of operations and financial condition are subject to the political, economic, legal and social conditions, laws, regulations and policies in the PRC. The economy of the PRC differs from the economies of most developed countries in such respects as structure, level of government involvement, level of development, growth rate, level and control of capital reinvestment, allocation of resources, rate of inflation and control of foreign exchange.

Before its adoption of reform and open-door policies beginning in 1978, China was primarily a planned economy. Since that time, the PRC Government has been reforming the PRC economic system and has also begun reforming the government structure in recent years. These reforms have resulted in significant economic growth and social progress. Although the PRC Government still owns a significant portion of the productive assets in the PRC, economic reform policies since the late 1970s have emphasised autonomy in business management and the importance of market forces, especially where these policies apply to privately owned businesses such as ours. Although we believe these reforms will have a positive effect on our overall and long-term development, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition.

A slow-down of the PRC economy could adversely affect our business and growth prospects

In response to concerns related to China's high rate of growth in industrial production, bank credit, fixed investment and money supply, the PRC Government has expressed its intention to adopt measures to slow economic growth to a more manageable rate. Among the measures that the PRC Government has taken are restrictions on bank loans to certain sectors, in which some of our customers operate. In addition, in October 2004, the PRC's central bank, PBOC, increased interest rates for the first time since July 1995.

PBOC increased interest rates further from 5.6% in October 2004 to 7.3% in November 2007. These measures and any further increases in interest rates could slow economic growth in China and reduce investment in some of the industries in which some of our customers operate, which could have an adverse effect on our business operations.

The outbreak of any severe communicable disease in the PRC, if uncontrolled, may materially and adversely affect our results of operations

The outbreak of any severe communicable disease in the PRC, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in the PRC, which in turn may have an adverse impact on domestic consumption and, possibly, the overall GDP growth of the PRC. As all of our revenue is currently derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the GDP growth of the PRC may materially and adversely affect our financial condition, results of operations and future growth. In addition, if our employees are affected by severe communicable disease, we may be required to close our facilities or institute other measures to prevent the spread of the disease, which may materially and adversely affect or disrupt our production, resulting in an adverse effect on our results of operations. The spread of any severe communicable disease in the PRC may also affect the operations of our customers and suppliers, which may have an adverse effect on our financial condition and results of operations.

RISK FACTORS

The PRC legal system is not fully developed and there are inherent uncertainties that could limit the legal protections available to the Group

The PRC legal system is based on written statutes and their interpretations by the Standing Committee of the National People's Congress. Prior court decisions may be cited for reference. Since 1979, the PRC Government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, as well as the limited number of published cases and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. Such uncertainties could limit the legal protections available to the Group.

It may be difficult to effect service of process upon us or our Directors or executive officers who live in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts

A majority of our Directors and executive officers reside within the PRC, and substantially all of our assets and substantially all of the assets of those persons are located within the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with Hong Kong, the United States, the United Kingdom, Japan or most other developed countries. Therefore recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

PRC Government control of currency conversion and future movements in exchange rates may adversely affect our ability to distribute dividends, increase competition from imports, affect the value of our net assets, earnings and dividends in foreign currency terms, or inhibit our ability to import equipment

The Renminbi currently is not a freely convertible currency. Presently, our operations are primarily in China and we receive almost all of our revenues in Renminbi. Therefore, fluctuations in the Renminbi exchange rate against other currencies currently does not have a material impact on the results of our operations. However, the foreign exchange risk impact, though, will become more significant as we expand the overseas market in the future. Our plans to purchase raw materials as well as equipment from overseas vendors and the fact that we will be required to pay dividends in currency other than Renminbi to our Shareholders will also increase our foreign-currency denominated obligations which, in turn, expose us to greater foreign exchange risk.

As a result, our results of operations are exposed to fluctuations in the Renminbi exchange rate against foreign currencies. The value of the Renminbi may fluctuate due to a number of factors. Since 1994, the conversion of Renminbi into foreign currencies, including the Hong Kong dollar and U.S. dollar, has been based on the rate set by the PBOC and the official exchange rate for the conversion of Renminbi to U.S. dollars has generally been stable. On 21 July 2005, the revaluation of the Renminbi resulted in an appreciation of the Renminbi against the U.S. dollar and the Hong Kong dollar by approximately 2%, and the Renminbi has appreciated by approximately an additional 16% since that date until 31 March 2008. As of 21 July 2005, the Renminbi was no longer pegged to the U.S. dollar but to a basket of currencies.

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Any future exchange rate volatility relating to Renminbi may give rise to uncertainties in the value of our net assets, earnings and dividends. An appreciation of Renminbi may result in increased competition from foreign competitors; a devaluation of Renminbi may adversely affect the value of our net assets, earnings and dividends in foreign currency terms.

Our PRC subsidiaries are subject to the PRC rules and regulations on currency conversion. The ability of our PRC subsidiaries to pay dividends or make other distributions to us may be restricted by these PRC foreign exchange control restrictions. In addition, under PRC law and upon the Listing on the Stock Exchange, our subsidiaries may only pay dividends out of distributable reserves as determined under PRC GAAP. As a result, our subsidiaries may not have sufficient or any distributable reserves to make dividend distributions to us in the future, including in periods in which their financial statements indicate that operations have been profitable. We cannot assure you that the relevant regulations will not be amended to our disadvantage and that the ability of our PRC subsidiaries to distribute dividends to us will not be adversely affected.

Under the existing foreign exchange regulations in the PRC, we may undertake current account foreign exchange transactions, including payment of dividends, without prior approvals from SAFE by producing commercial documents evidencing such transactions, provided that they are processed through designated banks licensed to engage in foreign currency transactions. However, foreign exchange transactions for capital account purposes, which may include direct overseas investment and various international loans, require the prior approvals of or registration with SAFE. If we are unable to obtain SAFE's consent to convert Renminbi into foreign currencies for such purposes, our capital expenditure plan and, consequently, our results of operations and financial condition could be adversely affected.

RISKS RELATING TO THE INTERNATIONAL OFFERING

There has been no prior public market for our Shares, and an active trading market may not develop after the International Offering

Prior to the International Offering, there was no public market for our Shares. The initial Offer Price range to the public for our Shares was the result of negotiations among the Underwriters and us, and the Offer Price may differ significantly from the market price for our Shares following the International Offering. We have applied to list and deal in our Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the International Offering or in the future.

The liquidity and market prices of our Shares following the International Offering may be volatile

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for companies in our industry could cause the market price of our Shares to change substantially. Any such development may result in large and sudden changes in the volume and price at which our Shares will trade.

We can give no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced substantial price volatility in the past, and it is possible that our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

RISK FACTORS

A potential sale of Shares by our existing Shareholders could have an adverse effect on our Share price

Future sales of a substantial number of our Shares by our existing Shareholders (if any), or the possibility of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

While we are not aware of any intentions of such Shareholders to dispose of their Shares after the completion of the lock-up periods, we are not in a position to give any assurance that they will not dispose of any Shares they own now or in the future.

There is no guarantee that dividends will be declared in the future

During the Track Record Period, we did not declare any dividend.

Our Directors may declare dividends after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on IFRS, the Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant.

For further details of our dividend policy, please refer to the section headed “Financial Information — Dividend Policy and Distributable Reserves” in this prospectus. Notwithstanding our dividend policy, our future declaration of dividends will be at the absolute discretion of the Board. We cannot guarantee that we must be able to pay dividends in the future in accordance with our current intended dividend policy.

Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from executing our growth strategy successfully

We believe that our existing cash and cash equivalents together with the net proceeds from this International Offering will be sufficient to meet our anticipated cash needs for the next 12 months from the date of the Listing. The timing and amount of our working capital and capital expenditure requirements may vary significantly depending on a number of factors, including market acceptance of our products, the need to adapt to changing technologies and technical requirements, and the existence of opportunities for expansion.

If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain debt financing. The sale of additional equity securities or convertible debt securities could result in additional dilution to our Shareholders. Additional debt would result in increased expenses and could result in covenants that would restrict our operations. We have not made arrangements to obtain additional financing, and there is no assurance that financing, if required, will be available in amounts or on terms acceptable to us, if at all.

There are risks associated with forward-looking statements

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “expect”, “may”, “predict”, “should” or “will”. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Purchasers of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking

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statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this “Risk Factors” section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise.

Certain facts and statistics contained in this prospectus have come from official government sources whose reliability cannot be assumed or assured

Certain facts and statistics in this prospectus related to the PRC, its economy and the industries in which we operate within the PRC are derived from official government. While we have taken reasonable care to reproduce such information, we cannot guarantee the quality and reliability of such source material. These facts and statistics have not been independently verified by us and therefore we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree or accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should place on all such facts and statistics.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily residents in Hong Kong. Given that the business and operation of the Group are primarily located, managed and conducted in the PRC and none of the executive Directors is ordinarily based in Hong Kong, we do not and will not, in the foreseeable future, have a management presence in Hong Kong.

Accordingly, we have applied to and obtained from the Stock Exchange for a waiver from compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we have put in place the following measures to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. San Kwan, an executive Director and Mr. Lam Chat Lun, Paul, the qualified accountant and company secretary of our Company, who is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong at short notice upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or email. Each of the authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;
- (b) all the authorised representatives have means to contact all members of the Board (including the independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and the Directors, we will implement a number of policies that (i) each executive Director and independent non-executive Director shall provide his/her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the authorised representatives; (ii) in the event that an executive Director or independent non-executive Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the authorised representatives; and (iii) all the executive Directors, independent non-executive Directors and authorised representatives will provide their respective mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the Stock Exchange;
- (c) if the circumstances require, meetings of the Board can be summoned and held in such manner as permitted under the articles of association of our Company at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner; and
- (d) all executive Directors have confirmed that they possess valid travel documents to travel freely to Hong Kong and would be able to come to Hong Kong and meet the Stock Exchange on short notice.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In addition, we have entered into a compliance adviser agreement with Evolution Watterson to retain Evolution Watterson as the compliance adviser of our Company for a period commencing on the Listing Date and ending on the date on which our Company shall comply with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date to provide us with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two authorised representatives of our Company, as our Company's principal channel of communication with the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE INTERNATIONAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering comprises the Hong Kong Public Offering of initially 25,000,000 Shares and the International Placing of initially 225,000,000 Shares (subject, in each case, to reallocation on the basis described in the section headed "Structure of the International Offering" in this prospectus).

The listing of the Shares on the Stock Exchange is sponsored by Evolution Watterson. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters. The International Placing is managed by the International Co-ordinator and is underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to agreement on the Offer Price between our Company and the International Co-ordinator, on behalf of the Underwriters. If, for any reason, the Offer Price is not agreed between our Company and the International Co-ordinator, on behalf of the Underwriters, the International Offering will not proceed.

Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the International Co-ordinator (on behalf of the Underwriters) and the Company on 5:00 p.m. on the Price Determination Date, or such later date as may be agreed between the International Co-ordinator and our Company but in any event no later than Tuesday, 8 July 2008.

If the International Co-ordinator (on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on 5:00 p.m. on the Price Determination Date, or such later date or time as may be agreed between the International Co-ordinator (on behalf of the Underwriters) and our Company but in any event no later than Tuesday, 8 July 2008, the International Offering will not become unconditional and will lapse.

RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE INTERNATIONAL OFFERING

No action has been taken to permit a public offer of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the International Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Underwriters, any of their respective directors or any other persons or parties involved in the International Offering.

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The Offer shares are being offered and sold outside the United States to non-U.S. person in reliance on Regulation S.

In addition, until 40 days after the first date upon which the Offer Shares were bona fide offered to the public, an offer of the Offer Shares within the United States by a dealer may violate the registration requirements of the Securities Act.

The Offer Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the International Offering or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense in the United States.

United Kingdom

In the United Kingdom, this prospectus is not a “prospectus” and has not been approved under section 21 of the Financial Services and Markets Act 2000 (as amended) (“FSMA”) by a person authorised under FSMA. The securities referred to in this prospectus are only being offered to the public in the United Kingdom (within the meaning of sections 85(1) and 102b of FSMA) in circumstances where an exemption applies under section 86(1) of FSMA, or otherwise, in respect of the requirement to make an approved prospectus available. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) communicated or caused to be communicated in connection with the issue, placement or sale of the securities referred to in this prospectus will only be made in circumstances in which section 21(1) of the FSMA does not apply or exemptions from section 21(1) of FSMA apply. The only categories of persons to whom this prospectus is being distributed are persons who are or receive this prospectus outside the United Kingdom or persons in the United Kingdom who fall within the exemptions under articles 19(5) (investment professionals), 48 (certified high net worth individuals), 49(2)(a) to (d) (high net worth companies, unincorporated associations etc), 50 (sophisticated investors) and 50a (self-certified sophisticated investors) of the Financial Services And Markets Act 2000 (financial promotion) order 2005 (all such persons together being referred to as “relevant persons”). The transmission of this prospectus to any other person in the United Kingdom is unauthorised and may contravene FSMA and other United Kingdom securities laws and regulations. This prospectus is confidential and is

INFORMATION ABOUT THIS PROSPECTUS AND THE INTERNATIONAL OFFERING

provided to recipients on a personal basis and must not be transferred or assigned or otherwise acted on or relied upon by persons who are not relevant persons. Any investment or investment activity to which this prospectus relates is available only to relevant persons and will be engaged in only with relevant persons. All applicable provisions of FSMA must be complied with in respect to anything done in relation to the securities referred to in this prospectus in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a “Relevant Member State”), no Offer Shares have been offered or will be offered to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive except that an offer of Offer Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000; and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;
- (c) by the managers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the lead manager for any such offer;
- (d) in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3(2) of the Prospectus Directive;

in each case, provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Offer Shares or to whom any offer is made under the International Offering will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression of “offer to the public” in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe the Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

INFORMATION ABOUT THIS PROSPECTUS AND THE INTERNATIONAL OFFERING

Singapore

This prospectus has not been, and will not be, lodged with or registered as a prospectus by the Monetary Authority of Singapore in Singapore. Accordingly, this prospectus and any other document or material in connection with the offer of the Offer Shares may not be issued, circulated or distributed in Singapore nor may any of the Offer Shares be offered for subscription or purchase or made the subject of an invitation or offer for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) an institutional investor under Section 274 of the Securities and Futures Act, (ii) to a relevant person (as defined in Section 275(2)), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Offer Shares are subscribed or purchased under Section 275 by a relevant person, namely a person which is:

- (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Offer Shares under Section 275 except:
 - (1) to an institutional investor under Section 274, or to a relevant person, or to any person pursuant to an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;
 - (2) where no consideration is given for the transfer; or
 - (3) by operation of law.

Furthermore, no advertisement may be made offering or calling attention to an offer or intended offer of the Offer Shares.

Japan

The Offer Shares have not been and will not be registered under the Financial Instruments of Exchange Law of Japan (the "FIEL") and Offer Shares will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

INFORMATION ABOUT THIS PROSPECTUS AND THE INTERNATIONAL OFFERING

PRC

This prospectus does not constitute a public offer of the Offer Shares, whether by way of sale or subscription, in the PRC. The Offer Shares are not being offered and may not be offered or sold directly or indirectly in the PRC to, or for the benefit of, legal or natural persons of the PRC, except pursuant to applicable laws and regulations of the PRC. For the purpose of this paragraph, PRC does not include Hong Kong, Macau and Taiwan.

Cayman Islands

The Offer Shares may not be offered or sold, directly or indirectly, to the public in the Cayman Islands.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, Shares in issue and to be issued pursuant to the Capitalisation Issue and the International Offering (including Shares which may fall to be issued under the Over-allotment Option) and upon the exercise of options which may be granted under the Share Option Scheme up to 10% of the issued shares upon Listing.

Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Hong Kong Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by the Stock Exchange.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Placing will be registered on our Company's Hong Kong share register of members to be maintained in Hong Kong. The Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in the Shares registered in the Hong Kong share register of our Company will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each shareholder of our Company.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as HKSCC chooses.

Settlement of transaction between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of our Company, the Underwriters, the Sponsor, any of their respective directors, supervisors, agents or advisers or any other person involved in the International Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

OVER-ALLOTMENT AND STABILISATION

In connection with the International Offering, the International Co-ordinator (on behalf of the International Underwriters) or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the International Co-ordinator or any person acting for it to do this. Such stabilisation action, if taken, may be discontinued at any time and is required to be brought to an end after a limited period.

In connection with the International Offering, our Company intends to grant to the International Co-ordinator (on behalf of the International Underwriters) the Over-allotment Option, which will be exercisable in full or in part by the International Co-ordinator (on behalf of the International Underwriters) no later than 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue and allot at the Offer Price up to an aggregate of 37,500,000 additional Shares, representing 15% of the total number of Shares initially available under the International Offering, in connection with over-allocations in the International Placing, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed "Structure of the International Offering — Over-allotment and stabilisation" of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE INTERNATIONAL OFFERING

PROCEDURES FOR APPLICATION FOR SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” and on the relevant Applications Forms.

STRUCTURE OF THE INTERNATIONAL OFFERING

Details of the structure of the International Offering, including its conditions, are set out in the section headed “Structure of the International Offering” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE INTERNATIONAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Hong (<i>Chairman</i>)	Avenida Dr. Francisco Vieira Machado No. 123 Edif.Bai Yun Garden Bloco II 17 Andar, E17, Macau	Chinese
Mr. Sin (<i>Chief Executive Officer</i>)	Avenida Dr. Francisco Vieira Machado No. 123 Edif.Bai Yun Garden Bloco II 17 Andar, F17, Macau	Chinese
Mr. San Kwan (辛軍)	No. 47 Zhenfuhang Quanzhou City Fujian Province PRC	Chinese
Independent non-executive Directors		
Mr. Zhuang Xueyuan (莊學遠)	Room 602, Block 23 Shenghuxiaoqu Quanzhou City Fujian Province PRC	Chinese
Mr. Zhuang Weidong (莊衛東)	Room 201, Block 11 Yunguxiaoqu Quanzhou City Fujian Province PRC	Chinese
Mr. Tu Zongcai (涂宗財)	Room 601, Unit 1, Block 12 No. 619 Shanghai North Road Qingshanhu District Nanchang City Jiangxi Province PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE INTERNATIONAL OFFERING

PARTIES INVOLVED IN THE INTERNATIONAL OFFERING

International Co-ordinator, bookrunner, lead manager and Sponsor	Evolution Watterson Securities Limited 5th Floor 8 Queen's Road Central Hong Kong
Auditors and reporting accountants	KPMG Certified Public Accountants 8th Floor Prince's Building 10 Chater Road Central Hong Kong
Our legal advisers	
<i>as to Hong Kong law</i>	Loong & Yeung, Solicitors Suites 2201-03, 22nd Floor Jardine House 1 Connaught Place Central Hong Kong
<i>as to PRC law</i>	Shu Jin Law Firm 24th Floor, Aerospace Skyscraper 4019 Shennan Road Futian District Shenzhen 518048 China
<i>as to Cayman Islands law</i>	Appleby 8th Floor, Bank of America Tower 12 Harcourt Road Central Hong Kong
Legal advisers to the Sponsor and the Underwriters	
<i>as to Hong Kong law</i>	Charltons, Solicitors 10th Floor, Hutchison House 10 Harcourt Road Central Hong Kong
Property valuer	Jones Lang LaSalle Sallmanns Limited 22nd Floor, Siu On Centre 188 Lockhart Road Wanchai Hong Kong
Receiving bankers	Industrial and Commercial Bank of China (Asia) Limited 33rd Floor, ICBC Tower 3 Garden Road Central Hong Kong

CORPORATE INFORMATION

Registered Office	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Head office and principal place of Business in Hong Kong	Suites 2201–03, 22nd Floor Jardine House 1 Connaught Place Central Hong Kong
Compliance adviser	Evolution Watterson Securities Limited 5th Floor 8 Queen’s Road Central Hong Kong
Company secretary	Mr. Lam Chat Lun, Paul (林則倫) <i>C.P.A., F.C.C.A</i>
Qualified accountant	Mr. Lam Chat Lun, Paul (林則倫) <i>C.P.A., F.C.C.A</i>
Authorised representatives	Mr. San Kwan (辛軍) No.47 Zhenfuhang Quanzhou City Fujian Province PRC Mr. Lam Chat Lun, Paul (林則倫) Flat C, 28th Floor Block 2, Regentville 8 Wo Mun Street Fanling, New Territories Hong Kong
Audit committee	Mr. Zhuang Xueyuan (莊學遠) (<i>Chairman</i>) Mr. Tu Zongcai (涂宗財) Mr. Zhuang Weidong (莊衛東)
Remuneration committee	Mr. Sin (<i>Chairman</i>) Mr. Zhuang Weidong (莊衛東) Mr. Zhuang Xueyuan (莊學遠)
Nomination committee	Mr. Hong (<i>Chairman</i>) Mr. Tu Zongcai (涂宗財) Mr. Zhuang Weidong (莊衛東)

CORPORATE INFORMATION

Hong Kong share registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong
Cayman Islands share registrar and transfer office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Principal bankers	Agricultural Bank of China, Quanzhou branch Quanzhou City Commercial Bank

INDUSTRY OVERVIEW

Certain information and statistics furnished in this section and other sections of this prospectus are related to the industry that we operate in. No independent verification has been carried out in respect of the information and statistics which are derived from official government sources. While we, the Sponsor, the Underwriters or their respective directors, officers and advisers have exercised reasonable care in compiling and reproducing information and statistics from sources described herein, we cannot ensure the accuracy of such information and statistics and such information and statistics may not be consistent with other information prepared inside or outside the PRC. You should not unduly rely on any of such information and statistics contained in this section.

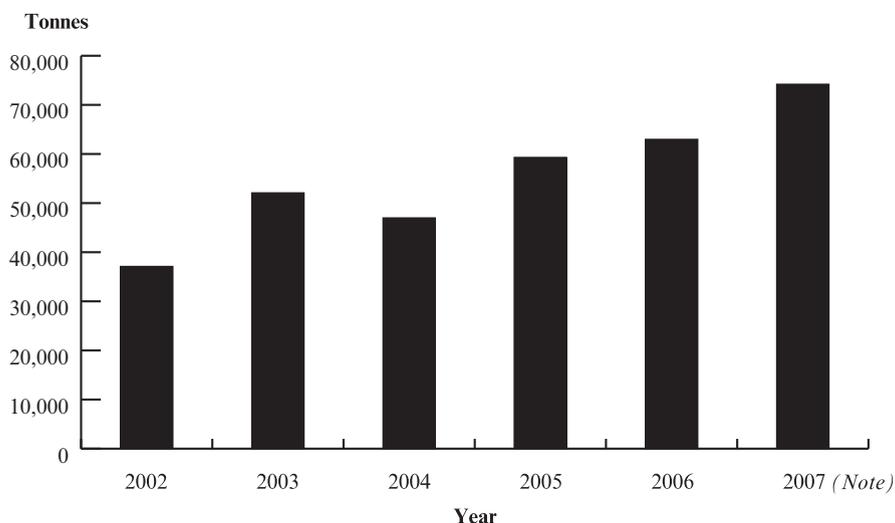
Frozen Concentrated Orange Juice — An Introduction

FCOJ is frozen concentrated orange juice that is pasteurised and evaporated under vacuum and heated to remove most of the water before it is frozen. This process improves the longevity and reduces the transport cost of pure orange juice. FCOJ is one of the main raw materials used for the production of ready-to-drink orange juice sold at retail stores. Therefore, the supply of FCOJ depends on the production volume of oranges and its demand is driven by the demand for ready-to-drink orange juice.

China's FCOJ Industry

China's FCOJ industry is still relatively small and niche when compared to Brazil and the United States. Currently, China is still relying on imported FCOJ to fulfill its supply shortfall. According to the statistics prepared by the China Chamber of Commerce of Import and Export Foodstuffs, Native Produce & Animal By-Products (中國食品土畜進出口商會), a non-profit national trade and industry organization, importation of orange juice grew from approximately 37,112 tonnes in 2002 to approximately 74,222 tonnes in 2007^{Note}.

FCOJ imported by China from 2002 to 2007



Note: The figure for the quantity of orange juice imported into China is estimated based on the actual quantity of orange juice imported into China from January 2007 to May 2007 of 30,926 tonnes.

INDUSTRY OVERVIEW

Owing to the increased demand, prices for FCOJ has also increased significantly since 2004. The chart below illustrates the trend of the international price of FCOJ for the period from January 2004 to February 2008:

International price of FCOJ, Jan 2004 to Feb 2008



Source: Bloomberg

Overview of China's Fruit and Vegetable Juice Market

According to the Industry Research Report of China 2007 (中國行業研究諮詢報告) published by an independent research institute based in Shenzhen in August 2007, China remains highly dependant on imports to satisfy its local demand for orange juice. The imported quantity exceeds the quantity of orange juice produced domestically in China by tenfold. As China's economy improves, the demand for fruit and vegetable soft drinks, which are perceived as drinks of higher nutritional value, is expected to increase in tandem.

The following table shows the actual and forecasted retail store sales of each soft drink sector as a percentage of total retail store soft drink sales over a 10 year period.

	2001 (actual)	2004 (actual)	2007 (forecast)	2010 (forecast)
Carbonates	23.0%	17.4%	15.8%	14.8%
Fruit/vegetable juice	18.1%	21.9%	24.3%	25.4%
Bottled water	14.8%	14.0%	13.4%	13.6%
Functional drinks	4.2%	3.4%	3.1%	2.7%
Cordial/mixers	8.2%	7.1%	6.3%	5.9%
Ready-to-drink tea	15.3%	17.7%	17.9%	18.1%
Ready-to-drink coffee	0.2%	0.1%	0.1%	0.1%
Asian specialty drinks	16.2%	18.3%	19.1%	19.5%
Total soft drinks	100.0%	100.0%	100.0%	100.0%

Source: Euromonitor International

INDUSTRY OVERVIEW

Based on the forecasted figure above, fruit and vegetable juice sector is expected to gain increasing market share in the soft drinks market in China, up to approximately 25.4% in 2010 from a low of 18.1% in 2001. It is expected that as China's population becomes more affluent, their awareness on health will follow as well thus leading to an increase in the consumption of healthier soft drinks.

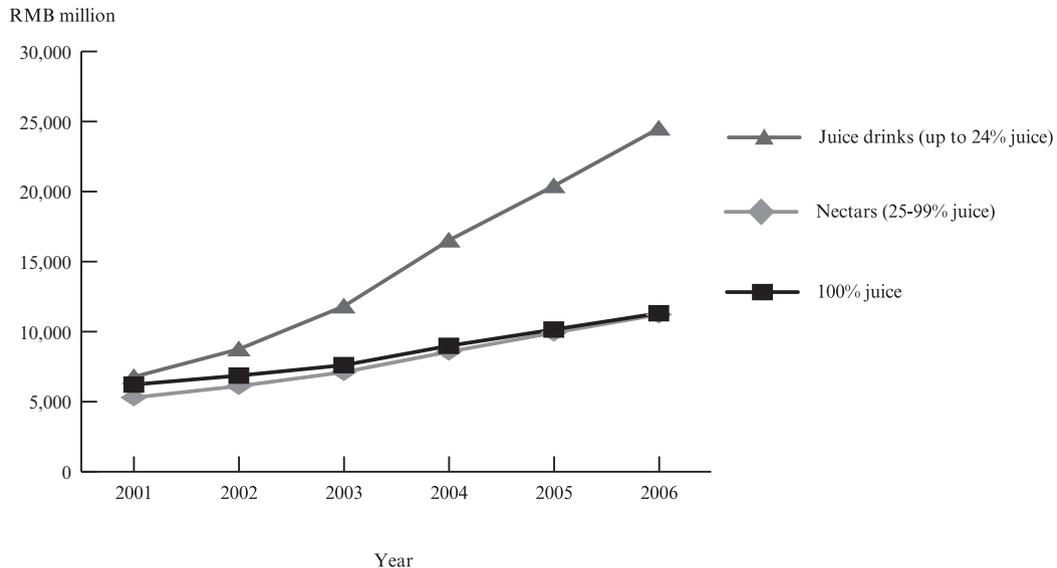
According to Euromonitor International ("Euromonitor"), a leading independent provider of business intelligence, fruit and vegetable juice saw the most dynamic sales growth in 2006 over the previous years, being notably boosted by juice drinks and unfrozen nectars, owing to its healthy image and a continuing widening of the product range on offer. Rising income levels across the country supported sales growth. The general improvement in income levels in China resulted in good growth for soft drinks overall, with total sales expanding by 11% and total volume by 12%. East China is the most significant region in terms of soft drink sales, accounting for 25% of total retail store sales value since 2006. The region benefits from an affluent and sophisticated consumer base, particularly in Shanghai. Consumers in the region are also increasingly health conscious, with the region consequently seeing above-average growth for soft drinks with a healthy positioning such as fruit and vegetable juice. Many new products appeared in the children's fruit and vegetable juice in East China according to Euromonitor. Children's fruit and vegetable juice is growing rapidly in the region because it is believed to supply the nutrition required by growing children. In the North and Northeast China, the range of fruit and vegetable juice for children also increased dramatically in this region during the review period by Euromonitor. According to Euromonitor, there is a strong tradition of pampering children whenever possible in China. With income levels growing in the region, consumers began to spend more on their children and focused more closely on children's health. In response, many beverage producers launched fruit and vegetable juice for children in 2006. In addition to a general shift towards low-end fruit and vegetable juice such as juice drinks, demand remains strong for healthy 100% juice in first tier cities such as Shanghai and Beijing.

The fruit and vegetable juice beverage market can be divided into three main segments, 100% juice, nectars and juice drinks. According to Euromonitor, nectars are a juice beverage with juice content of 25–99% and juice drinks are a juice beverage with juice content of up to 24%.

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The following table shows the retail store sales and sales growth in China from 2001 to 2006 for each juice product segment.

Retail Store Sales of Fruit/Vegetable Juice



Source: Euromonitor International

According to Euromonitor, the 100% juice segment was worth RMB11.3 billion in retail store sales value in 2006 in China. Despite their relatively higher unit prices, 100% fruit and vegetable juice are increasingly popular for health conscious consumers who have a high disposable income. Further consumer education and more active marketing campaigns by food and beverage producers are likely to increase demand for beverages in this segment. The development of modern organized chains in China, such as supermarkets, hypermarkets and convenience stores, has boosted sales of 100% juice products due to the distribution infrastructure and refrigerated storage capabilities that these chains have.

Key Growth Drivers for Orange Juice

Growing Economy and Improvement in Standard of Living and Disposable Income

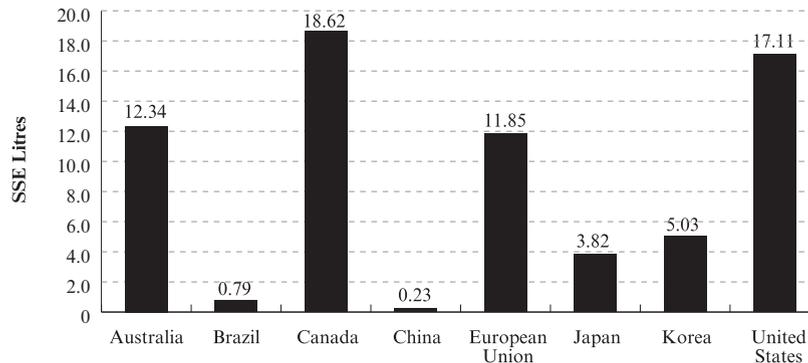
China benefited from strong economic growth throughout the review period, with this resulting in a marked improvement in disposable income levels across the country. According to Euromonitor, consumers are currently looking forward to a bright economic future in China. Mid-income group is expected to continue to expand. The majority of Chinese consumers will feel more affluent and better able to afford small luxuries. Volume sales of soft drinks are expected to continue to grow due to rising disposable income levels. Sales are expected to expand around 50% in volume. As consumers become more affluent, they are expected to treat themselves to packaged soft drinks more frequently. Consumers will increasingly buy soft drinks as a treat with meals at home or food outlets or to drink while commuting or working. Fruit and vegetable juice is expected to continue to grow, with a strong growth in demand in less developed cities and rural regions. There is a large potential for growing demand outside first tier cities, with consumers shifting their attention to healthier products such as 100% juice.

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Potential Huge Market Demand

According to the Florida Department of Citrus, an US organization responsible for planning and executing programs that grow the citrus industry, as illustrated by the following graph, China's orange juice per capita consumption is significantly lower than other developed countries in the world. As such, the Directors believe that China's orange juice per capita consumption will continue to increase.

World Orange Juice Per Capita Consumption (2005/2006)



Source: Florida Department of Citrus

Increasingly Health and Nutrition Awareness

According to Euromonitor, consumers became increasingly aware of health and nutrition during the review period and it is estimated that Chinese consumers will increasingly become aware of health and nutrition issues whether or not they face a serious health threat. A number of product areas are expected to strongly benefit from growing interest in health and nutrition. Affluent urban consumers will seek out premium juice with a fresh positioning, viewing fruit as inherently healthy.

Aging Population

According to Euromonitor, the Chinese population continued to age with birth rates continue to decline. The increasingly old consumer base mainly shaped soft drinks due to their health concerns, with most opting to eat and drink more healthily. This supported growth for fruit and vegetable juice. Soft drinks targeting children continued to perform strongly as there is a strong tradition of indulging children in China and, while birth rates dropped, those that have children spent more on them due to increases in disposable income levels. According to Euromonitor, the population is expected to age further during the forecast period. Meanwhile, the number of children is expected to decline. These consumers tend to be traditional but health conscious. Fruit and vegetable juice enriched with calcium and other nutrients designed to promote bone and joint health are expected to be increasingly popular. The declining number of children is expected not to result in a decline for children's soft drinks. In contrast, rising income levels will result in consumers from all income groups spending more on their children. Children's juice drinks is expected to see continued innovation and growth during the forecast period, while products targeting children are also likely to appear in other areas of soft drinks.

In view of the above factors, the Directors believe that there will be a strong demand for the orange juice and hence FCOJ (which are used to produce the orange juice).

INDUSTRY OVERVIEW

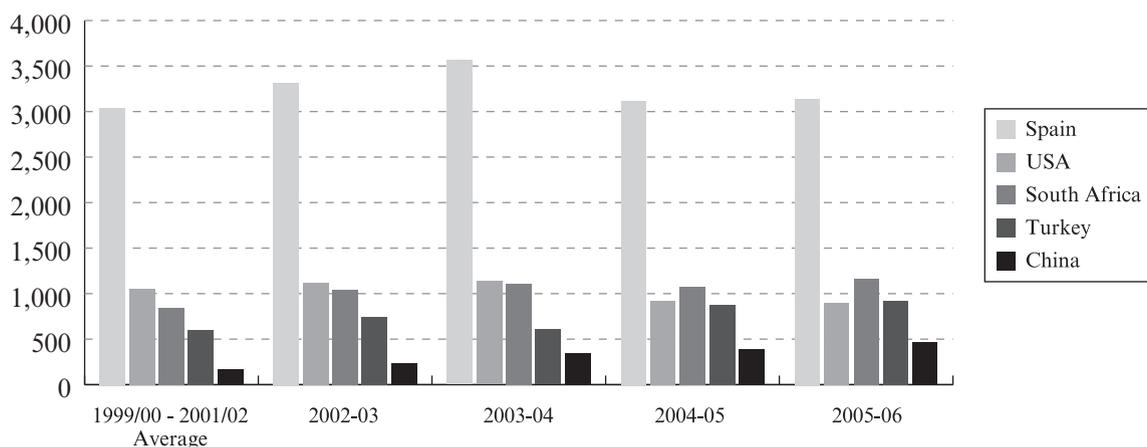
Overview of China's Citrus Industry

According to the Industry Research Report of China 2007, between the 2002 and 2006, China's cultivation area and production is at a steady growth rate. The Directors believe that the improvement in production with a lower growth in cultivation area can be attributed to the improvement in plantations in China, which were historically yielding much lower than their counterparts in other developed countries. These developments have led China to become the world's third largest producer of citrus fruits (which has a 10.8% share in the quantity of the world's citrus production) after Brazil and the United States (which has a 23.7% and 15.9% share respectively in the quantity of the world's citrus production).

According to the Summary of National Agricultural Statistics (全國統計提要) released by Ministry of Agriculture of the People's Republic of China (中華人民共和國農業部), the annual production volume of oranges in China increased from approximately 2,547,084 tonnes in 2005 to approximately 2,846,845 tonnes in 2006.

Although China is a major producer of citrus fruits, only 3% of its produce is exported. Most of the citrus fruit exported is mandarin oranges destined to South East Asian countries. The export of sweet oranges is still not very common due to the high demand within China's domestic market.

Fresh Citrus Exporting Countries ('000 MT)



Source: Food and Agriculture Organization of the United Nations (FAO)

Therefore, sweet orange remains one of the key imports for China to fulfill its local demands. Orange juice is also imported to meet China's local demand due to a shortage of suitable raw materials locally to produce sufficient juice.

According to the Industry Research Report of China 2007, in order to meet the rising demand for oranges in China, the Chinese government has already implemented various policies to support the citrus fruits cultivation and production industry in San Xia Ku Qu (三峽庫區) in China.

INDUSTRY OVERVIEW

Major provinces of citrus plantations in China

The location of an citrus plantation has a significant bearing on the level of productivity of its orange trees and on the quality of the citrus produced by those trees. The Company's plantations are located in Fujian Province, China. As far as the Directors are aware, the Company's plantations are not situated in areas which are particularly exposed to unusually strong storms or similar adverse weather conditions. According to the information released by Ministry of Agriculture of the PRC, the annual citrus production volume of China was approximately 15,695,656 tonnes in 2006 amongst which, the aggregate annual production volume of Sichuan Province, Guangxi Province, Guangdong Province, Hunan Province, Hubei Province, Zhejiang Province and Fujian Province, being the seven highest annual production volumes in 2006 amongst other provinces in China, accounted for approximately 81% of the total citrus production in China in 2006. The map below illustrates the location of the various citrus plantation areas in China:



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RELEVANT LAWS AND REGULATIONS GOVERNING THE PRC CONCENTRATED FRUIT JUICE INDUSTRY

The production of concentrated fruit juice are governed by various PRC laws and regulations, including but not limited to, the Food Hygiene Law of the People's Republic of China (中華人民共和國食品衛生法) (the "Food Hygiene Law"), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) (the "Water Pollution Law"), the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) (the "Environmental Protection Law") as well as other PRC laws and regulations relating to production of concentrated fruit juice. Our legal advisers as to PRC law confirmed that we have obtained all permits and licences and complied with the relevant requirements under such laws and regulations. A summary of some of the major provisions of such laws and regulations that are relevant to the production of concentrated fruit juice industry is set out below.

Food Hygiene Law of the People's Republic of China (中華人民共和國食品衛生法)

The Food Hygiene Law, promulgated by Standing Committee of the National People's Congress of the PRC ("NPC") in 1995, is the principal law governing food production, operation and management in the PRC. The Food Hygiene Law stipulates the hygienic requirements and standards for food and food additives, packaging and containers, as well as for the food production sites and facilities, the related environmental conditions, transportation and trade which all enterprises and individuals in the PRC that are engaged in food production and trade should comply.

The Ministry of Health of the PRC (中華人民共和國衛生部) (the "MOH") is responsible for the overall supervision and control of food hygiene in the PRC. Local bureaus of health in the PRC are responsible for implementation of the MOH's instructions, including but not limited to, examination of entities engaged in food production and trade and issue of the relevant licences and certificates. According to the Food Hygiene Law, all enterprises or individuals proposing to participate in manufacturing or selling foodstuffs should obtain a hygiene licence (衛生許可證) from the local bureaus of health before they can register with the relevant administrative authorities for industry and commerce.

Generally, pursuant to the Food Hygiene Law, foodstuffs manufactured, prepared or traded in the PRC should be innocuous and harmless, and in accordance to the nutritional requirements that they should meet, and also should have the corresponding status of sense such as colour, smell and taste. If an enterprise or individual engaged in the PRC food industry fails to comply with the provisions of the Food Hygiene Law, the MOH or the local bureaus of health may, according to the circumstances of the case, issue a warning notice or rectification order, confiscate proceeds from the illegal behaviours, impose a fine, order the wrongdoer to make rectification or cease production or operation, recall and destroy the foodstuffs already sold, revoke the wrongdoer's hygiene licence, and in case of harm being caused to human health, initiate criminal proceedings against the wrongdoer.

Standardization Law of the People's Republic of China (中華人民共和國標準化法)

The Standardization Law of the People's Republic of China (中華人民共和國標準化法) (the "Standardization Law") which came into effect on 1 April 1989, establishes the legal framework upon which national standards are developed and applied to various industries and fields in China. Pursuant to the Standardization Law and the interpretations of its provisions, national standards shall be formulated for the technical requirements that need to be unified nationwide. National

INDUSTRY OVERVIEW

standards shall be formulated by the department of standardization administration under the State Council, the PRC. In the absence of national standards, trade standards may be formulated. And, if both national and trade standards are absent, local standards may be formulated. National standards and trade standards shall be classified into compulsory standards and voluntary standards, where compulsory standards must be complied with.

Food hygiene is subject to a uniform set of compulsory national standards which are drafted and approved by the competent department of public health under the State Council, the PRC. The coding and issuance of these compulsory national standards shall be determined by the department of standardization administrative under the State Council, the PRC in conjunction with the relevant competent departments under the State Council, the PRC.

An enterprise that fails to comply with the compulsory standards in the production and sale of products will be subject to suspension of production and sales activities, confiscation of products, supervised elimination of the products or other necessary technical treatments to the products, confiscation of the proceeds arising from the unlawful behaviour, as well as payment of fines. Behaviour causing serious damage may subject the enterprise and responsible persons to criminal proceedings instituted by judicial authorities.

According to the Standardization Law, enterprises that manufacture juice beverages must conform to the relevant compulsory standards in relation to juice beverage production. The main standards are set out as follows:

Hygiene Standard of concentrated Fruit and Vegetable Juice for the Food Industry (食品工業用濃縮果蔬汁(漿) 衛生標準)

National Standard GB 17325-2005, which became effective on 1 October 2005, prescribes hygiene requirements and testing methods for fruit and vegetable juice concentrates used in the food industry, as well as hygiene requirements for food additives, manufacturing processes, packaging, labelling, storage and transport. This standard is subject to using fruits, vegetable or other plants as material to make concentrated fruit and vegetable juice, and using such concentrated fruit and vegetable juice to make beverage or other processing food, after the procedure of washing, adopting juice, concentrating and sterilization,

This standard also sets out the hygiene requirements, testing methods and sensory, physico-chemical and microbiological criteria.

Law of the People's Republic of China on the Prevention and Control of Water pollution (中華人民共和國水污染防治法)

The “Law of the People's Republic of China on the Prevention and Control of Water pollution” (the “Water Pollution Law”) was promulgated on 11 May 1984 and revised on 15 May 1996. It is the legal framework for the prevention and control of water pollution in respect of terrestrial and underground water from rivers, lakes, canals, channels and reservoirs. Environmental protection divisions under local people's governments are vested with the function to supervise and administer the prevention and control of water pollution, whilst the competent department of environmental protection under the State Council is in charge of the formulation of water quality standards and pollutant discharge standards.

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Any enterprise or institution that discharges water pollutants is subject to a discharge fee in accordance with the relevant regulations and an excess-pollutant discharge fee in case of discharges in excess of the prescribed level and has to take corrective measures. The urban centralized water pollutants disposal enterprise or institution which has paid a water pollutants disposal fee to the said enterprises or institutions is not subject to a discharge fee.

Failure to comply with Water Pollution Law will subject the non-complying entity to a warning notice or a penalty payment as determined by competent department of environmental protection, and basing on the decision determined by the local people's government, the non-complying entity will subject to suspension of operations or closure of business. Any entity that causes water pollution is obliged to ensure elimination of the pollution and compensate the loss suffered by any entity or individual.

The Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)

The Environmental Protection Law was implemented on 26 December 1989, the competent department of environmental protection under the State Council is responsible for overall supervision and management of environmental protection in the PRC. It formulates national standards for discharging waste materials and environmental protection and monitors the PRC environmental protection system. Environmental protection bureaus at the county level and above are responsible for environmental protection within their respective areas of jurisdiction.

The enterprises engaged in food production should comply with the laws and regulations concerning environmental protection. The Environmental Protection Law requires all operations that produce pollutants or other hazards to take environmental protection measures, and to establish an environmental protection responsibility system and adopts effective measures to control and properly dispose of waste gases, waste water, waste residue, dust or other waste materials. Any enterprise or institution that discharges waste material must report to and register with the relevant environmental protection authority.

If an enterprise or institution fails to report or provides false information about the environmental pollution caused by it, it will receive a warning or be penalized. An enterprise or institution that has failed to eliminate or control pollution by the deadline as required shall, as provided for by the state, pay a fee for excessive discharge; in addition, a fine may be imposed on it on the basis of the damage incurred, or the enterprise or institution may be ordered to suspend its operations or close down.

Enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate any losses or damages suffered as a result of such environmental pollution. Material violation of the Environmental Protection Law that causes a serious environmental pollution accident, leading to the grave consequences of heavy losses of public or private property or human injuries or deaths of persons may attract criminal liability.

HISTORY AND DEVELOPMENT

BUSINESS HISTORY

The following highlights certain business development milestones of the Group.

March 1993	Summi Fujian (then known as 泉州森美天然食品飲料有限公司) was established as a sino-foreign equity joint venture enterprise and the Quanzhou production plant commenced operation.
August 2001	The “Summi” brand concentrated juice produced by Summi Fujian was accredited the China Famous Food by the China Food Industry Association (中國食品工業協會).
January 2004	Commencement of leasing of 6 orange farms.
June 2004	Summi Fujian was accredited as the leading enterprises of agricultural industrialization in Fujian Province by the Leading Work Committee of Agricultural Industrialization in Fujian Province.
January 2005	Commencement of leasing of 7 orange farms.
April 2005	Summi Fujian changed its name to its current name 森美(福建)食品有限公司.
May 2005	Summi Fujian was granted a certificate of ISO9001:2000 by CCIC Conformity Assessment Services Co., Ltd (中國檢驗認證集團質量認證有限公司).
June 2005	Summi Fujian was granted a certificate of CNAB — S152: 2004 CODE OF FOOD SAFETY MANAGEMENT SYSTEM BASED ON HACCP by CCIC Conformity Assessment Services Co., Ltd (中國檢驗認證集團質量認證有限公司).
January 2006	Commencement of leasing of 10 orange farms.
September 2007	Summi Fujian was granted a certificate of HACCP-EC-01 (equivalent to GB/T 22000-2006/ISO 22000: 2005) by Beijing Continental Hengtong Certification Co., Ltd. (北京五洲恆通認證有限公司) (<i>Note</i>).
September 2007	Summi Fujian was accredited a certificate of GB/T 19001-2000 idt ISO 9001: 2000 by Beijing Continental Hengtong Certification Co., Ltd. (北京五洲恆通認證有限公司).
September 2007	Sanming Summi was established as a wholly-owned subsidiary of Summi Fujian.
November 2007	The Sanming production plant commenced operation.

HISTORY AND DEVELOPMENT

Note:

Beijing Continental Hengtong Certification Co., Ltd. is a certification organization established in 2000 and approved by the Certification and Accreditation Administration of the PRC. The Certification and Accreditation Administration of the PRC is an organization authorised by the State Council of the PRC as the authority to manage, supervise and coordinate the country's certification and accreditation. Beijing Continental Hengtong Certification Co., Ltd. is principally engaged in the certification of organic products, HACCP food safety systems and quality management systems. The Directors confirm that apart from engaging Beijing Continental Hengtong Certification Co., Ltd. for certification work, the Group has no other business with Beijing Continental Hengtong Certification Co., Ltd.

CORPORATE HISTORY

Summi Fujian

Summi Fujian (then known as 泉州森美天然食品飲料有限公司) was established as a sino-foreign equity joint venture company on 15 March 1993 with a registered capital of RMB20 million (equivalent to approximately HK\$22.47 million) by Macau Dehong, which was wholly-owned by Mr. Hong and Hui'An Luoyang, which was an Independent Third Party, as to 90% and 10% respectively. The then approved scope of business of Summi Fujian was production of natural fruit drinks.

The registered capital of Summi Fujian attributable to Macau Dehong was fully contributed by Macau Dehong by production facilities, transportation equipment, cash and office equipment. Hui'An Luoyang, however, did not contribute to the registered capital of Summi Fujian. Nonetheless, in dealing with the changes of registrations of Summi Fujian, the Quanzhou Administration for Industry and Commerce (泉州市工商行政管理局) did not inquire into the delay in contribution of the registered capital of Summi Fujian and re-issued business licences to Summi Fujian. Further, throughout the years, Summi Fujian has passed the annual audit and has not been penalized for the late contribution of registered capital.

As Hui'An Luoyang was unable to contribute to its portion of the registered capital of Summi Fujian, on 6 May 2000, Hui'An Luoyang and Fujian Jinjiang Longhu Fuli Ultrasonic Zipper and Clothing Factory (福建省晉江龍湖富利超音波拉鏈服裝廠, which later changed its name to Jinjiang Fuli Zipper and Clothing Limited (晉江市富利拉鏈服裝有限公司)) ("Jinjiang Fuli"), which was an enterprise incorporated under the laws of the PRC and an Independent Third Party, entered into an equity transfer agreement pursuant to which Hui'An Luoyang agreed to transfer its entire 10% equity interest in Summi Fujian to Jinjiang Fuli at no cost and Jinjiang Fuli agreed to settle the capital contribution of RMB2 million to Summi Fujian. Prior to the above equity transfer, Macau Dehong was entitled to the entire profits and responsible for all the liabilities of Summi Fujian. After the equity transfer was completed, the profits and liabilities of Summi Fujian would be shared by the shareholders according to the proportions of their contribution to the registered capital. Macau Dehong consented to the above equity transfer. The equity transfer and the aforesaid arrangement as to Summi Fujian's profits and liabilities were approved by the Hui'An Foreign Economy and Trade Bureau (惠安縣對外經濟貿易局) on 12 December 2000. After the completion of the above equity transfer, the equity interest in Summi Fujian was owned by Macau Dehong and Jinjiang Fuli as to 90% and 10% respectively.

On 23 January 2003, Jinjiang Fuli changed its name to Jinjiang Fuli Zipper and Clothing Limited (晉江市富利拉鏈服裝有限公司). After the above name change, the whole equity interest in Summi Fujian remained unchanged as to 90% held by Macau Dehong and as to 10% held by Jinjiang Fuli.

HISTORY AND DEVELOPMENT

Summi Fujian was approved to change its name to Summi (Fujian) Food Co., Ltd. (森美(福建)食品有限公司) by Hui'An Foreign Trade and Economy Cooperation Bureau (惠安縣對外貿易經濟合作局) on 5 April 2005.

On 14 November 2007, the Quanzhou Administration for Industry and Commerce registered the scope of business of Summi Fujian to be changed to cultivation of fruits and vegetables, processing of agricultural products, fruit and vegetable juice concentrate, preserved fruits and food machinery.

On 22 October 2007, as part of the Reorganisation, Hong Kong Potel, a wholly-owned subsidiary of Sunshine Vocal, entered into an equity transfer agreement with Macau Dehong pursuant to which Macau Dehong agreed to sell and Hong Kong Potel agreed to purchase the 90% equity interest in Summi Fujian held by Macau Dehong for RMB18 million, equivalent to approximately HK\$20.22 million and the capital contribution to Summi Fujian by Macau Dehong. Such consideration was satisfied by the issue of 99,999 fully paid shares on 22 October 2007 by Sunshine Vocal to Mr. Hong. The equity transfer was consented to by Jinjiang Fuli and was approved by the Hui'An Foreign Trade and Economy Cooperation Bureau on 25 October 2007.

As part of the Reorganisation and having regard to Jinjiang Fuli's preference to deal with a domestic counterparty instead of directly with Manwell Limited, on 8 December 2007, Quanzhou Yuansen entered into an equity transfer agreement with Jinjiang Fuli pursuant to which Jinjiang Fuli agreed to sell and Quanzhou Yuansen agreed to purchase the 10% equity interest in Summi Fujian held by Jinjiang Fuli for RMB12 million, which was equivalent to approximately HK\$13.48 million and 10% of the net asset value of Summi Fujian as of 31 December 2006 determined in the valuation report issued by Xiamen Junhe Appraisal Consultancy Co Ltd (廈門均和評估諮詢有限公司) dated 20 May 2007. The consideration for the above equity transfer was settled by cash. Quanzhou Yuansen was a company duly incorporated in the PRC and wholly-owned by Ms. Xin Liang, who is the sister of Mr. Sin. The equity transfer was consented to by Hong Kong Potel and was approved by the Hui'An Foreign Trade and Economy Cooperation Bureau on 14 December 2007. After the completion of the above equity transfer, the equity interest in Summi Fujian was owned by Hong Kong Potel and Quanzhou Yuansen as to 90% and 10% respectively.

As part of the Reorganisation, on 21 December 2007, Manwell Limited entered into an equity transfer agreement with Quanzhou Yuansen pursuant to which Quanzhou Yuansen agreed to sell and Manwell Limited agreed to purchase the 10% equity interest in Summi Fujian held by Quanzhou Yuansen for RMB12 million, which was equivalent to approximately HK\$13.48 million and 10% of the net asset value of Summi Fujian as of 31 December 2006 determined in the valuation report issued by Xiamen Junhe Appraisal Consultancy Co Ltd (廈門均和評估諮詢有限公司) dated 20 May 2007. The consideration for the above equity transfer was settled by cash. Manwell Limited was a wholly-owned subsidiary of Rich Anges, which in turn was wholly-owned by Mr. Sin. The equity transfer was consented to by Hong Kong Potel. The equity transfer and the transformation of Summi Fujian from a sino-foreign equity joint venture enterprise to a wholly foreign-owned enterprise were approved by the Hui'An Foreign Trade and Economy Cooperation Bureau on 24 December 2007. After completion of the above equity transfer, Summi Fujian became a wholly foreign-owned enterprise owned by Hong Kong Potel as to 90% and Manwell Limited as to 10% respectively.

On 24 December 2007, the Hui'An Foreign Trade and Economy Cooperation Bureau approved the increase in the registered capital of Summi Fujian from RMB20 million to RMB30 million. The additional registered capital of Summi Fujian was fully contributed by the shareholders in proportion to their respective shareholdings by 2 January 2008.

HISTORY AND DEVELOPMENT

Sanming Summi

Sanming Summi was established on 27 September 2007 as a wholly-owned subsidiary of Summi Fujian with a registered capital of RMB2 million (equivalent to approximately HK\$2.25 million), which has been fully paid. The business scope of Sanming Summi is processing and sale of fruit and vegetable juice.

Investors

On 22 October 2007 and on 22 May 2008, Kingdom Glory entered into a share transfer agreement and a supplemental agreement with Mr. Hong and Mr. Sin (as guarantor), pursuant to which Kingdom Glory agreed to purchase and Mr. Hong agreed to sell his 12.153% shareholding in Sunshine Vocal for RMB35 million, which was equivalent to approximately HK\$39.33 million. The consideration for the transfer was determined with reference to the estimated consolidated net profit of Sunshine Vocal for the year ended 31 December 2007, multiplied by a certain price-to-earning ratio. The above transfer of 12.153% in Sunshine Vocal was fully completed on 8 November 2007. Immediately after completion of the above share transfer, Sunshine Vocal was owned as to 87.847% and 12.153% by Mr. Hong and Kingdom Glory. Pursuant to the terms of the above share transfer, Mr. Hong shall procure that prior to the International Offering, Kingdom Glory's interest in Sunshine Vocal or our Company shall not be less than 12.153%. It is also a term of the above share transfer agreement that if the audited consolidated net profit (the "Actual Net Profit") of Sunshine Vocal, Hong Kong Potel, Summi Fujian and Sanming Summi (excluding non-operational items) calculated in accordance with the International Accounting Standard by an accountants firm jointly designated by Mr. Hong and Kingdom Glory in writing for the period from 1 January 2007 to 31 December 2007 is less than RMB80,000,000 (the "Guaranteed Net Profit"), Mr. Hong shall at no cost transfer certain adjustment shares in Sunshine Vocal (or our Company, as the case may be) to Kingdom Glory according to the following formulae:

$$\begin{array}{l} \text{Adjustment shares} \\ \text{(expressed as percentage} \\ \text{of shareholding in} \\ \text{Sunshine Vocal)} \end{array} = \begin{array}{l} \text{Final number of shares} \\ \text{(expressed as percentage} \\ \text{of shareholding in} \\ \text{Sunshine Vocal)} \end{array} - \begin{array}{l} \text{Number of transfer shares} \\ \text{(expressed as percentage} \\ \text{of shareholding in} \\ \text{Sunshine Vocal)} \end{array}$$

Whereas,

$$\begin{array}{l} \text{Final number of shares (expressed as} \\ \text{percentage of shareholding in Sunshine Vocal)} \end{array} = \begin{array}{l} \text{consideration/} \\ \text{(Actual Net Profit x 90\% x 4)} \end{array}$$

$$\begin{array}{l} \text{Number of transfer shares (expressed as} \\ \text{percentage of shareholding in Sunshine Vocal)} \end{array} = \begin{array}{l} \text{consideration/} \\ \text{(Guaranteed Net Profit x 90\% x 4)} \end{array}$$

In any event, the number of adjustment shares shall not exceed the number of transfer shares.

Based on the draft audited net profit figure of the Group for the year ended 31 December 2007 in the amount of RMB69,849,000, the number of adjustment shares would be 13,244,355 Shares. The number of adjustment shares is less than the number of transfer shares which Kingdom Glory would have been entitled to had there been no adjustment (i.e. 91,147,500 Shares). The transfer of adjustment shares took place prior to the formal application of Listing and the date of this prospectus. As such, Rule 10.07 of the Listing Rule does not apply. Rule 9.09 of the Listing Rule was also complied with.

HISTORY AND DEVELOPMENT

The effective investment cost per Share for Kingdom Glory is HK\$0.3767, representing a 44.6% discount to the Offer Price of HK\$0.68 per share, being the mid-point of the indicative Offer Price range.

Kingdom Glory is a company incorporated in the British Virgin Islands with limited liability on 6 September 2007. It was owned by Perfect Landmarks Limited (a company incorporated in the British Virgin Islands with limited liability) as to approximately 42.85%, Mobile Consultants Limited (a company incorporated in the British Virgin Islands with limited liability) as to approximately 28.57%, Sunshine Asset Management (HK) Limited (a company incorporated in Hong Kong with limited liability) as to approximately 14.29% and Sunshine Greater China Master Fund (a company incorporated in the Cayman Islands with limited liability) as to approximately 14.29%. All the aforesaid shareholders (including their respective ultimate shareholder(s)) of Kingdom Glory are Independent Third Parties.

On 22 October 2007 and 15 January 2008, Mr. Hong and Sunshine Vocal entered into a shareholder loan agreement and a supplemental agreement pursuant to which Mr. Hong agreed to provide a shareholder loan in the principal amount of RMB35 million to Sunshine Vocal as the latter's general working capital. The loan carries an interest at 6.5% per annum. The repayment of the loan and the interest accrued was waived by Mr. Hong on 2 June 2008.

On 9 January 2008 and 6 March 2008, First Trading entered into a share transfer agreement and a supplemental agreement with Mr. Hong and Mr. Sin (as guarantor), pursuant to which First Trading agreed to purchase and Mr. Hong agreed to sell his 10% shareholding in Sunshine Vocal for RMB28,799,473, which was equivalent to approximately HK\$32.35 million. The consideration for the transfer was determined with reference to the estimated consolidated net profit of Sunshine Vocal for the year ended 31 December 2007, multiplied by a certain price-to-earning ratio. The effective investment cost per Share for First Trading is HK\$0.4315, representing a 36.5% discount to the Offer Price of HK\$0.68 per share, being the mid-point of the indicative Offer Price range. The above transfer of 10% in Sunshine Vocal was completed on 5 February 2008. Immediately after completion of the above share transfer, Sunshine Vocal was owned as to 77.847%, 12.153% and 10% by Mr. Hong, Kingdom Glory and First Trading. Pursuant to the terms of the above share transfer, Mr. Hong shall procure that prior to International Offering, First Trading's interest in Sunshine Vocal or our Company shall not be less than 10%. First Trading is wholly owned by Mr. Ye Jinxing, who is an Independent Third Party.

Any special rights (including but not limited to information right, veto right to certain matters concerning the Group and tag-along right) granted to Kingdom Glory and First Trading pursuant to the above investment arrangements will be discontinued upon listing of our Company. Also, the shareholders of Kingdom Glory will not enjoy any special rights upon listing of our Company.

Both Kingdom Glory and First Trading have agreed that the Shares acquired by them as a result of the above investment arrangements will be subject to any moratorium period, which is six months in the present case. Such Shares will not be counted as part of the public float.

Kingdom Glory's investment in the Group provided the necessary funds for the increase of investment and registered capital of Summi Fujian in December 2007, and provided additional working capital to the Group which facilitated the Group's expanded operation in the 2007/8 harvest season. Also, the Directors are of the view that some of the shareholders of the Pre-IPO Investors are professional investors whose financial and investment expertise would be beneficial to the Group's operation. Mr. Ye's investment also enabled the controlling shareholder to realize his investment to fund his personal financial needs.

HISTORY AND DEVELOPMENT

Save as disclosed in Note 4 under the paragraphs headed “Group Structure” in this section, each of the Pre-IPO Investors is independent of our Company and our connected persons, and each other.

Details of how the shareholders of Kingdom Glory and First Trading became the shareholders of our Company are set out in the above paragraphs headed “Corporate history” and the paragraphs headed “Corporate reorganisation” in Appendix VI to this prospectus.

Reorganisation

As part of the Reorganisation, Summi Fujian became a wholly foreign-owned enterprise owned by Hong Kong Potel as to 90% and Manwell Limited as to 10% respectively, which was approved by the Hui’An Foreign Trade and Economy Cooperation Bureau on 24 December 2007. Details of how Summi Fujian was converted into a wholly foreign-owned enterprise are set out in paragraphs headed “Summi Fujian” in this section above.

We have been advised by our PRC legal advisers that all the changes set out above in relation to the ownership of Summi Fujian and its conversion into a wholly foreign-owned enterprise have been properly approved by the relevant PRC authorities and comply with the PRC laws.

Our Company was established in the Cayman Islands on 5 February 2008 with Key Wise (a company incorporated in the British Virgin Islands and then wholly owned by Mr. Hong), Kingdom Glory and First Trading holding 77.847%, 12.153% and 10% respectively of our then issued share capital.

On 22 May 2008, our Company entered into a share purchase agreement with each of Mr. Hong, Kingdom Glory and First Trading pursuant to such agreements, our Company acquired from Mr. Hong, Kingdom Glory and First Trading the entire issued share capital of Sunshine Vocal. As consideration of the above share transfers, on 22 May 2008, our Company allotted and issued certain Shares, credited as fully paid, to Key Wise, Kingdom Glory and First Trading in proportion to their then existing shareholdings in our Company and credited as fully paid at par the nil paid Shares then held by Key Wise, Kingdom Glory and First Trading. Immediately after the completion of the above share transfers, Sunshine Vocal became a wholly owned subsidiary of our Company.

On 22 May 2008, our Company entered into a share purchase agreement with Mr. Sin pursuant to which our Company acquired the entire issued share capital of Rich Anges. As consideration of the aforesaid share transfer, on 22 May 2008, our Company allotted and issued certain shares, credited as fully paid, to Cheer Sky (a company incorporated in the British Virgin Islands and wholly owned by Mr. Sin). To adjust the agreed shareholdings of Kingdom Glory and First Trading in Sunshine Vocal, on 22 May 2008, Sunshine Vocal further allotted and issued certain shares to Key Wise, Kingdom Glory and First Trading so that immediately after the share allotments to Key Wise, Kingdom Glory, First Trading and Cheer Sky as mentioned in this paragraph, our Company was owned as to 67.847%, 12.153%, 10% and 10% by Key Wise, Kingdom Glory, First Trading and Cheer Sky respectively and became the ultimate holding company of the Group.

On 22 May 2008, Key Wise transferred certain Shares (being the adjustment shares before the Capitalisation Issue) to Kingdom Glory at a nominal consideration.

HISTORY AND DEVELOPMENT

On 22 May 2008, Kingdom Glory transferred its entire shareholding in our Company to its shareholders, namely, Perfect Landmarks Limited, Mobile Consultants Limited, Sunshine Asset Management (HK) Limited and Sunshine Greater China Master Fund in proportion to their respective shareholdings in Kingdom Glory. Immediately after the aforesaid share transfers, our Company was owned as to 66.081%, 5.964%, 3.977%, 1.989%, 1.989%, 10% and 10% by Key Wise, Perfect Landmarks Limited, Mobile Consultants Limited, Sunshine Asset Management (HK) Limited, Sunshine Greater China Master Fund, First Trading and Cheer Sky respectively.

On 22 May 2008, Cheer Sky transferred its entire shareholding in our Company to Key Wise. In consideration of the said transfer, Key Wise allotted and issued certain number of shares to Cheer Sky (at the same time Key Wise allotted and issued shares to Mr. Hong) so that Key Wise became owned as to 86.856% and 13.144% by Mr. Hong and Cheer Sky respectively.

Details of the Reorganisation and how we became the ultimate holding company of the Group are set out in the paragraphs headed “Corporate reorganisation” in Appendix VI to this prospectus.

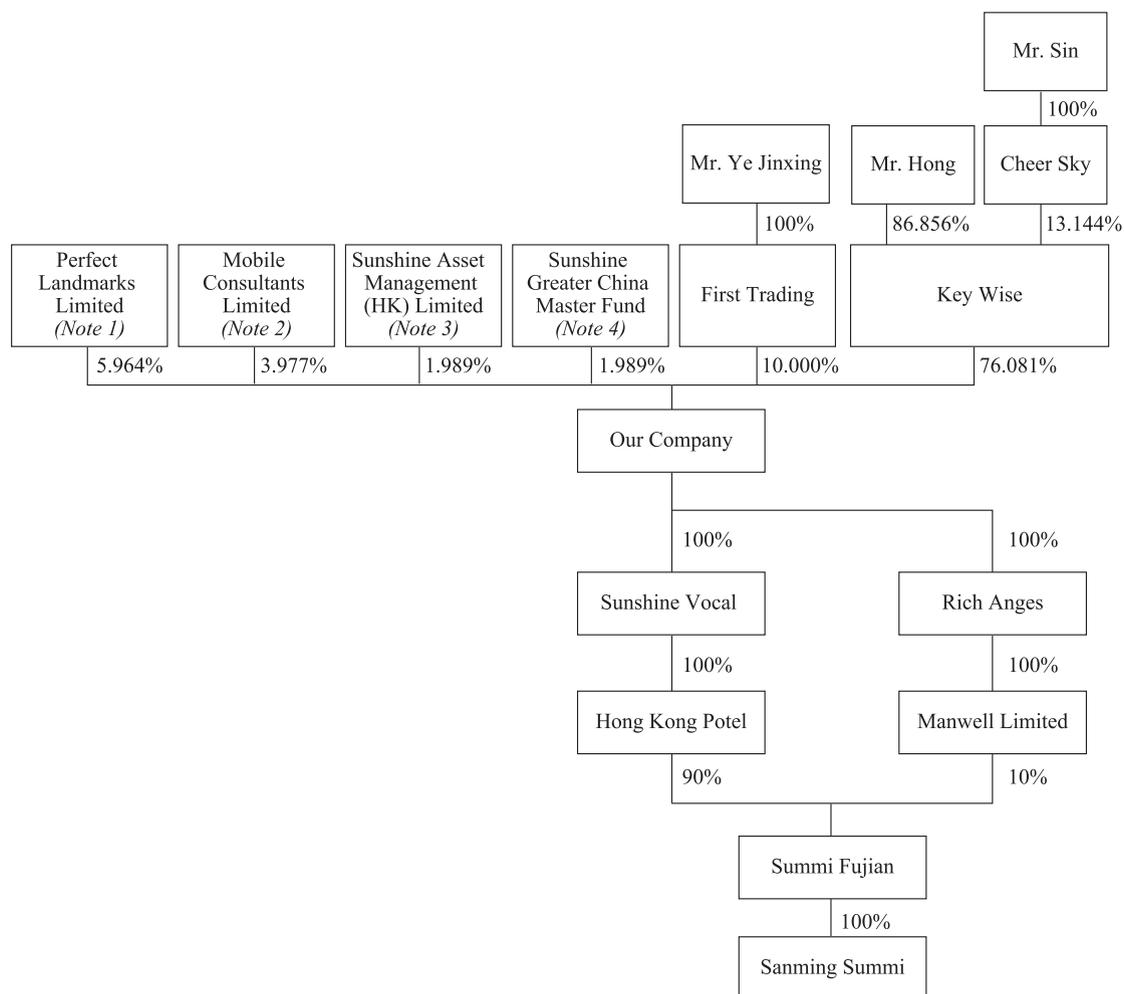
We have been advised by our legal advisers as to PRC laws that as Mr. Hong is a holder of Macau identity card and Key Wise is not a special purpose vehicle within the meaning under the “Relevant Issues Concerning Foreign Exchange Administration of Financing and Return Investment Undertaken by Domestic Residents Through Overseas Special Purpose Vehicles” (the “Notice No. 75”). Further, the Reorganisation is not a return investment within the meaning under the Notice No. 75. As such, the Controlling Shareholders are not required to follow the foreign exchange registration requirements under the Notice No. 75.

We have further been advised by our legal advisers as to PRC laws that the Rules on the Acquisition of Domestic Enterprises by foreign investors in the PRC 《關於外國投資者併購境內企業的規定》 (the “Order No. 10”) principally applies to the direct or indirect acquisition of PRC domestic enterprises by foreign investors. As Summi Fujian is a foreign-invested enterprise and Sanming Summi is a further investment directly established by Summi Fujian, there does not exist an acquisition of Summi Fujian by foreign investors or acquisitions of other PRC domestic enterprises through Summi Fujian. Accordingly the Order No. 10 does not apply to the Reorganisation and the Listing.

HISTORY AND DEVELOPMENT

Group Structure

The following diagram sets out the corporate structure of the Group after the Reorganisation, Pre-IPO investment and Capitalisation Issue but immediately before the International Offering.



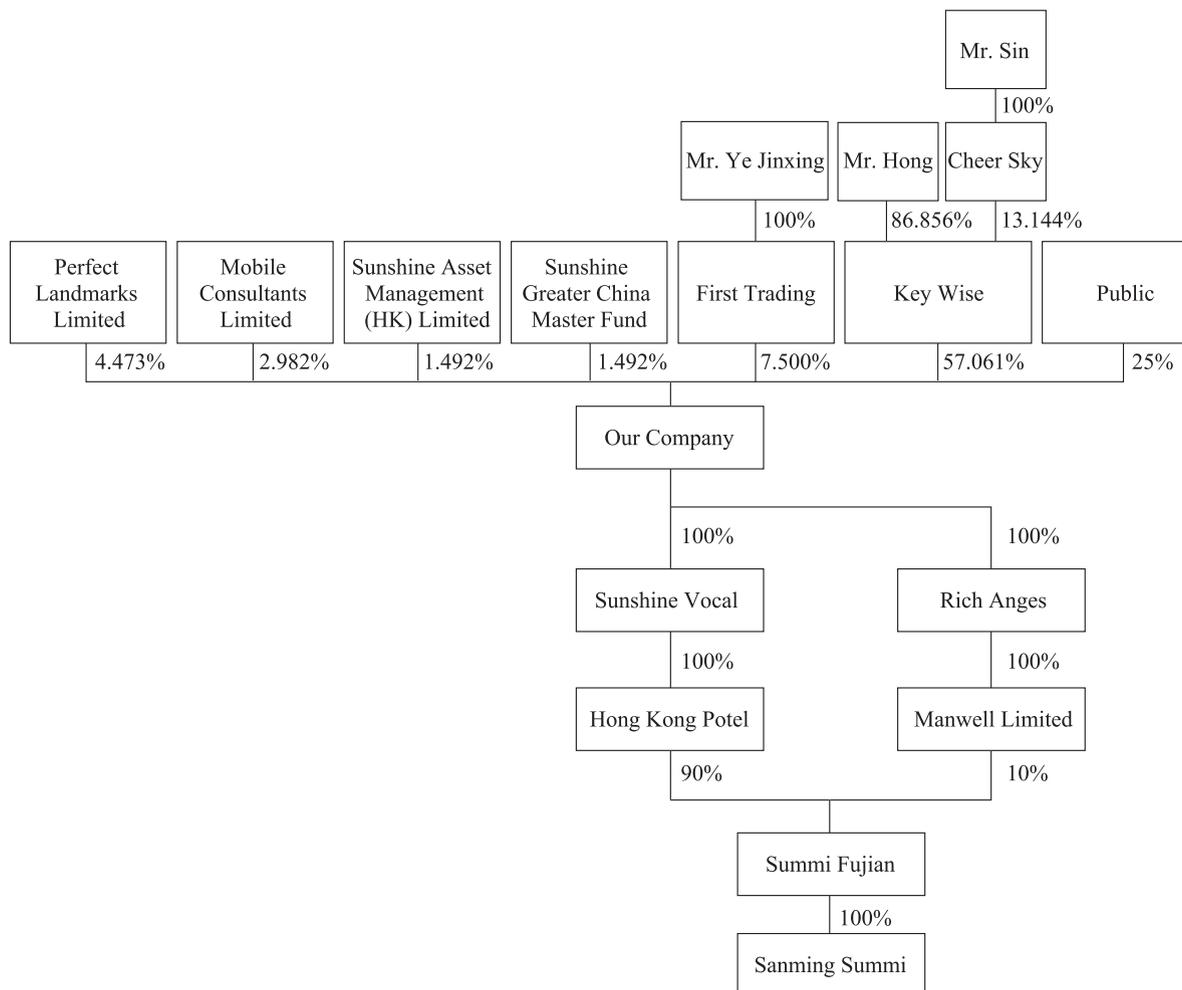
Notes:

1. Perfect Landmarks Limited is a wholly owned subsidiary of YS Investment Holdings Limited, which in turn is wholly owned by Mr. Chan Hon Ping. Both YS Investment Holdings Limited and Mr. Chan Hon Ping are Independent Third Parties.
2. Mobile Consultants Limited is wholly owned by Ms. So Hon Chun. Ms. So Hon Chun is an Independent Third Party.
3. The shareholders of Sunshine Asset Management (HK) Limited include Mr. Yang Yuchuan, Mr. Kwan Yam Hung, Mr. Shum Sai Chit, Mr. Wang Li An, Ms. Tan Ming Yue, Wealthy Bridge Investments Limited, Sunshine Partners Financial Holdings Limited, Reachup Holdings Limited and Mount Wave Investments Limited. The aforesaid shareholders of Sunshine Asset Management (HK) Limited and their respective ultimate shareholders are Independent Third Parties.

HISTORY AND DEVELOPMENT

4. Sunshine Greater China Master Fund is wholly owned by Sunshine Asset Management Limited, which in turn is wholly owned by Sunshine Asset Management (HK) Limited.
5. The shareholdings of Perfect Landmarks Limited, Mobile Consultants Limited, Sunshine Asset Management (HK) Limited, Sunshine Greater China Master Fund and Key Wise have been adjusted in accordance with the adjustment formula set out under the paragraphs headed “Investors” in the section “History and Development” in this prospectus.

The following diagram sets out the corporate structure of the Group immediately after completion of the International Offering (assuming that the Over-allotment Option is not exercised).



BUSINESS

OVERVIEW

According to the certificate issued by the China Beverage Industry Association (中國飲料工業協會) on 15 February 2008, we are one of the leading domestic producers in the FCOJ industry in PRC in terms of production quantity. It was forecasted by the United States Department of Agriculture, Foreign Agriculture Service in its Global Agriculture Information Network Report dated 29 November 2007 that approximately 20,000 tonnes of FCOJ were produced domestically in China in 2007 while we produced approximately 7,222 tonnes of FCOJ in 2007. Since 1993, we have principally engaged in the production and distribution of FCOJ and its related product, namely orange pulp. Since November 2004, we have also engaged in the wholesale of fresh oranges. During the Track Record Period, in order to fully utilize the production capacity of our production plants for those periods other than the pressing season of oranges, we have also engaged in the production and distribution of concentrated strawberry juice and concentrated gooseberry juice. Since 2006, in order to further widen our product range, we have also engaged in the production and distribution of dehydrated longans. Nevertheless, FCOJ and its related product and fresh oranges remain dominantly our primary products in terms of both revenue and sales volume during the Track Record Period. As advised by our legal advisers as to PRC law, we have obtained all the relevant licences, permits and approvals for our business activities and operations.

The table below sets out a breakdown of our turnover categorized by product types during the Track Record Period:

	Year ended 31 December					
	2005		2006		2007	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
FCOJ and its related product	44,398	47.0	70,725	40.3	124,337	46.8
Fresh oranges	43,793	46.3	94,818	54.0	127,128	47.9
Others (<i>note</i>)	<u>6,289</u>	<u>6.7</u>	<u>9,900</u>	<u>5.7</u>	<u>14,130</u>	<u>5.3</u>
Total	<u>94,480</u>	<u>100.0</u>	<u>175,443</u>	<u>100.0</u>	<u>265,595</u>	<u>100.0</u>

Note: Others include the turnover generated from the sales of concentrated strawberry juice, concentrated gooseberry juice and dehydrated longans.

Our products are all sold within the PRC domestic market.

A majority of our customers of our FCOJ and its related product are food and beverages manufacturers. In respect of the sales of our fresh oranges, most of our customers are fresh fruit wholesalers and fresh fruit distributors. In respect of the sales of our other products (which includes concentrated strawberry juice, concentrated gooseberry juice and processed dehydrated longans), most of our customers are food and beverages manufacturers and wholesalers and distributors for our processed dehydrated longans.

Our existing production plants and office are strategically located at Quanzhou and Sanming, Fujian Province, the PRC. They are in close proximity to our leased orange farms and our orange suppliers, thereby allowing us to lower our transportation costs and enhancing logistics efficiency.

BUSINESS

Our production plants in Quanzhou and Sanming have a production volume of about 4,738 and 2,484 metric tonnes of FCOJ per pressing season respectively in 2007. For detailed information of our production capacity and production volume, please refer to the paragraphs headed “Production” in this section.

Sanming production plant is leased to us whilst Quanzhou production plant is owned by us. As advised by our legal advisers as to PRC law, we have obtained the necessary land title documents in connection with our property interests in the Quanzhou production plant.

We operate 23 leased orange farms. The table below sets out the geographical locations and other details of our orange farms.

<u>Location</u>	<u>Commencement date of leasing</u>	<u>Expiration date of leasing</u>	<u>Approximate area</u> <i>(mu)</i>	<u>Approximate number of orange trees in each farm</u>	<u>Annual rental</u> <i>(RMB)</i>	<u>Number of forestry right holders</u>
Sanyuan Qu Zhong Cun Xiang Nan Keng Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉南坑村)	1 January 2004	31 December 2008	1,480	88,800	429,200	12
Sha Xian Fu Kou Zhen Liu Keng Cun, Sanming City, Fujian Province (福建省三明市沙縣富口鎮柳坑村)	1 January 2004	31 December 2008	1,390	83,400	403,100	16
Mei Lie Qu Chen Da Zhen Bi Xi Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮碧溪村)	1 January 2004	31 December 2008	2,020	121,000	585,800	19
Yong An Shi Hong Tian Zhen Xiao Sang Cun, Sanming City, Fujian Province (福建省三明市永安市洪田鎮小嶸村)	1 January 2004	31 December 2008	1,200	72,000	348,000	15
Sanyuan Qu Xin Kou Zhen Xi Ji Cun, Sanming City, Fujian Province (福建省三明市三元區莘口鎮西際村)	1 January 2004	31 December 2008	1,760	105,000	510,400	18
Sanyuan Qu Yan Qian Zhen Ao Keng Cun, Sanming City, Fujian Province (福建省三明市三元區岩前鎮歐坑村)	1 January 2004	31 December 2008	1,650	99,000	478,500	17
Shun Chang Xian Yang Kou Zhen Shi Xi Cun, Nanping City, Fujian Province (福建省南平市順昌縣洋口鎮石溪村)	1 January 2005	31 December 2009	1,603	96,100	480,900	20
Yanping Qu Xia Yang Zhen Da Geng Cun, Nanping City, Fujian Province (福建省南平市延平區峽陽鎮大埂村)	1 January 2005	31 December 2009	1,426	85,500	427,800	18
Sanyuan Qu Zhong Cun Xiang Mi Yang Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉米洋村)	1 January 2005	31 December 2009	1,636	98,100	490,800	13

BUSINESS

Location	Commencement date of leasing	Expiration date of leasing	Approximate area (<i>mu</i>)	Approximate number of orange trees in each farm	Annual rental (<i>RMB</i>)	Number of forestry right holders
Mei Lie Qu Chen Da Zhen Yu Xi Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮漁溪村)	1 January 2005	31 December 2009	1,812	108,700	543,600	18
Sanyuan Qu Zhong Cun Xiang Ding Tie Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉頂太村)	1 January 2005	31 December 2009	1,451	87,000	435,300	15
Sanyuan Qu Zhong Cun Xiang Ji Feng Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉吉峰村)	1 January 2005	31 December 2009	1,031	61,800	309,300	9
Xu Bi Xiang Liao Yuan Cun, Sanming City, Fujian Province (福建省三明市徐碧鄉廖源村)	1 January 2005	31 December 2009	1,033	61,900	309,900	12
Sanyuan Qu Zhong Cun Xiang Zhong Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉中村)	1 January 2006	31 December 2010	1,068	64,000	325,740	10
Taiping Zhen Nan Xi Cun Nanping City, Fujian Province (福建省南平市太平鎮南溪村)	1 January 2006	31 December 2010	1,496	90,000	456,280	16
Sanyuan Qu Zhong Cun Xiang Keng Yuan Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉坑源村)	1 January 2006	31 December 2010	1,313	78,700	400,465	16
Sanyuan Qu Zhong Cun Xiang Du Shui Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉杜水村)	1 January 2006	31 December 2010	944	56,600	287,920	11
Shun Chang Xian Yang Kou Zhen Dao Wu Cun, Nanping City, Fujian Province (福建省南平市順昌縣洋口鎮道吳村)	1 January 2006	31 December 2010	1,475	88,000	449,875	14
Mei Lie Qu Chen Da Zhen Zhong Nan Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮棕南村)	1 January 2006	31 December 2010	904	54,240	275,720	10
Mei Lie Qu Chen Da Zhen Tai Xi Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮台溪村)	1 January 2006	31 December 2010	1,042	62,520	317,810	13
Mei Lie Qu Chen Da Zhen Chen Dun Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮陳墩村)	1 January 2006	31 December 2010	1,075	64,500	327,875	11
Mie Lie Qu Chen Da Zhen Chang Xi Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮長溪村)	1 January 2006	31 December 2010	963	57,780	293,715	12

BUSINESS

<u>Location</u>	<u>Commencement date of leasing</u>	<u>Expiration date of leasing</u>	<u>Approximate area</u> <i>(mu)</i>	<u>Approximate number of orange trees in each farm</u>	<u>Annual rental</u> <i>(RMB)</i>	<u>Number of forestry right holders</u>
Mei Lie Qu Chen Da Zhen Sha Zhao Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮砂蕉村)	1 January 2006	31 December 2010	1,026	61,560	312,930	12
Total:			<u>30,798</u>			

The total quantity of oranges produced by our leased orange farms was approximately 59,952 tonnes, 98,483 tonnes and 98,033 tonnes respectively for the three years ended 31 December 2007.

In addition to relying on the supply of oranges from our leased orange farms, we had sourced oranges from other orange farmers in Fujian Province for production of our FCOJ and its related product. We also procure fertilizers and pesticides for the use of our leased orange farms from fertilizers and pesticides suppliers.

OUR COMPETITIVE STRENGTHS

We believe that our success to date and potential for future growth can be attributed to a combination of strengths, including the following:

- Well-established and reputable customer base
- One of the leading producers of FCOJ in the large and rapidly growing juice market in China
- Well-established network for raw material procurement and supply chain management
- A vertically integrated processing platform
- Automated production process, proven system of large scale manufacturing and quality control
- Experienced management with a record of delivering growth and profitability

Well-established and reputable customer base

We have built long-term relationships with our customers. Our business relationship with our five largest customers for our FCOJ products for the year ended 31 December 2007 ranges from 5 years to 10 years. Our largest customer, Coca-Cola, is a multinational and world leading manufacturer of food and beverage products. Suntory (Shanghai) Foods, Co., Ltd., which is one of our five largest customers in 2007, is a member of Suntory Group, which is a Japan-based multinational manufacturer of food and beverage products with operations in Asia Pacific, America and Europe. Our FCOJ products are used in fruit juice beverages. Our customers as referred above for our FCOJ products are amongst the leading manufacturers of food and beverage products in China.

One of the leading producers of FCOJ in large and rapidly growing juice market in China

According to the certificate issued by the China Beverage Industry Association (中國飲料工業協會) on 15 February 2008, we are one of the leading producers in the PRC FCOJ industry.

We expect the growing economy and improvement in standard of living and disposable income will lead to an increase in demand for soft drinks which include fruit juice. According to Euromonitor, beverage consumption in China has started to shift away from carbonated drinks towards fruit and vegetable juice beverages. Euromonitor data shows that the volume share of carbonated drinks in Chinese soft drinks market fell from 27% in 2001 to 21% in 2006, while volume share of fruit and vegetable juice beverages increased from 11% to 16% for the same period.

As our FCOJ are used for the production of one of the most consumed fruit juice, namely orange juice, we believe that we are well positioned to benefit from the consumer trend towards healthier, more nutritious food and beverages. Our total sales of FCOJ and its related product grew by 180.0%, from approximately RMB44.40 million for the year ended 31 December 2005 to approximately RMB124.34 million for the year ended 31 December 2007.

Well-established network for raw material procurement and supply chain management

A consistent supply of high quality raw materials such as oranges are crucial to our business. During the Track Record Period, approximately 59.9%, 48.3% and 44.6% of our quantity of oranges used for our production of FCOJ and its related product were sourced from different orange farmers across Fujian, PRC. We believe that we are a significant customer to our suppliers (most of them being individual farmers) in the orange market in Fujian, PRC and this helps us to have a better bargaining power and maintain a stable supply of oranges from our suppliers. We source oranges from over 100 orange farmers.

To further ensure our consistent supply of high quality raw materials for our sales of fresh oranges and production of FCOJ and to increase our FCOJ production output capacity, we operate 23 orange farms which are leased to us across Sanming and Nanping region of Fujian Province, the PRC. During the Track Record Period, all of the oranges for our wholesale of fresh oranges were sourced from these orange farms while 40.1%, 51.7% and 55.4% of our total oranges in terms of quantity, used for our production of FCOJ were sourced from these orange farms operated by us. The total volume of the oranges collected in these orange farms was approximately 59,952 tonnes, 98,483 tonnes and 98,033 tonnes in 2005, 2006 and 2007 respectively. By operating our leased orange farms, not only does it ensure our consistent supply of oranges, but also minimizes our risk and price sensitiveness in the event of a fluctuating oranges market. Moreover, as our industry heavily relies on a consistent supply of raw materials, we believe that it is relatively difficult for new market players to enter into the industry in a short period of time.

We believe that our ability to obtain a steady supply of raw materials has helped us to increase our production output and to maintain our quality standard.

A vertically integrated processing platform

We adopt a vertically integrated approach to our production process. We allocate a portion of our oranges from our leased orange farms and process our oranges at our own production plants for producing our FCOJ products. The quantity of oranges produced by 23 leased orange farms across the Sanming and Nanping region of the Fujian Province, the PRC accounted for 40.1%, 51.7% and 55.4% of our total orange used for FCOJ production and 100%, 100% and 100% of our wholesale

of fresh oranges, in terms of quantity for each of the year ended 31 December 2007 respectively. The oranges produced by us which are of higher quality are selected for selling on the fresh oranges market while the remaining oranges (which cannot be sold at a high level of price) are retained by us as raw materials for the production of FCOJ. The selection process is based on a set of established criteria which classifies the grade of the oranges with reference to their size, colour and overall appearance. As a result, all of the fresh oranges so produced by the farms we operate are fully utilized with minimum wastage and thereby increasing our profit margin. Our Directors believe that this has given us a competitive advantage over the pricing of our products. This vertically integrated approach enables us to have control over the cost, quality and quantity of our orange produce, reducing the reliance on and involvement of suppliers and other parties. Our Directors believe that our integrated approach to cultivation and processing distinguishes us from those orange growers and concentrated juice producers in China who only specialize in either farming or processing and not both. During the Track Record Period, cost of oranges before taking account the fair value adjustment yielded from our leased orange farms accounted for approximately 27.6%, 35.7% and 42.2% of our cost of sales of FCOJ and its related product while cost of oranges sourced from external oranges farmers was about 53.4%, 44.9% and 43.3% respectively.

Automated production process and proven system of large-scale manufacturing and quality control

We have put considerable emphasis on the quality of our FCOJ products and oranges and impose quality control standards throughout the raw material procurement, production and delivery processes, including selection and inspection of raw materials, in particular, the supply of fresh oranges, the implementation of plant sanitation procedures through regular sterilization of equipment and facilities, as well as the maintenance of high hygienic standards during packaging, storage and delivery to ensure that our products are wholesome. During the production process, we implement random sampling inspection at various production stages ensuring that our products can achieve the target quality standards. We also utilize High Temperature Short Time (“HTST”) technology to kill bacteria, thereby avoiding the adverse prolonged boiling impact of normal pasteurization that would lead to a reduction in and damage to vitamins. For details, please refer to the paragraph headed “Quality control and Research and Development” in this section.

The quality control standards adopted by us not only comply with applicable PRC government standards, but also meet the internationally recognized standards in the food industry. We had obtained two international quality control certificates, namely, ISO9001: 2000 since May 2005 and HACCP since June 2005. HACCP is an internationally recognized systematic preventive approach to food safety and pharmaceutical safety which addresses physical, chemical and biological hazards as a means of prevention rather than finished product inspection. It works as a logical tool for adapting traditional inspection methods to a modern, science-based, food safety system. These certificates demonstrate that the level of quality management maintained by us has attained international standards.

We utilize automated modern technologies in the production and packaging process in our production facilities. Some of the machinery and equipment we use to produce our fruit concentrate products has come from overseas suppliers, such as MANZINI of Italy and FMC of United States, which are leading international suppliers of fruit concentrate production machinery. We believe that the automated production process and modern facilities have enabled us to maintain high product quality at comparatively low production and operation costs, which improves our financial performance and profitability.

BUSINESS

Experienced management with a track record of continuing growth and profitability

Our management team possesses extensive operating experience and industry knowledge and understanding. Mr. Sin, our chief executive officer and executive Director, has more than 14 years of experience in FCOJ industry in China and other members of our senior management team have an average of 5 years of experience in the manufacturing, distribution and sale of FCOJ products. We believe that our management team's experience in FCOJ industry will continue to deliver a strong and rapid growth and are of vital importance to our business.

Most of our senior management team have been managing our business for more than 4 years. In particular, staff of our production department on average have more than 5 years of experience in the production of FCOJ. An employee's year-end profit based bonus scheme has been adopted by us. Accordingly, we believe that our employees' interests are highly aligned with those of our shareholders and they are fully motivated to create value for our business. We believe that a performance-based culture among our employees has provided and will continue to provide strong incentives to our management and employees to maximize shareholders' returns.

OUR STRATEGIES

We aim to maximize shareholder value and pursue a business growth strategy based on the following principal components:

- Continue to focus on the fast-growing juice concentrates market in China and consolidate and further increase our market share;
- Expand production capacities by building new production facilities in strategic locations and further strengthen our raw materials supply base; and
- Expansion of our products range and client base.

Continue to focus on the fast-growing juice market in China and consolidate and further increase our market share

With rising health awareness among consumers, increasing disposable household income and rapid urbanization, the fruit juice market has continued to expand in China. As one of the leading producers of FCOJ, we are well positioned to benefit from future growth of China's juice market, and will therefore focus on investing our resources to further enhance our leading position and increase our market share in this attractive and fast growing market.

According to Euromonitor, fruit and vegetable juice accounted for the largest share in soft drinks sales in 2006 for the China market, with a sale of RMB47,036.8 million representing production volume of 5,296 million litres.

We intend to further enhance our growth by strengthening our leading position in the PRC FCOJ industry.

Expand our production capacities by building new production facilities in strategic locations and further strengthen our raw materials supply base

Currently, our sales volume is limited by our production capacity. Our production capacity for FCOJ per pressing season is approximately 9,200 tonnes. In anticipation of growing demand for our products and with an objective to diversifying sources of oranges, we intend to set up new production plant(s) in the near future. To support our increased capacity, we intend to expand the total area of the orange farms we operate from the present approximately 30,798 mu (20,532,102 sq.m.) to approximately 50,000 mu (33,333,500 sq.m.) by securing new orange farm leases in the future. We plan to strategically locate these future production plants in close proximity of those new orange farms to be leased. According to the information released by the Ministry of Agriculture of the PRC, the annual citrus production volume of China was 15,695,656 tonnes in 2006 amongst which, the aggregate annual production volume of Sichuan Province, Guangxi Province, Guangdong Province, Hunan Province, Hubei Province, Zhejiang Province and Fujian Province, being the seven highest annual production volumes in 2006 amongst other provinces in China, accounted for approximately 81% of the total citrus production in China in 2006. We currently intend to set up our future production plants in these areas with the highest orange production volume in China, providing us with abundant external supply of oranges, the core raw material for the production of FCOJ, in addition to our internal supply of oranges and minimizing the risk of the oranges perishing by the time they reach our production facilities. In short, we consider that the geographic locations of our future production facilities will provide us with access to a stable supply of oranges which reduces the production cost and secures an abundant supply of oranges to support our production of FCOJ and sale of oranges. On 21 April 2008, we entered into a memorandum of understanding with Kaixian Jinhua Agriculture Development Co., Ltd. (開縣金湖農業發展有限公司) which is an Independent Third Party. Under the memorandum of understanding, it is expected that we will cooperate with Kaixian Jinhua Agriculture Development Co., Ltd. to construct a concentrated fruit juice plant in Kaixian, Chongqing Municipality, PRC. Kaixian Jinhua Agriculture Development Co., Ltd. will be involved in development the parcel of land on which the future plant is expected to be situated on. It is expected that the total investment of this project will be RMB50 million, including the consideration of the parcel of land being RMB9 million. This memorandum is non-binding on the parties. It is expected that the parties will subsequently enter into a formal agreement. We expect to finance such capital expenditure by our internal resources and/or banking facilities. We have made enquiries with Kaixian Jinhua Agriculture Development Co., Ltd., so far as we are aware, due to its distance from the epicentre, the parcel of land has not been materially affected by the recent earthquake in Sichuan Province. Other than the aforesaid, as at the Latest Practicable Date, we are still in the course of selecting other site(s) of our other future production plant(s).

For our estimation on the total capital expenditure involved for the construction of the new production plant(s), please refer to the section “Future Plans and Use of Proceeds” in this prospectus. In the event that the selection of site(s) of our future production plant(s) is only finalized after the Listing, we will publish any further price-sensitive information in this regard in accordance with the Listing Rules. We expect to finance such capital expenditure by proceeds of this International Offering.

Expansion of our product range and client base

We believe that one of the key elements for our future success is our commitment to expand our product range and the quality of our products. We intend to widen our concentrated fruit juice range so that we can further utilize the production capacity of our production plants for those periods other than the pressing season of oranges (that is all period other than from mid-November to late April (inclusive) each year) and thereby lowering our average production cost. In addition to

leverage on our established customer base, we intend to broaden our client base by engaging in production of different varieties of processed dehydrated fruit to further enhance our competitiveness in the industry. We expect the production of different varieties of processed dehydrated fruit to be similar to those adopted in the production of our dehydrated longans.

PRODUCTS

We are principally engaged in the production and distribution of FCOJ and wholesale of fresh oranges. Unless specifically requested by customers, FCOJ produced by us is at 65 Brix. In order to fully utilize the production capacity our production plants for the periods other than the pressing season of orange from November to April (inclusive) each year, we are also engaged in the production of concentrated strawberry juice and concentrated gooseberry juice mainly during the period between May and August each year. Since 2006, in order to further widen our product range, we have also engaged in the production and distribution of dehydrated longans mainly during September each year. Our registered trademark, “ Summi” is used on all of our concentrated fruit juice products. We also intend to use our recently acquired trademark “”, which was acquired from Zhuhai Economic Zone Heqiang Health Products Co Ltd 珠海經濟特區合強保健營養品有限公司, an Independent Third Party at nil consideration, in relation to sale of our fresh oranges. The details of the concentrated fruit juice products we produce, the fresh oranges and dehydrated longans we sell are set out below:

I. FCOJ and its related product

a. FCOJ

FCOJ produced by us is pressed, sterilized and concentrated from oranges. FCOJ produced by us can be used for producing orange juice and for mixing with other fruit juice in producing different types of fruit juice. During the Track Record Period, based on the productivity record of the Group, approximately 11.5 metric tonnes of oranges can produce one metric tonne of FCOJ.

Unless specifically requested by customers, FCOJ produced by us is at 65 Brix.

b. Orange pulp

Orange pulp is a by-product from the production process of FCOJ. Orange pulp is the remains of the orange after the orange juice has been pressed out. There is usually a shortage of supply because the quantity is limited by the quantity of orange processed for FCOJ. Beverage producers often add orange pulp into their orange juice products as orange juice containing orange pulp seems to be more nutritious and natural and has better mouthfeel than no-pulp varieties.

II. Fresh oranges

The total quantity of oranges produced by our leased orange farms was approximately 59,952 tonnes, 98,483 tonnes and 98,033 tonnes respectively for the three years ended 31 December 2007. During the corresponding periods, approximately 36,681, 60,775 and 66,550 tonnes of oranges of higher quality are selected for selling on the fresh orange wholesale market while the remaining 23,271, 37,708 and 31,483 tonnes of oranges are retained by us as raw materials for the production of FCOJ. While most of the fresh oranges are collected in November and December each year, not all of these collected oranges are sold in the same year

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in which they are collected and some are sold in the next year. This has caused the differences between the quantity of oranges collected from the leased farms selected for selling on the fresh orange wholesale market and the quantity of fresh orange sold during the Track Record Period. The table below sets out the average price and quantity of fresh oranges we sold compared to the average price and quantity of oranges we purchased from other suppliers and from our leased orange farms for production of FCOJ for each season during the Track Record Period:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Tonnes of fresh oranges sold	26,706	54,384	73,412
Average price per kg (<i>RMB</i>)	1.64	1.74	1.73
Tonnes of oranges purchased from other suppliers for our FCOJ production	24,467	29,595	36,591
Average price per kg (<i>RMB</i>)	0.57	0.59	0.61
Tonnes of oranges from our leased orange farms for our FCOJ production	23,271	37,708	31,483
Average price per kg (<i>RMB</i>)	0.32	0.31	0.38

For each of the three financial years ended 31 December 2007, the average price of selling our fresh oranges of higher quality were approximately 2.88 times, 2.95 times and 2.84 times of the average purchase price of oranges for production of our FCOJ. As a result, by selling our fresh oranges in the wholesale market and purchasing oranges for production of our FCOJ from external sources, we are able to reduce our raw material costs in our production of FCOJ and enhance the overall profit margin. We store the oranges harvested from our orange farms and the oranges bought from external suppliers together in our warehouse. Oranges harvested from our orange farms and oranges bought from external suppliers are separated by different lots. We record the source of the oranges as part of our inventory system.

The oranges are harvested once per year from our leased orange farms.

Since most of the fresh oranges are collected in November and December each year, the fresh oranges so collected may only be sold in the first quarter next year. Our fresh oranges can be stored up to approximately 120 days from the day of harvest before becoming perished.

III. Others

a. *Concentrated strawberry juice*

Concentrated strawberry juice produced by us is pressed, sterilized and concentrated from strawberries. Concentrated strawberry juice produced by us can be used for producing strawberry juice and for mixing with other fruit juice in producing different types of fruit juice.

Unless specifically requested by customers, concentrated strawberry juice produced by us is at 9 Brix.

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b. Concentrated gooseberry juice

Concentrated gooseberry juice produced by us is pressed, sterilized and concentrated from gooseberries. Concentrated gooseberry juice produced by us can be used for producing gooseberry juice and for mixing with other fruit juice in producing different types of fruit juice.

Unless specifically requested by customers, concentrated gooseberry juice produced by us is at 28 Brix.

c. Dehydrated longans

Unprocessed dehydrated longans are purchased from unprocessed dehydrated longans distributors and wholesalers. Dehydrated longans which are of higher quality are selected, which are then pasteurized, sterilized and further dehydrated by storing into cold storage facilities of around -18°C. The dehydrated longans are then packaged and stored by us before selling. We commenced production of dehydrated longans in 2006. The total quantity of processed longans produced by us were 5.8 tonnes and 11.9 tonnes in 2006 and 2007 respectively.

PRODUCTION

I. FCOJ and its related product

We operate two production plants respectively located in Quanzhou and Sanming.

The details of these production plants are as follows:

<u>Location</u>	<u>Operation commencement date</u>	<u>Site area (sq.m.)</u>	<u>Number of production lines in each plant</u>	<u>Production capacity (metric tonnes of FCOJ per pressing season) (Note 1)</u>	<u>Production volume (metric tonnes of FCOJ per pressing season) (Note 2)</u>	<u>Utilization rate of production capacity of FCOJ</u>	<u>Production volume (metric tonnes of other concentrated juice products) (Note 3)</u>	<u>Number of Production staff as at the Latest Practicable Date</u>
Quanzhou, Fujian Province	December 1993	38,980	1	5,900	4,738	80.3%	757	80
Sanming, Fujian Province	November 2007	5,578	1	3,300	2,484	75.3%	0	44
Total:				9,200	7,222	78.5%	757	124

Notes:

1. Production capacity in 2007 is calculated by multiplying the number of working weeks in each pressing season with 6 production days per week with the highest daily production volume ever achieved by the respective production plants. Each of the pressing seasons spans from mid November to the end of April of the following year, which equals to 23 weeks per pressing season (except the holidays of Chinese New Year).
2. The production line in the Sanming production plant was relocated from the Quanzhou production plant to the Sanming production plant in September 2007 and the Sanming production plant commenced production in November 2007. The annual production volume of the Quanzhou production line in 2007 is the annual production volume of the Quanzhou production plant in 2007 minus the production volume of the Sanming

production line before the relocation for the four-month-period from January to April 2007. The annual production volume in 2007 for the Sanming production line is the sum of the production volume prior to the relocation of 1,430 tonnes (for the four-month-period from January to April 2007) and the production volume after the relocation of 1,054 tonnes (for the two-month-period of November and December 2007). Similarly, the production capacity of the Quanzhou production line in 2007 is the production capacity of the Quanzhou production plant minus the production capacity of the Sanming production line before the relocation for the four-month-period from January 2007 to April 2007 of 2,177 tonnes. The production capacity of the Sanming production plant for November 2007 (from 5 November 2007 to 30 November 2007) and December 2007 was approximately 1,123 tonnes. The actual production volume of the Sanming production plant for November 2007 (from 5 November 2007 to 30 November 2007) and December 2007 was approximately 430 tonnes and 624 tonnes respectively. After the relocation of the relevant production line to the Sanming production plant in November 2007, the Quanzhou production plant continues production with its production line. There is no production of FCOJ between May 2007 to October 2007 because it is the non-pressing season of FCOJ with no domestic supply of oranges during that period.

3. For each of the three years ended 31 December 2007, our actual production quantity of our other concentrated fruit juice products were approximately 400 tonnes, 700 tonnes and 757 tonnes.

We rented our Sanming production plant from an Independent Third Party, which is a company engaged in the processing of food products. The term of lease is five years which commenced on 11 August 2007 and is due to expire on 10 August 2012 with an option to renew the lease at expiration of the lease. The rental for the first two years is RMB150,000 per annum. The annual rental starting from the third year will be 105% of that of the previous year. Under the lease, the use of the property is for office use and manufacturing. During the term of the lease, we are responsible for the maintenance and repair of the property. Consent of the lessor is required if we wish to renovate the property. Further, we are not allowed to terminate the lease without (i) the written consent of the lessor and (ii) compensating the lessor with a sum equivalent to the rental payable for the remaining term of the lease and other costs arisen from the lease contract. The reason for establishing the Sanming production plant is because it is located in close proximity to the orange farms which we source our oranges from, thereby lowering the transportation cost. So far as we are aware, prior to leasing the Sanming production plant to us, the lessor had occupied the property and used the same for processing food products. Due to business reasons, the lessor decided to vacate the property and offer the same for lease.

As at the Latest Practicable Date, we had a total of two FCOJ production lines with a production capacity of approximately 9,200 metric tonnes of FCOJ per pressing season. At the Quanzhou production plant, we operate one production line for the production of FCOJ. Certain machineries of this production line were made by MANZINI in Italy. At the Sanming production plant, we operate one production line. Certain machineries of this production line were made by FMC in the United States. Both MANZINI and FMC are leading international suppliers of concentrate fruit juice production machinery.

For the Quanzhou production plant, the number of work shifts per day is three during the pressing season and the number of operation staff per shift is around 24 per production line. For the Sanming production plant, the number of work shifts per day is two during the pressing season and the number of operation staff per shift is around 16 per production line. The average utilization rate is approximately 79% for the year ended 31 December 2007 for the two production plants. Each production line operates 24 hours each day in the pressing seasons.

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Our production facilities primarily comprise the following major machinery and system:

<u>Type of major equipment</u>	<u>Main function(s)</u>	<u>No. of units in Quanzhou production plant</u>	<u>No. of units in Sanming production plant</u>	<u>Total no. of units</u>
Grinding machine	Crushing the fruit into mash prior to pressing for juice	1	1	2
Pressing machine	Pressing the mash to extract juice	1	3	4
Centrifugal machines	Separating the insoluble solids from juice	2	2	4
Ultra-filtration machine	Filtering the juice to remove fine particles and micro organisms from the juice	1	1	2
Pasteurization machine	Pasteurizing and sterilizing the juice by heat treatment	1	1	2
Evaporator	Sterilizing and evaporating the juice by heat treatment	1	1	2
Aseptic filling machine	Filling aseptic bags with sterilized juice concentrate to prevent contamination and quality deterioration	1	1	2

During the Track Record Period, we have not experienced any material machinery failure or equipment breakdown in our plants leading to material production interruption.

Sanming production plant is leased to us whilst Quanzhou production plant is owned by us. As advised by our legal advisers as to PRC law, we have obtained the necessary land title documents in connection with our property interests in the Quanzhou production plant. There are 10 buildings with a total gross floor area of approximately 6,716.26 sq.m. situated in our Quanzhou production plant.

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Pressing season

Due to the perishable nature of the fruits, our FCOJ production period generally coincides with the harvesting season and the natural storage life of the oranges, which is normally the period from mid-November of each year to April of the following year. Our annual production quantity plan is set at the start of each pressing season and we will adjust the exact production quantity each month depending on sales volume of that particular month. During non-pressing-season, a portion of our production staff will take holidays while the remaining portion of our production staff will provide portorage support such as loading our products onto vehicles for delivery to our customers, perform cleansing of production plant and production facilities and maintain and repair the production plant. We spend time to retool and repair our equipment between September and October each year. We also make use of such time to produce our dehydrated longan product. The chart below shows the operation periods of our production plants during a calendar year:

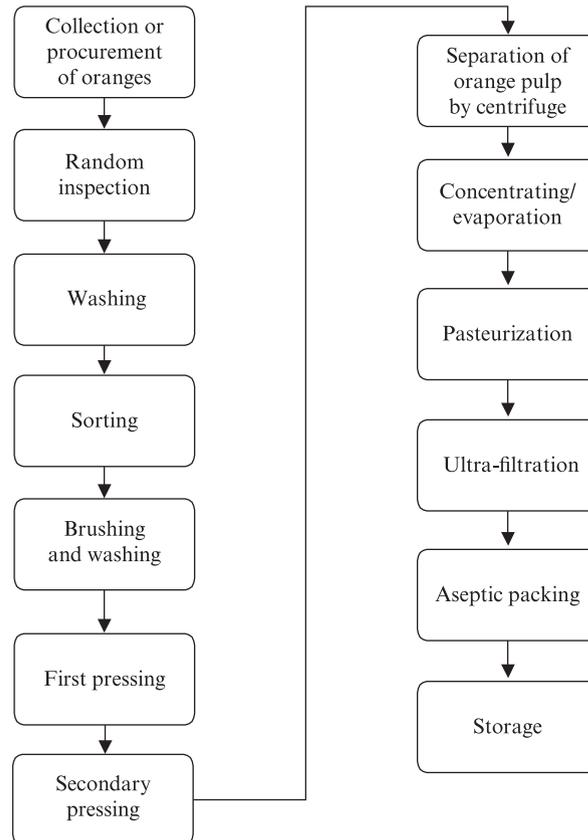
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales of our FCOJ and its related product												
Retool and repair of equipment												
Production of FCOJ												
Production of concentrated strawberry juice												
Production of concentrated gooseberry juice												

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Our production process of our concentrated fruit juice and its related product complies with the international quality control standards and food safety standard. Details of the quality control measures and standards adopted and adhered to by us are set out in the paragraph headed “Quality control and Research and Development” below.

Production processes of FCOJ product^{Note}

The following flow charts illustrate our respective major production processes of our FCOJ product:



Note: Save that we source all of our fresh fruits from the respective fruit farmers for all of our concentrated fruit juice products other than FCOJ, the production process of our other concentrated fruit juice products is largely similar to that of our FCOJ products.

Collection or procurement of oranges

We purchase oranges from orange farms in Fujian Province. All of these purchased oranges are used for the production of FCOJ. In addition, we collect oranges from the 23 leased orange farms operated by us. Staff from the procurement department regularly conduct site visits of the farming areas to assess orange crop conditions and spread the use of pesticides. Oranges delivered to the production plants will be processed within one week of delivery to avoid becoming perished over time.

Random inspection of oranges

From time to time, our laboratory analysts will take samples of oranges for quality inspection.

Washing of oranges

Oranges delivered to our production plants are sent into the production facilities through a water channel, where fast flowing water washes the oranges and removes dirt and residual pesticides. The water we use is supplied from the local water bureau.

Sorting of oranges

After conducting the aforesaid procedures twice, oranges are transported via a conveyor belt where the oranges will be sorted. Oranges that are rotten or damaged are manually removed.

Brushing & washing

The sorted oranges are then transported to a brushing machine that scrubs the oranges with mechanical brushes and sprays the oranges with water under high pressure to wash the oranges.

First pressing

The oranges are then sent to mechanical presses that squeeze the oranges to extract the orange juice.

Secondary pressing

In order to increase the production yield of orange juice from oranges and to minimize the orange consumption rate per unit of product, the orange pulp separated is then pressed to further extract orange juice.

Separation of orange pulp by centrifuge process

The juice and pulp are separated by the filter hose; the juice is then filtered through a centrifuge process and drained for further processing.

Concentrating/evaporation

The orange juice is then pumped into vaporizing machines where part of the water remaining in the juice is evaporated to produce the desired specifications required for the final product.

Pasteurization

The orange juice is then pasteurized at around 90°C to 92°C and passes through a heat exchanger where it is rapidly cooled to a temperature below 10°C.

Ultra-filtration

The orange juice is then pumped into an ultra-filtration machine with an organic membrane having a diameter of 80 mesh ($\approx 180\mu\text{m}$) that separates the water-insoluble substances and matters (including bacteria) from the juice through a continuous system of membrane filtration.

Aseptic packaging

Subsequently, the cooled orange juice is filled at aseptic condition.

Storage

The finished product is stored at our cold-storage facilities at a temperature below -18°C. The shelf life of FCOJ is 24 months from the date of production.

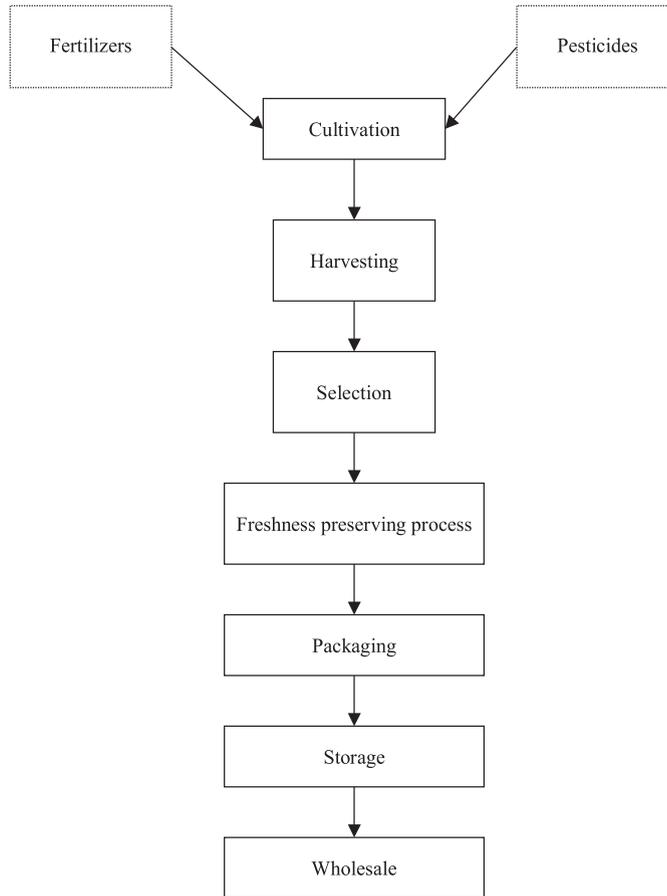
Production process

Our production plants are highly automated. A substantial part of the production process is conducted in an enclosed and highly automated environment, which we believe enables us to maintain operational consistency and assure purity of product in a relatively cost-effective way to reduce wastage. During the Track Record Period, we have not experienced any major machinery failure that resulted in cessation of production.

II. Fresh oranges

For the three financial years ended 31 December 2007, in term of quantity, 61.2%, 61.7% and 67.9% of the orange collected in our leased orange farms are classified as higher quality oranges for sale on the fresh orange market. As at the Latest Practicable Date, we operate 23 orange farms which are leased to us.

The following flow charts illustrate our respective major production processes of our fresh oranges product:

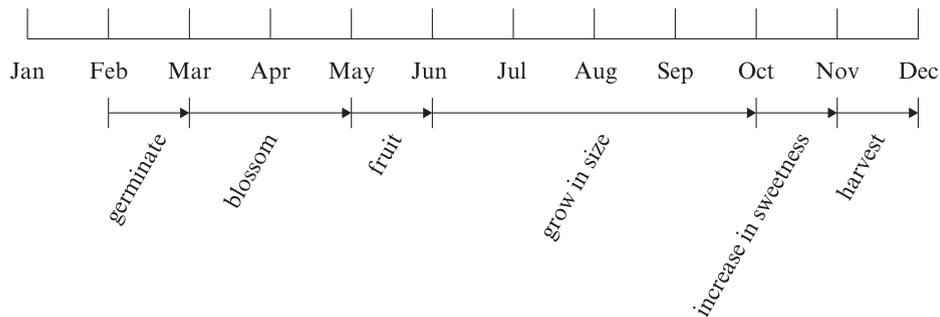


Cultivation

We prepare an annual cultivation plan in consultation with the local agricultural technology research institute. Fertilization and pest control exercises are then carried out in adherence with our cultivation plan with appropriate adjustments made depending on the actual condition of each of our orange farms from time to time. Based on the cultivation plan, the management of each orange farm estimates the labour demand to carry out fertilization or pest control exercise and enter into labour co-operation agreements with the respective villagers' committees. We use water supply from nearby streams of our orange farms and rain water for irrigation purposes. Please refer to the paragraph headed "Human Resources" below in this section for further details.

In general, soil improvement works on each of the leased orange farms are carried out by the workers arranged by us every 3 to 5 years. Soil improvement works involve loosening the soil and fertilizing in deeper section of the soil. Each soil improvement work on average requires 3 to 4 weeks to complete and is scheduled in time other than the harvesting period, so no interruption or effect on our business operation has been caused by these soil improvement works.

The chart below shows the typical growth cycle of orange throughout the year:



Harvesting

We also prepare an annual harvesting plan before each harvesting season which is around mid-November until the end of December of each year. Based on the harvesting plan, we prepare a harvesting schedule for each of our orange farms. Based on the harvesting schedule, the management of each orange farm estimate the labour demand to carry out the harvest and enter into labour co-operation agreements with the respective villagers' committees. Please refer to the paragraph headed "Human Resources" in this section for further details.

Selection

Once we have harvested the oranges, those oranges which are of higher quality are selected for selling on the fresh oranges market while the remaining oranges are retained by us as raw materials for the production of FCOJ. The selection process is based on a set of established criteria which classifies the grade of the oranges with reference to their size, colour and overall appearance. This selection criteria is set by us by reference to the PRC national standards. The PRC national standards prescribe that higher quality orange should have the following attributes: 1) its shape should have the same appearance as high-grade orange by being generally round and symmetrical; 2) the surface of the orange should be smooth and clean; 3) the colour should be yellowish and golden or orange and yellowish; 4) any marks or other similar imperfection should not constitute more than 1/5 of the total surface area of the orange; 5) it should not be dry or swollen or other similar indication of rotteness; and 6) the diameter of the larger type of orange should be greater than or equal to 65 mm while the diameter of the smaller type of orange should be greater than or equal to 55 mm.

Freshness preserving

In order to lengthen the storage period and preserve the quality and freshness of the oranges, those selected oranges will undergo freshness preserving process. The oranges will be soaked in preservatives meeting the PRC national standards which prescribes the type of preservatives to be used and the concentration of the preservative solution to be around 500 ppm to 1,000 ppm.

Packaging and storage

Our fresh oranges products are packed in approximately 25kg per crate. Some of our fresh oranges are wrapped in plastic bags which may vary depending on our customer's requirements. Most of these packaged fresh oranges are transported away by our customers while others are temporarily stored in the warehouses located in each of our orange farms pending collection by our customers.

Orange farms**Management of orange farms**

As at the Latest Practicable Date, we operate 23 orange farms which are leased to us. Our Sponsor, reporting accountants, the property valuer have all visited and inspected in reasonable detail the 23 orange farms in mid-December 2007 and have noted the physical presence of the orange trees in the orange farms and the oranges on the orange trees. These orange farms were operated, managed and supervised by our orange farms management team which consisted of 71 farming supervisors as at the Latest Practicable Date. The team is responsible for all day-to-day cultivation related matters, including the overall monitoring of the cultivation process, staffing of the cultivation work-force and recording the work done at each orange farm. This management team exercises control over the standard of our cultivation and ensures the quality and quantity of the produce requirements are met.

Selection of orange farms

We consider that the location of our orange farms is crucial to the quality and quantity of our products. When selecting new farms, we will try to look for locations which possess the following characteristics:

1. an optimal, pollution-free environment;
2. fertile soil and ease of drainage and irrigation;
3. an abundant supply of low-cost work force;
4. no damage caused by natural disasters in the recent past;
5. supported by an efficient transportation system; and
6. the orange trees being at their abounds period which is usually at the age of 8 to 11.

Location of orange farms

All of our leased orange farms are located in Sanming and Nanping (南平) region of Fujian Province, the PRC. The orange farms occupy an aggregate area of approximately 30,798 mu (20,532,102 sq.m.). All of these 23 leases were granted to us by the relevant villagers' committees, acting on behalf of itself and the farmer-households collectively holding the relevant use rights of forestry.

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The table below sets out the geographical locations and other details of our orange farms.

Location	Commencement date of leasing	Expiration date of leasing	Approximate area <i>(mu)</i>	Approximate number of orange trees in each farm	Annual rental <i>(RMB)</i>	Number of forestry right holders
Sanyuan Qu Zhong Cun Xiang Nan Keng Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉南坑村)	1 January 2004	31 December 2008	1,480	88,800	429,200	12
Sha Xian Fu Kou Zhen Liu Keng Cun, Sanming City, Fujian Province (福建省三明市沙縣富口鎮柳坑村)	1 January 2004	31 December 2008	1,390	83,400	403,100	16
Mei Lie Qu Chen Da Zhen Bi Xi Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮碧溪村)	1 January 2004	31 December 2008	2,020	121,000	585,800	19
Yong An Shi Hong Tian Zhen Xiao Sang Cun, Sanming City, Fujian Province (福建省三明市永安市洪田鎮小嶸村)	1 January 2004	31 December 2008	1,200	72,000	348,000	15
Sanyuan Qu Xin Kou Zhen Xi Ji Cun, Sanming City, Fujian Province (福建省三明市三元區莘口鎮西際村)	1 January 2004	31 December 2008	1,760	105,000	510,400	18
Sanyuan Qu Yan Qian Zhen Ao Keng Cun, Sanming City, Fujian Province (福建省三明市三元區岩前鎮歐坑村)	1 January 2004	31 December 2008	1,650	99,000	478,500	17
Shun Chang Xian Yang Kou Zhen Shi Xi Cun, Nanping City, Fujian Province (福建省南平市順昌縣洋口鎮石溪村)	1 January 2005	31 December 2009	1,603	96,100	480,900	20
Yanping Qu Xia Yang Zhen Da Geng Cun, Nanping City, Fujian Province (福建省南平市延平區峽陽鎮大埂村)	1 January 2005	31 December 2009	1,426	85,500	427,800	18
Sanyuan Qu Zhong Cun Xiang Mi Yang Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉米洋村)	1 January 2005	31 December 2009	1,636	98,100	490,800	13
Mei Lie Qu Chen Da Zhen Yu Xi Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮漁溪村)	1 January 2005	31 December 2009	1,812	108,700	543,600	18
Sanyuan Qu Zhong Cun Xiang Ding Tie Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉頂太村)	1 January 2005	31 December 2009	1,451	87,000	435,300	15
Sanyuan Qu Zhong Cun Xiang Ji Feng Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉吉峰村)	1 January 2005	31 December 2009	1,031	61,800	309,300	9
Xu Bi Xiang Liao Yuan Cun, Sanming City, Fujian Province (福建省三明市徐碧鄉廖源村)	1 January 2005	31 December 2009	1,033	61,900	309,900	12
Sanyuan Qu Zhong Cun Xiang Zhong Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉中村)	1 January 2006	31 December 2010	1,068	64,000	325,740	10

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Location	Commencement date of leasing	Expiration date of leasing	Approximate area (<i>mu</i>)	Approximate number of orange trees in each farm	Annual rental (<i>RMB</i>)	Number of forestry right holders
Taiping Zhen Nan Xi Cun Nanping City, Fujian Province (福建省南平市太平鎮南溪村)	1 January 2006	31 December 2010	1,496	90,000	456,280	16
Sanyuan Qu Zhong Cun Xiang Keng Yuan Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉坑源村)	1 January 2006	31 December 2010	1,313	78,700	400,465	16
Sanyuan Qu Zhong Cun Xiang Du Shui Cun, Sanming City, Fujian Province (福建省三明市三元區中村鄉杜水村)	1 January 2006	31 December 2010	944	56,600	287,920	11
Shun Chang Xian Yang Kou Zhen Dao Wu Cun, Nanping City, Fujian Province (福建省南平市順昌縣洋口鎮道吳村)	1 January 2006	31 December 2010	1,475	88,000	449,875	14
Mei Lie Qu Chen Da Zhen Zhong Nan Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮棕南村)	1 January 2006	31 December 2010	904	54,240	275,720	10
Mei Lie Qu Chen Da Zhen Tai Xi Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮台溪村)	1 January 2006	31 December 2010	1,042	62,520	317,810	13
Mei Lie Qu Chen Da Zhen Chen Dun Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮陳墩村)	1 January 2006	31 December 2010	1,075	64,500	327,875	11
Mie Lie Qu Chen Da Zhen Chang Xi Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮長溪村)	1 January 2006	31 December 2010	963	57,780	293,715	12
Mei Lie Qu Chen Da Zhen Sha Zhao Cun, Sanming City, Fujian Province (福建省三明市梅列區陳大鎮砂蕉村)	1 January 2006	31 December 2010	1,026	61,560	312,930	12
Total:			<u>30,798</u>			

Leasing arrangement of orange farms

The lessor of each of the 23 orange farms leased to us is an Independent Third Party. The term of the leases of our orange farm is five years. 6 leases with an aggregate area of 9,500 mu (approximately equals to 6,333,000 sq.m.) will be expired by 31 December 2008 while 7 leases with an aggregate area of 9,992 mu (approximately equals to 6,661,000 sq.m.) will be expired by 31 December 2009 and 10 leases with an aggregate area of 11,306 mu (approximately equals to 7,537,000 sq.m.) will be expired by 31 December 2010. Subject to further negotiations, we plan to renew the leases that are going to expire. To ensure continuous availability of orange farms even if the existing orange farm lessors decide not to renew the leases with us when they expire, as detailed in the paragraph headed “Use of Proceeds” in the “Future Plans and Use of Proceeds” section of this prospectus, we plan to look for suitable lands situated in Chongqing and Hunan Province of the PRC and lease approximately 10,000mu of orange farms by the end of 2008. The annual rental payable by us under these leases ranges from RMB290 per mu to RMB305 per mu. Different rental charges are payable for different orange farms in view of their respective locations and cultivation conditions. Pursuant to the terms of each of the leases, we prepaid the rental for the entire 5-year term of the lease. The term of the leases does not specify any minimum oranges production requirement. The terms of the leases also provide

that we have the first right to renew the lease. As at 31 December 2007, the unamortised prepaid rental expense amounted to approximately RMB18.33 million, representing approximately 6.61% of the total assets. The total amount of rental paid for our long term leases during the Track Record Period was RMB22.26 million. The leases do not provide whether the prepaid rental is refundable or not. Our PRC legal advisers advised that if the lessor is in breach of the terms of the lease, we have a right to demand repayment of the balance of the prepaid rental and to seek damages which arise as a result of such early termination from the lessor. The term of the leases provides that we shall bear the responsibility in the event of any damage or death of the orange trees in the leased farm. In practice, we replenish any dead orange tree in the leased farm.

Our rights under the orange farm leases

We have received PRC legal advice that we have the following rights under each of the 23 orange farm lease contracts:

1. usage right of the land on which the leased trees are situated;
2. operation right of the leased trees; and
3. harvest right of the leased trees.

However, we are not entitled to the following rights:

1. usage right of the land on which the un-leased trees are situated;
2. proprietary right of the land;
3. proprietary right of the trees; and
4. right to collect the unharvested oranges upon expiry of the leases.

Approval of the leases of the orange farms

We have received PRC legal advice that each of the leases in respect of the 23 orange farms is legal, valid and binding on the parties to the leases under PRC law. Details of this legal advice is set out in the subsection headed “Leasing and legal issue relating to our orange farms” below under this section. We have obtained written confirmation from the Sanming and Nanping Forestry Authorities, that the execution of the 23 leases is legal, valid and in compliance with the necessary legal procedures. The relevant farmers-household confirmed that the villagers’ committees were authorized to lease the relevant orange farms on their behalf.

However, in the event of a breach by the respective lessor (such as wrongful termination, denial of our rights under the orange farm leases as set out in this section or other similar acts of repudiation), we have received PRC legal advice that we will only be entitled to damages against the relevant lessor. In the event that we are not able to source other supply of oranges, it will cause disruption to our business and our financial performance will be adversely affected. Please refer to the paragraph headed “Risks related to the breach of the orange farm leases by the farmer-households and the relevant villagers’ committees” in the “Risk Factors” section in this prospectus for further details.

To facilitate our management and operation of the orange farms, we also occupied certain staff quarter huts and warehouses which were built by the respective local villagers' committees or farmer-households themselves. These buildings were built on rural land within the orange farms rather than on land for construction. The respective local villagers' committees or farmer-households did not notify the relevant government authorities in relation to the construction of such buildings. During the Track Record Period, there has been no accident causing injuries owing to the structural safety of these quarter huts and warehouses. Although the relevant government authorities have so far taken no steps in demanding the demolition or other similar form of enforcement action against these buildings, there is no assurance that the relevant government authorities' inaction will continue. Relocation may be necessary if the relevant government authorities decide to take action against these buildings resulting in demolition. In the event of demolition of these buildings, we plan to relocate to the huts and houses of the villagers adjacent to the orange farms and our Directors believe that this will not result in any material adverse effect on our operation and financial conditions. Based on the market rent of the nearby area of the orange farms, we estimate that the cost of relocation will be not more than RMB0.2 million per year. The Controlling Shareholders have agreed to provide indemnity to the Group in respect of the loss arising from the properties in the leased orange farms constructed without prior governmental notification. Please refer to the paragraph headed "Defective title of certain properties used by us" in the "Risk Factors" section in this prospectus for further details.

Relationship with the lessors

There has not been any material dispute between us and any of the lessors or the villagers' committees of the orange farms from the commencement of the term of the leases to the Latest Practicable Date. We are not aware of any matter or circumstances which may result in the early termination of any of those leases.

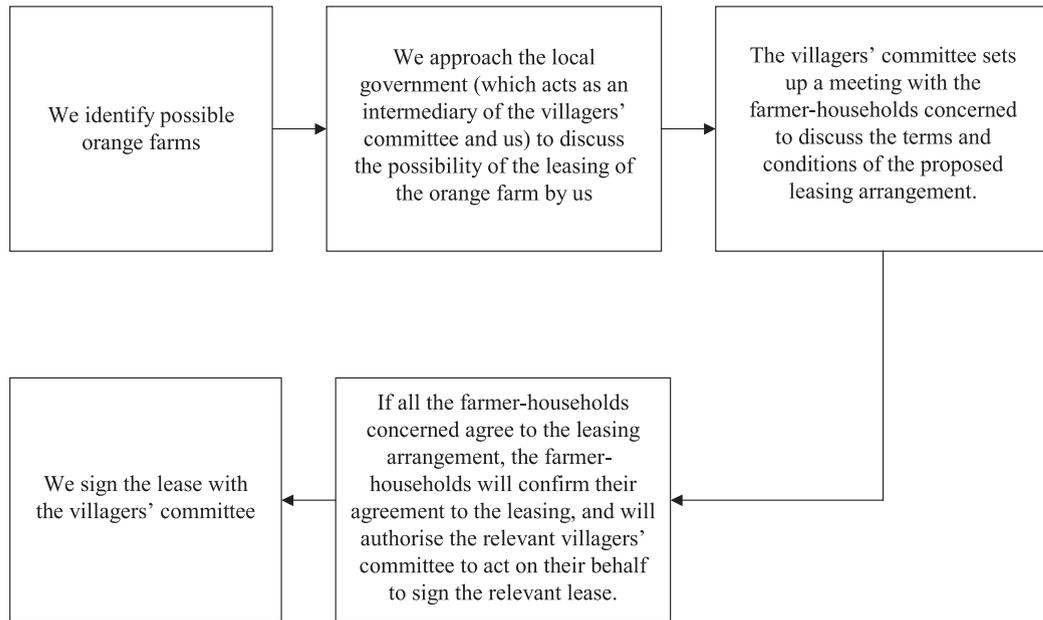
Compensation on termination of the leases

We have received legal advice from our PRC legal advisers that in the event of an early termination of any of the leases by a lessor in breach of the terms of any of those 23 leases, we shall be entitled to claim against the relevant villagers' committees for damages we suffer as a result, and seek repayment from that lessor of the balance of any pre-paid rental charges pursuant to the PRC law.

BUSINESS

Leasing and legal issues relating to our orange farms

The following is a flow chart illustrating the steps taken by us when entering into the lease arrangements with the farmer-households in respect of our 23 orange farms.



As at the Latest Practicable Date, we operate 23 orange farms leased to us under leases. All of them were granted to us by the local villagers' committees.

We have been advised by our PRC legal advisers that all of the leases entered into by us are legal and binding on the parties thereto. In particular, our PRC legal advisers advised that:

1. all of the orange farms leased to us are in the form of collectively-owned land. According the PRC Land Management Law (《中華人民共和國土地管理法》), such land is owned as a whole by a group of farmers collectively and managed and operated by the villagers' committee.
2. the forestry land owners, the forestry land use right holders, the forest or fruit trees owners, the forest or fruit trees use right holder including the respective joint holder of the forest use right (collectively refer to as "the forestry right holders"), are the respective legal owner of the leased orange farms and holds the relevant PRC Forestry Right Certificate ("Forestry Right Certificates").
3. the leasing by the forestry right holders of their orange farms to us constituted a special relationship known as "a land turnover relationship in special contracting operations" (土地承包經營權流轉關係) between the farmer-households and us.
4. the forestry right holders in the Forestry Right Certificates has the right to contract out, lease, exchange, assign or to transfer the forestry land with other methods. All of the villagers' committees have obtained the legal authorisation from the forestry right holders and are authorised to execute the orange farm leases on behalf of the forestry right holders with us.

5. each Sanming Forestry Bureau and Nanping Forestry Bureau as the local rural land administrating authorities, issued an explanatory note confirming the leasing procedures of 23 orange farm leases have complied with the relevant rules and regulations. The leases are valid and legal.
6. in relation to the 23 orange farm leases, relevant rules and regulation of the PRC Land Management Law (《中華人民共和國土地管理法》), the Law of the People's Republic of China on the Contracting of Rural Land. (《中華人民共和國農村土地承包法》) and the Measures for the Administration of Circulation of Rural Land Contracted Management Right (《農村土地承包經營權流轉管理辦法》) have been complied with. Each of the 23 orange farm leases is legal, valid and enforceable against the parties to the contract. During the lease term stipulated in each of the contracts, we are entitled to the oranges so produced by the orange trees in the orange farm.

A copy of the legal advice given by our legal advisers as to PRC laws which set out the basis for the above opinion is available for inspection as one of the documents set out in the paragraph headed "Documents delivered to the Registrar of Companies and available for public inspection in Hong Kong" in Appendix VII.

In addition to the written confirmations obtained by us from the relevant competent PRC forestry authorities mentioned above, we have obtained written confirmations from all the farmer-households involved in the lease arrangements (all being the relevant forestry right holders of the leased orange farms) in respect of the following:

1. their confirmation to lease the respective orange farms to us;
2. their authorization given to the respective villagers' committee to deal with all matters related to the lease arrangements on their behalf;
3. their acknowledgement that they have received the rental of the relevant orange farm.

As at the Latest Practicable Date, we are not aware of any litigation or threatened litigation in respect of the leases of our orange farms.

III. Dehydrated longans

Unprocessed dehydrated longans are purchased from unprocessed dehydrated longans distributors and wholesalers. Dehydrated longans which are of higher quality are selected, pasteurized, sterilized and further dehydrated by storing into cold storage facilities of around -18°C. The dehydrated longans are then packaged by us before selling. We commenced production of dehydrated longans in 2006. The total quantity of processed dehydrated longans produced by us were 5.8 tonnes and 11.9 tonnes in 2006 and 2007 respectively. Our processed dehydrated longans are produced at our production plant at Quanzhou during off pressing season for FCOJ.

Human Resources*Arrangement with workers on the orange farms*

We have entered into 2 types of arrangement with workers on the orange farms.

Under the first type of arrangement, as the cultivation of oranges is seasonal, to meet the seasonal demand of labour, we enter into labour co-operation agreements with the relevant villagers' committees which would arrange relevant labour force to work on our orange farms during the harvest seasons, fertilization and pest control. Under these labour co-operation agreements, we are responsible for the wages of the workers, arranging work plans and providing onsite supervision. In return, fertilisation, harvesting, orange selection and packaging works are carried out by these workers so arranged by the villagers' committees. The villagers' committees are responsible for satisfying our labour demand and arrange workers to carry out labour works in accordance with our work plans. The villagers' committees are responsible for the management of the workers' occupational issues including their health issues and safety issues. We normally require approximately 170, 100 and 30 workers for each harvesting, fertilizing and pest controlling exercises in each of the orange farms we operate respectively. If we require additional labour support, we would inform the relevant villagers' committees of the number of workers required, and the committees would then provide the requisite number of workers to be employed on the designated orange farms. The villagers' committees do not charge us any service fee. The labour co-operation agreements were not entered in conjunction with the leasing arrangement of the orange farms. There are no separate written employment contracts between us on the one part and workers arranged by the villagers' committees to work for us on the other part. We regularly check the number of workers required and supervise the performance of the workers. During the Track Record Period, there was not any occasion under which we were not able to maintain arrangement with the villagers' committees for procurement of labour.

At the end of each month, the working records and the wages summary are submitted to our accounts department for processing the payment of wages. After approval has been granted by the head of department, the accounts department and the general manager wages of the workers will then be paid to the villages' committee by bank transfer which will in turn be paid to the workers by the villages' committee pursuant to the labour co-operation agreement. Our legal advisers as to PRC laws advised that the temporary workers under the above arrangement are not our employees and we are not required to pay any social insurance premium in this respect. The wages and welfare paid for each of the three years ended 31 December 2007 were RMB14.45 million, RMB23.39 million and RMB26.67 million respectively.

Under the second type of arrangement, we hire regular full-time employees to manage and operate the orange farms on a daily basis. Currently, we employ approximately 2 to 4 of these workers in each of the orange farms.

We adopt the above employment arrangements with a view to controlling manpower cost and minimizing manpower wastage. The number of workers required is seasonal. Under the above employment arrangements, we may avoid having to pay wages to a large number of workers throughout the year. We would only approach the villagers' committees when there is a need for additional workforce. We, as a result, are only required to pay wages to those workers for those periods of time when their services are needed.

Regular testing of orange samples are conducted before and during harvesting seasons. The oranges are inspected at each production plant before pressing.

BUSINESS

Other employees

Total personnel costs of our Group were RMB18.82 million, RMB32.73 million and RMB35.02 million which represent 24.8%, 23.0% and 17.3% of our total cost of sales for the three years ended 31 December 2007 respectively.

As at the Latest Practicable Date, we employed 273 full-time employees. The following table sets forth the total number of employees by function as at the Latest Practicable Date:

	Number of employees
General and administration	38
Finance and accounting	8
Sales and marketing	9
Raw materials procurement	6
Quality control	12
Research and development	5
Production	124
Orange Farms	<u>71</u>
Total	<u><u>273</u></u>

The local labour and social protection bureau or the institution under its supervision and management has confirmed that no contravention of labour laws and regulations by Summi Fujian and Sanming Summi has been noted and they have duly paid the social insurance premium during the Track Record Period. Based on the information provided by us, our PRC legal advisers are of the view that we have complied with the relevant labour laws and regulations (including but not limited to the Law of the People's Republic of China on Employment Contracts (中華人民共和國勞動合同法)).

The Law of The People's Republic of China on Employment Contracts (中華人民共和國勞動合同法) came into effect on 1 January 2008. In summary the Law of The People's Republic of China on Employment Contracts purports to enhance individual employee rights and protections, and to strengthen collective rights through unions, employee representative congresses, and collective contracts. Amongst others, it requires employers to honor the minimum wage, overtime and holiday premiums, rest days and leave periods, and social security provisions. Employers are required to pay severance payment in all cases. Since as at the Latest Practicable Date, we had only 273 employees and our total costs paid to our employees (excluding the farm works retained through the relevant villagers' committees under the first type of arrangement) for each of the three years ended 31 December 2007 were RMB1.74 million, RMB3.02 million and RMB4.80 million respectively, we do not consider that the new labour law will lead to significant impact on our operation and financial conditions of our Group.

SALES AND MARKETING**Customers**

In so far as we are aware of, a majority of our ultimate customers of our FCOJ and its related product are food and beverages manufacturers. Our major customers are mainly based in Southern China Region and Eastern China Region. Our largest customer places their annual order for FCOJ in advance of each pressing season. This allows us to derive our annual production plan and thereby our procurement plan and cultivation plan in advance. Our sales of FCOJ and its related product accounted for 47.0%, 40.3% and 46.8% of our total turnover for each of the three years ended 31 December 2007.

In respect of the sales of our fresh oranges, in so far as we are aware of, the ultimate customers are fresh fruit wholesalers and fresh fruit distributors. Our major customers are mainly based in close proximity to the locations of our orange farms which are concentrated in Fujian Province. Our sales of fresh oranges accounted for 46.3%, 54.0% and 47.9% of our total turnover for each of the three years ended 31 December 2007 respectively.

In respect of the sales of our other products (which includes concentrated strawberry juice, concentrated gooseberry juice and processed dehydrated longans), in so far as we are aware of, the ultimate customers are food and beverages manufacturers and wholesalers and distributors for our processed dehydrated longans. Our major customers are mainly based in Fujian Province. Sales of our other products accounted for 6.7%, 5.7% and 5.3% of our total turnover for the three years ended 31 December 2007 respectively.

Marketing and promotion

As at the Latest Practicable Date, our sales and marketing team comprise of 9 members. Among them, 3 are responsible for sales and marketing activities in the Southern China Region, 3 are responsible for sales and marketing activities in Eastern China Region and 2 are responsible for identifying new business opportunities, liaising with our customers in respect of after sales service, securing sales orders and promoting our products. The sales and marketing team is headed by a sales and marketing department head who is responsible for overseeing the setting and implementation of our monthly sales plan. Since there has been excess of demand over supply in relation to FCOJ in China, our sales and marketing strategy is to maintain a good relationship with the existing clients by providing quality after-sale services. At the same time, we continue to identify new customers so that we can increase sales to them in the event that our planned expansion in our production capacities is realised.

Our sales and marketing team plays a significant role in the future expansion of our business as well as exploring potential markets and promoting our products. Upon introduction of the profile and background of our Group to potential customers by our sales and marketing department head or our other senior management we would arrange site visits for interested potential customers to our production plants. In addition, in 2006, we participated in an exhibition in Shanghai to launch our dehydrated longan product. The Directors believe that the brand name “ Summi” is well known in FCOJ industry in the PRC as we were granted the award “China Famous Food” in August 2001. For details of our other awards, please refer to the paragraph “Awards and Accreditations” below of this section.

Five largest customers

Coca-Cola has been our largest customers for our FCOJ product since 2002 and has remained as our important strategic co-operative partner. During the three years ended 31 December 2007, sales to our largest customer accounted for approximately 13.8%, 9.8% and 14.3% respectively of our turnover. For the same periods, sales to our five largest customers in aggregate accounted for approximately 31.3%, 26.3% and 33.9% respectively of our turnover. Three of our five largest customers in 2007 and all our five largest customers in 2005 and 2006 are customers of our FCOJ products. Sales to these customers accounted for approximately 66.6%, 65.2% and 53.4% respectively of our turnover in respect of our FCOJ products for the three years ended 31 December 2007. We receive some of our orders for our FCOJ and its related product at the beginning of each pressing season each year. Two of our five largest customers in 2007 are customers of our fresh oranges. Sales to these two customers accounted for approximately 18.5% of our turnover in respect of our fresh orange product for the year ended 31 December 2007. We have built long-term relationships with our major customers of our FCOJ products. Our business relationship with the five largest customers of our FCOJ products for the year ended 31 December 2007 ranges from 5 years to 10 years.

Save for the interest of Ms. Hong Manna, who is the spouse of Mr. Sin and the sister of Mr. Hong, in Riri (Quanzhou) Drink Co Ltd (日日(泉州)飲料有限公司) (which was one of our five largest customers for the year ended 31 December 2006, while sales to this customer accounted for approximately 0.8%, 10.1% and 2.6% respectively of our turnover in respect of our FCOJ products and its related product for the three years ended 31 December 2007) (please refer to the section “Connected Transactions” for details), none of the Directors, their respective associates nor shareholders (who or which to the knowledge of the Directors own more than 5% of our issued share capital or any of our subsidiaries) had any interest in any of the five largest customers during the Track Record Period.

Pricing policies and payment terms

In respect of our FCOJ products, our pricing policy is generally determined by reference to the international market price trend and the domestic market price trend obtained from attending industry conferences as well as by visiting customers.

With respect to our sales of fresh oranges, our pricing policy generally takes into account the harvest for that year, the market prices of similar products and the cost which has been incurred or will be incurred by us.

We believe that the pricing of our products on this basis has generally enabled our products to be sold with a satisfactory profit margin.

All the products sold by us are settled in Renminbi. Our customers settle their purchases through bank transfers.

We grant credit terms with respect to the sales of our juice concentrate products that generally range from 30 to 90 days from the date of billing, depending on our relationship with the relevant customers as well as the credit worthiness of the respective customers. We normally grant a longer credit period to our customers with good credit standing. We normally grant a 90 days credit period to our largest customer.

BUSINESS

The staff in our sales and marketing and finance departments are responsible for monitoring the collection and following up with the customers when payment is due. In addition, our management periodically monitors all outstanding receivables and re-assesses the creditworthiness of the customers.

There is neither provision for doubtful debts nor bad debts written-off during the Track Record Period.

With respect to our sales of fresh oranges, once the oranges are harvested, our customers inspect the quality of the oranges at the warehouse where these oranges are temporarily stored. After an order has been placed, the relevant quantity of oranges will be loaded onto the vehicle arranged by our customers which has been weighed at the roadside scales to determine the vehicle's net weight. The exact quantity of oranges to be purchased by the customer is calculated by deducting the loaded weight of the vehicle recorded at the roadside scales by the unloaded weight of the vehicle. A handover invoice will then be generated. In general, a 30 to 90 days credit period is allowed.

PROCUREMENT AND SUPPLIERS

FCOJ and its related product

For the production of our FCOJ products, the principal raw materials sourced by us are oranges. For each of the three years ended 31 December 2007, total costs of consumption of oranges supplied from the third party suppliers (i.e. local farmers) accounted for approximately 49.0%, 40.0% and 37.8% respectively of total cost of sales in respect of FCOJ and its related product.

Oranges

In addition to relying on the supply of oranges from our leased orange farms, we had sourced oranges from other orange farmers in Fujian Province for production of our FCOJ and its related product where our production plants are located to take advantage of the proximity of the source of raw materials and to reduce transportation cost and time. We have over 100 orange suppliers which are mainly individual farmers.

We settle purchases with certain orange suppliers by depositing the amount payable to the designated account of each supplier. In order to negotiate a better purchase price with the orange suppliers, we usually settle our trade debts in this respect within the same month of purchase.

We receive some of our orders from our major customers at the beginning of each pressing season each year. These orders mark the beginning of our annual production cycle. Upon the receipt of the orders from our major customers, we prepare our yearly cultivation and procurement plan for the following year. Our monthly oranges procurement plan is dependent on the monthly production plan set by the production department which is derived from the monthly sales plan set by our sales and marketing department. Once the monthly production plan is set, a monthly procurement plan is derived by reference to the production plan. We believe that such sales-driven cultivation and procurement planning enhances the efficiency of production, helps maintaining a stable supply of products and minimizes unnecessary costs of being incurred as a result of excessive supplies.

Pricing and quantity of oranges to be delivered by each supplier are negotiated between our suppliers and us annually, usually around December of each year, subject to certain adjustments made on actual delivery. Pricing depends on the species and quality of the oranges, and on the demand and supply of the orange market.

BUSINESS

We have been sourcing oranges from orange farmers in Fujian Province since our establishment. We believe that the abundant orange supply in Fujian can meet the demand of our current production. We consider that there is neither over-reliance on any individual supplier nor material risk of supply shortage, we do not enter into long-term/periodic purchasing agreement with these orange farmers. We believe that we can replace one supplier with another with no undue difficulty. As the raw materials used by us are readily available in the market, we may opt to purchase from a wide range of suppliers. With a view to maintaining steady supplies and a long-term business relationship, we have short-listed certain suppliers for raw materials sourcing. The oranges we source are subject to constant review and evaluation by us in respect of quality. Through the evaluation system, our procurement team can ensure that raw materials purchased meet the quality standards required.

The average price paid by us for oranges during each of the three years ended 31 December 2007 was approximately RMB0.57, RMB0.59 and RMB0.61 per kilogram respectively. In order to minimise our risk and price sensitiveness in the event of a fluctuating orange market, we operate 23 leased orange farms to ensure our consistent supply of oranges at a comparatively more stable cost of production.

We purchase oranges for production in accordance with our production plan to minimize the over-storage of oranges. As at 31 December 2007, all of our inventories consisted principally of fresh oranges, aged less than 90 days. The following table sets forth the ageing analysis of our inventories at the date indicated:

	As 31 December					
	2005		2006		2007	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Within three months	37,568	98.9	58,903	99.5	32,519	98.4
More than three months but within six months	1	0.0	4	0.0	447	1.4
More than six months but within one year	386	1.0	6	0.0	42	0.1
Over one year	39	0.1	294	0.5	52	0.1
Total	37,994	100.0	59,207	100.0	33,060	100.0

Total costs of consumption of oranges supplied from these orange farmers accounted for 18.1%, 11.2% and 12.0% of our total costs of sales for each of the three years ended 31 December 2007. During the Track Record Period, payments to our orange suppliers were made in Renminbi. Payments to suppliers are principally through bank remittance.

Fresh Oranges

The principal raw materials used by us are fertilizers and pesticides. The total cost of such raw materials account for a significant part of our cultivation cost, accounting for 46.7%, 45.1% and 49.2% for each of the three years ended 31 December 2007. All purchase of raw materials are made in Renminbi and are settled either by cash or through bank remittance. The average credit period granted by our suppliers is normally 30 days after delivery.

BUSINESS

Since the raw materials used by us are widely available in the market, we consider that there is neither over-reliance on any individual supplier nor material risk of supply shortage. We believe that we can replace one supplier with another with no undue difficulty. As the raw materials used by us are readily available in the market, we may opt to purchase from a wide range of suppliers. With a view to maintaining steady supplies and a long-term business relationship, we have short-listed certain suppliers for raw materials sourcing.

Our five largest suppliers in respect of raw materials used for our production in aggregate accounted for less than 30% of our total cost of purchases for each of the three years ended 31 December 2007. None of the Directors, their respective associates nor shareholders (who or which to the knowledge of the Directors own more than 5% of our issued share capital or any of our subsidiaries) had any interest in any of the five largest suppliers in respect of raw materials used for our production of oranges during the Track Record Period.

TRANSPORTATION OF PRODUCTS

Our largest customer, Coca-Cola, arranges for their own transportation for our FCOJ from our production plants to their factories. In relation to other customers, we generally deliver our FCOJ and its related product to customers outside Fujian Province. We outsource the transportation of these products to third party logistic providers. These outsourcing arrangements allow us to reduce our capital investment and eliminate the risk of liability to transportation accidents, delivery delays and losses, as our logistic providers will bear these risks. In addition, we also re-evaluate the credentials and performance of our logistics providers on a periodic basis and terminate those providers with unsatisfactory service. We establish at least three years of business relationships with three logistics providers, in order to lower the risk of losses arising from performance failure of these logistics providers.

The fresh oranges we produced are collected by our customers themselves, while the raw materials we purchased are delivered to us by the relevant suppliers at their own costs.

INVENTORY CONTROL

Our inventory mainly consists of finished products such as the fresh oranges, FCOJ and its related product. Our inventories as at 31 December 2005, 2006 and 2007 amounted to approximately RMB37.99 million, RMB59.21 million and RMB33.06 million respectively. Demand for our FCOJ and its related product is strong. As a result, we rarely face the problem of obsolete stock. Nevertheless, in order to keep the occurrence of obsolete stock to the minimum, we have started to implement stock control procedures for all inventories, including performance of stock-take every 6 months since 2007.

A stock-take is conducted based on established procedures. Finished goods are packed in barrels and stored orderly in warehouses. Stock-take of finished goods is performed through physical counting of the orderly stored barrels by our inventory control supervisors together with an accounting officer. Our supervisors are required to fill in the stock-take checklist.

Physical movement of stock is recorded based on established procedures. Stock in notes are issued and approved for purchased materials after inspection. Inventory records are properly updated according to the approved goods receipt notes. Finished goods are packed in barrels after a quality check. Stock in notes are issued and approved for each log of barrels after a quality check. Only logs of finished goods with properly approved delivery notes are allowed to be delivered from the warehouse to the trucks from the pre-approved transportation companies.

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Obsolete stock are also identified based on established procedures. Quality checking is performed periodically on inventories in order to identify obsolete stock. Our supervisors are required to fill in the obsolete list in respect of all inventories.

Inventory records and raw materials usage records are reviewed by management monthly to monitor and identify any abnormalities including slow moving stocks and production inefficiency.

Our Directors have reviewed the inventory balance as at each balance sheet date for the Track Record Period and consider that given the nature of our inventory, FCOJ, which can be stored up to 2 years before they are sold, no provision for obsolete inventory in respect of FCOJ was made for each of the three years ended 31 December 2007.

The inventory amount of fresh oranges as at 31 December of each year is large because this is the harvesting season for fresh oranges. The inventory of fresh oranges is substantially reduced within two to three months each year by reason of the sales of oranges in January and February.

Our inventories of fresh oranges which can be stored up to 120 days from the day of harvest. Given that nearly all of the fresh oranges are kept for less than 100 days from the day of harvest before they are processed or sold, our provision for inventory obsolescence charged to our combined income statements for each of the three years ended 31 December 2007 were approximately RMB0.25 million, RMB0.31 million and RMB1.17 million respectively.

QUALITY CONTROL AND RESEARCH AND DEVELOPMENT

We believe that the ability to produce high quality FCOJ and its related product are crucial to maintain our competitive strengths. As at the Latest Practicable Date, 17 personnel from the quality control team and research and development team were selected to take charge of quality control to ensure that the procedures for purchasing raw materials and productions comply with standards required by ISO9001: 2000 and HACCP. The following are the focuses of our quality control system.

Quality control on raw materials

We are aware that raw materials with high quality are crucial to the production of quality FCOJ. We adopt a systematic approach of oranges farming to ensure the quality of our oranges. We prepare an annual cultivation plan in consultation with the local agricultural technology research institute which gives us guidance on proper cultivation techniques such as the appropriate time to fertilize, the type and quantity of fertilizer to be used. Similar guidance are also given by the local agricultural technology research institute on the proper use of pesticides. We periodically monitor our use of fertilizers. All of the fertilizers we use meet national standard.

To ensure the quality of fruits supplied from external sources, fruit suppliers shortlisted to ensure the stable quality of fruits supplied. For oranges supplied by our own orange farms, regular testing of orange samples are conducted before and during harvesting seasons. The oranges are inspected at each production plant before pressing.

Quality control on production process

As at the Latest Practicable Date, we employed 12 personnel to supervise the production process of FCOJ to ensure our compliance with standards and requirement of ISO9001: 2000 and HACCP. Members of our Quality Control on production process team have on average over 3 years

working experience in our Company. 6 out of the 12 personnel received tertiary education. HACCP is an internationally recognized systematic preventive approach to food safety and pharmaceutical safety which addresses physical, chemical and biological hazards as a means of prevention rather than finished product inspection. It works as a logical tool for adapting traditional inspection methods to a modern, science-based, food safety system. We had obtained these international quality control certificates of ISO9001: 2000 since May 2005 and HACCP since June 2005. Both of these international quality control certificates are subject to annual compliance inspection and are due to expire on 28 September 2010. Our largest customer also requires us to comply with all the relevant laws and regulations related to our operation which includes labour law, hygiene standards, safety requirement and environmental protection laws and regulations. We may face operating and financial impact as our largest customer may cease to order from us if we fail to obtain and renew such certifications or meet these requirements. For further details please refer to the “Risk Factors” section in the prospectus. Other than our largest customer, none of our customers have imposed any operational and licensing requirement (for example, minimum wages to workers and maximum working hours) on us where failure to comply of such requirement will result in such customer ceasing to purchase from us. During the production process, we implement random sampling inspection at various production stages ensuring that our products can achieve the target quality standards. With the imported machineries, our production main process is controlled by an automated production controlling system. This controlling system (with various monitoring functions including the electronic data display function) is expected to minimize the variance of the target results. Our regular production records are kept in the production plant to track possible errors and defects (if there are any) in our products.

Our production process control includes inspection of raw material, semi finished products and products in the final production tank. These inspections are part of the process such that the end products attain the required quality standards. Additionally, we have assigned two personnel to take the responsibility for ongoing compliance with the requirement of accreditation of the certification. As their daily task, these personnel carry out quality control procedures as particularised in the respective quality control manual of these accreditations.

Testing of end products

Upon completion of the production process, FCOJ produced by us will be tested for their compliance with certain physical and chemical specifications, microbiological specifications and heavy metal indices to ensure that the end products satisfy the requirements of our customers. In addition, we regularly deliver samples of our FCOJ to Shanghai Institute of Quality Inspection and Technical Research — National Centre of Supervision and Inspection on Food Products Quality (Shanghai) for testing on a voluntary basis. During the Track Record Period, our end products passed all of these testing.

As we carry on business in FCOJ production industry in the PRC, we are required to comply with the laws, rules and regulations of the State Quality & Technology Supervisory Bureau of the PRC (國家質量技術監督局). The Hui’An Quality and Technology Bureau and Mingxi Quality and Technology Bureau each being the local sub-branch of the State Quality and Technology Supervisory Bureau, and both are the competent authority to confirm that we have complied with the relevant laws, rules and regulations in respect of product quality, have confirmed that we have complied with such laws, rules and regulations of the bureau during the Track Record Period.

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Representatives of our largest customer, namely Coca-Cola, visit our production plants from time to time to inspect our production to ensure that our products meet their standards and are produced under appropriate supervision. Usually representatives from Coca-Cola inspect our production process, production plants and records of our production. During the Track Record Period, we have met the requirements set by Coca-Cola on products quality.

Research and Development

Our research and development team aims to expand our product range, enhance product quality and modify and improve the efficiency of production processes. As at the Latest Practicable Date, our research and development team consisted of 5 technical and engineering personnel who specialize in respective fields of new products development. Members of our research and development team have over 3 years working experience in our Company. Our research and development team is led by a senior agronomist. All of the remaining personnel have received either tertiary or specialised education.

The main duty of our research and development team is to engage in research projects with a view to enhancing product quality, expanding product range and improving production processes and production yield.

Our research and development team has undertaken on their own and has also collaborated with and commissioned other third party research institutes in the PRC on projects in relation to orange plantation and FCOJ production technology. These projects are listed below:

<u>Year</u>	<u>Projects</u>	<u>Collaborating institute(s) (if any)</u>
2000	Development of Industrialisation of fruit farm project (水果基地及產業化技術開發專案) ^{Note 1}	Quanzhou Agricultural Technology Research Institute (泉州農科所)
2001	Development of technique of extraction of pectin from orange Skin project (柑橘皮提取果膠新工藝專案)	Not applicable
2001	Construction of fruit and vegetable farm and processing project (果汁型蔬菜基地建設及菜汁加工專案)	Not applicable
2002	Low temperature technique in relation to juice concentrate project (低溫濃縮果汁技術專案)	Not applicable
2006	Development of concentrated gooseberry juice processing technique project (餘柑濃縮汁精加工技術開發專案)	Not applicable
2007	Gooseberry juice project (餘柑汁專案) ^{Note 2}	Quanzhou Agricultural Technology Research Institute (泉州農科所)

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<u>Year</u>	<u>Projects</u>	<u>Collaborating institute(s) (if any)</u>
2007	Establishment of Summi Technical Centre for the research and development in the technology of the orange plantation (合作建立森美技術中心專案) ^{Note 3}	Citrus Research Institute of Chinese Academy of Agriculture (中國農科院柑橘研究所)

Notes:

1. During our collaboration, Quanzhou Agriculture Technology Research Institute assisted in the use of the testing and experimental equipments free of charge. As the role of Quanzhou Agriculture Technology Research Institute is advisory on confidential basis, we obtain ownership of the technologies developed in this project. This project was completed in 2003.
2. Quanzhou Agriculture Technology Research Institute and us assigned our own personnel to participate in this project. Each of us bore our own costs. Quanzhou Agriculture Technology Research Institute and us are entitled to 20% and 80%, respectively of any government subsidy to be received upon completion of the research project. The amount of government subsidy applied for was RMB200,000. Pursuant to a supplemental agreement entered into between us and the Quanzhou Agricultural Technology Research Institute on 21 May 2008, the intellectual properties right of the technologies developed in this project shall be solely owned by us. Quanzhou Agriculture Technology Research Institute cannot apply for patent registration of the technologies developed in this project. Quanzhou Agriculture Technology Research Institute shall only have usage right of the technologies developed but such right is limited to usage for itself for scientific research purposes only. In the absence of the written authorization from us, Quanzhou Agriculture Technology Research Institute cannot (1) use the technologies for business or profit earning purposes; (2) disclose the results or the technologies in any way including but not limited to magazines, academic journals, any other form of media, the internet, or publicize any books or any seminars; (3) assign, permit or authorise such usage right to any other third parties (including but not limited to any technologies or technologies developed in this project).
3. Citrus Research Institute of China Academy of Agriculture and us will assign our own personnel to participate in this project. We shall provide RMB80,000 per annum to the Citrus Research Institute of China Academy of Agriculture as its operation fee. The term of co-operation is from August 2007 to December 2012. It is expected that the project will commence in the second half of 2008. However, as our collaboration with the Citrus Research Institute of China Academy of Agriculture is a framework agreement, terms such as ownership of intellectual property rights over technologies developed, confidentiality arrangements and specific roles and responsibilities of both parties will be set out once the detailed terms of our collaboration has been established.

Currently, we have not identified any targets for forming strategic alliance.

For each of the three financial years ended 31 December 2007, we spent approximately RMB61,000, RMB116,000 and RMB223,000 on our research and development.

To monitor and control our research and development expenses, in line with all other expenditures, the approval of the financial manager or financial controller is required.

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AWARDS AND ACCREDITATIONS

Since our establishment, we have received a number of awards and accreditations which are listed below:

<u>Month/Year of grant</u>	<u>Awards/accreditations</u>	<u>Awarding organizations</u>
March 2001	Qualification Certificate (<i>Note 1</i>)	National Beverage Manufacturer Environment Quality Control (全國飲品環境質量管理審核委員會)
August 2001	China Famous Food (<i>Note 2</i>)	China Food Industry Association (中國食品工業協會)
June 2004	Leading enterprises of agricultural Industrialization in Fujian Province (<i>Note 3</i>)	Leading work committee of agricultural Industrialization in Fujian Province (福建省農業企業化工作領導小組)
May 2005	Certificate of ISO9001: 2000 (<i>Note 4</i>)	CCIC Conformity Assessment Services Co., Ltd (中國檢驗認證集團質量認證有限公司)
June 2005	Certificate of CNAB — S152: 2004 CODE OF FOOD SAFETY MANAGEMENT SYSTEM BASED ON HACCP (<i>Note 4</i>)	CCIC Conformity Assessment Services Co., Ltd (中國檢驗認證集團質量認證有限公司)
September 2006	Leading enterprises of agricultural Industrialization in Fujian Province (<i>Note 5</i>)	Leading work committee of agricultural Industrialization in Fujian Province (福建省農業企業化工作領導小組)
September 2007	Certificate of HACCP-EC-01 (equivalent to GB/T 22000-2006/ ISO 22000: 2005) (<i>Note 6</i>)	Beijing Continental Hengtong Certification Co., Ltd (五洲恆通認證有限公司)
September 2007	Certificate of GB/T 19001-2000 idt ISO 9001: 2000 (<i>Note 6</i>)	Beijing Continental Hengtong Certification Co., Ltd (五洲恆通認證有限公司)

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Notes:

1. This award was granted in recognition of our performance in beverage quality control and supported the recognition of our brand name.
2. This award was granted for our established recognition in the food industry in the PRC, which we expect is beneficial to the marketing of our brand name.
3. This award was granted for our Company's contribution to agricultural industrialization in Fujian Province, which we expect is advantageous to us to ask for support from Fujian Province Government and is beneficial to our further business expansion in the area of agricultural industrialization.
4. These awards were granted in recognition of our performance in product quality control, which we expect is beneficial to our Company to enforce product quality control in accordance with international standards, and can enhance the recognition of our brand name.
5. This award was granted for our Company's contribution to agricultural industrialization in Fujian Province, which we expect is advantageous to us to ask for support from Fujian Province Government and is expected to be beneficial to our further business expansion in the area of agricultural industrialization.
6. These awards were granted in recognition of our performance in product quality control, which we expect is beneficial to our Company to enforce product quality control in accordance with international standards, and can enhance the recognition of our brand name.

COMPETITION

FCOJ

We face competition both in PRC and overseas. We believe that market players normally compete on product quality, pricing, timeliness of delivery and cost of transportation. Currently, we consider Brazil, being the major exporter of FCOJ in the Worldwide markets to be the largest competitor to manufacturers of FCOJ in the PRC in terms of price and quality. According to the Global Agriculture Information Network Report dated 29 November 2007 prepared by the United States Department of Agriculture, Foreign Agriculture Service, Brazil exported approximately 35,737 tonnes of FCOJ into China in 2006. Domestically, we face competition from local FCOJ producers. According to the same report, it was forecasted that approximately 20,000 tonnes of FCOJ were produced domestically in China in 2007 while we produced approximately 7,222 tonnes of FCOJ in the same year. Major FCOJ producers in Brazil includes Cutrale, Citrosuco and Citrovita. Our competitive weakness relative to our competitors is that our production of FCOJ and its related product is limited by our production capacity. Although there is no direct substitute for our FCOJ, our customers may elect to use non-concentrated orange juice to produce their products.

China has become a member of the WTO in year 2001. The WTO aims at promoting free trade among signatory countries and imposes regulations and tariffs on member countries. Consequently, we face increasing competition from overseas competitors. Currently, we consider Brazil as the major exporting country of FCOJ in the worldwide market and manufacturers of FCOJ in Brazil to be the greatest competitors to manufacturers of FCOJ in the PRC in terms of price and quality.

In addition to overseas competitors, we also face competition from local suppliers.

Fresh oranges

The fresh orange market is highly fragmented and characterized by intense competition. We believe that our major competitors are international and domestic orange growers. Some of these competitors may have greater financial, technical and marketing resources, recognized brand names and larger customer base than us. We also believe that these competitors may have the ability to respond more quickly to new or emerging technologies, may adapt more quickly to changes in customer requirements and may devote greater resources to the development, promotion and sales of their products than us.

However, we believe that with our competitive strengths as set out in the paragraph “Our competitive strengths” under this section, we will be able to maintain our existing market position in the PRC FCOJ industry.

ENVIRONMENTAL PROTECTION

We are obliged to comply with all the environmental protection laws and regulations of the PRC relating to our FCOJ production. During the Track Record Period, as confirmed by the local Environmental Protection Bureau, we have not been required to pay any penalties and fines arising from violation of environmental protection laws, rules or regulations in the PRC.

As the pesticides and fertilizers we use meet national standard, we believe they are friendly to the environment. We use both organic and non-organic fertilizers. Pollutants generated from our production include waste water, waste gases and solid waste. The environmental protection measures adopted by us are as follows:

1. Disposal of waste water

Waste water is the waste residue which are produced during our production process. Our production plant have constructed waste water disposal station for treatment of waste water produced during production.

2. Waste gases

We have dust removal equipment in the dust disposal exit of furnace to reduce the emission of waste gases produced during the production process.

3. Solid waste

Orange skin is the solid waste produced most during our production process. Orange skin produced by us is gifted to local farmers for use as forage or organic fertilizer of farmers in rearing livestock to reduce the solid waste produced.

For the three years ended 31 December 2007, we incurred approximately RMB61,000, RMB66,000 and RMB104,000 respectively on compliance with the applicable environmental protection rules and regulations which includes maintenance costs of environmental protection facilities, salaries of the personnel responsible for the environmental protection facilities and waste disposal charges.

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COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS IN RELATION TO HYGIENE STANDARDS

We believe that quality control is the means to ensure ongoing compliance with the relevant laws and regulations in relation to hygiene standards in the PRC. A full description on our quality control is provided in the sub-section headed “Quality Control and Research and Development” under this section. The 12 personnel of our quality control on production process team are responsible for our ongoing compliance with the relevant laws and regulations in relation to hygiene standards. Additionally, our chief engineer, Mr. Zhang Tuanqi whose qualification and relevant industry experience are set out in the section “Directors, Senior Management and Staff” of this prospectus is also responsible to oversee our compliance in this respect.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

Our legal advisers as to PRC laws have advised and our Directors have confirmed that during the Track Record Period, we have complied with all relevant laws and regulations (including labour law, hygiene standards, safety requirement and environmental production laws and regulations) in the jurisdiction where we operated. We have obtained all relevant approvals, permits, licences and certificates required for our operations. Our managements utilise their experience in the industry to ensure ongoing compliance with the requirements of such approvals, permits, licences and certificates. We will also communicate with and consult the relevant bureaus from time to time as part of our ongoing compliance measure.

Our production and quality control team are responsible for our compliance of the relevant approvals, permits, licenses and certificates applicable to our production process. Our production and quality control team inspects our production process for any incompliances.

INSURANCE

We have maintained insurance policies which cover our production plants and equipment in Quanzhou. Our insurance policy for our production equipment will expire on 2 November 2008 while our insurance policy for our production plant will expire on 26 April 2009. We intend to renew our insurance policies prior to such respective expiry dates. Consistent with the customary practice in the PRC, the insurance policies maintained by us do not cover any third party losses resulting from the cessation of business. In addition, we maintain the social insurance (社會保險), in respect of which the insurance premium is borne by us and the employees as regulated by the relevant PRC law.

Other than the said insurance policies, we do not maintain any third party liability insurance or product liability insurance with respect products sold by us. We believe that the product liability risk is low as we maintain recognized quality control procedures. For each of the three years ended 31 December from 2005 to 2007, we have not experienced any material claims from customers.

INTELLECTUAL PROPERTY RIGHTS

Our trademark, namely “” has been registered in PRC with the Trademark Bureau of the State Administration for Industry & Commerce of the PRC. The validity period of the trademark is 10 years, commencing from 21 January 2004. Our registered trademark, “” is used on sale of our FCOJ products. We have also applied for registration of transfer of the registered trademark, “” from an independent third party. We intend to commence using this registered trademark for sale of our fresh oranges products in due course. According to the Law of Trademark and its Implementing Rules in the PRC, if we wish to renew and maintain the existing trademark,

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application has to be lodged with the Trademark Bureau within six months prior to the expiry date or within six months after the expiry date. Detailed information of our intellectual property rights is set out in the paragraph headed “Intellectual property rights” in Appendix VI to this prospectus.

The Directors consider that the Group has so far not suffered any infringement of its intellectual property rights by any third parties. The Directors further confirm that the Group has not violated any third party intellectual property rights.

LEGAL PROCEEDINGS

The Directors confirm that, as at the Latest Practicable Date, there is no litigation or arbitration proceedings pending or threatening against us that could have a material adverse effect on our financial condition or results of operation.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Immediately after completion of the International Offering (assuming that the Over-allotment Option is not exercised), Mr. Hong will effectively hold, through Key Wise, 49.56% of the issued share capital of our Company. Apart from our Group, Mr. Hong owns, directly and indirectly, other companies or commercial enterprises namely, (1) Macau Dehong, the former shareholder of Summi Fujian, which is principally engaged in investment holding with no substantial operation currently; (2) Kam Ion, which is principally engaged in chemical business; and (3) Zhongshan Kam Ion, which is principally engaged in the manufacturing of paints.

None of our executive Directors, Macau Dehong, Kam Ion, Zhongshan Kam Ion or any of their respective subsidiaries or associated companies are engaged in any business that, directly or indirectly, competes or may compete with the business of our Group.

Independence of management, financing and operation

Our Directors consider that our Group will be able to be operationally and financially independent from Mr. Hong and his associates.

Management independence — Our Board comprises three executive Directors and three independent non-executive Directors. Except Mr. Hong who owns and controls Macau Dehong and Kam Ion and is a director of Zhongshan Kam Ion, none of our Directors is interested in Macau Dehong, Kam Ion and Zhongshan Kam Ion and their respective associates, nor any of our Directors is a director or senior management member of Macau Dehong, Kam Ion or Zhongshan Kam Ion and we consider that our Board will function independently from the above associates of Mr. Hong. Mr. Hong, being a executive Directors and the Chairman of our Company, intends to devote not less than 80% of their working time to the management of the Group after the Listing.

Financial independence — Our Group has an independent financial system and makes financial decisions according to its own business needs. During the Track Record Period, no guarantees have been provided by Mr. Hong and/or his associates for the benefit of our Group except by Mr. Sin and Mr. San Kwan for certain bank borrowings. Our Directors confirmed that the guarantees given by Mr. Sin and Mr. San Kwan have been released subsequent to 31 December 2007.

Operational independence — Our Group has an independent work force to carry out sourcing, sales, production and marketing and has not shared its operation team with Mr. Hong and his associates, save that our Group had, during the Track Record Period, supplied our concentrated

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fruit juice products to Quanzhou Riri, an enterprise incorporated in the PRC and at the material times wholly owned by Ms. Hong Manna, the sister of Mr. Hong (details of which are set out in the section headed “Connected Transactions”). Our Directors confirmed that Ms. Hong Manna transferred all her equity interests in Quanzhou Riri to an Independent Third Party on 13 December 2007.

Save as disclosed above, no other Director or senior management will serve any executive or management role in Macau Dehong, Kam Ion, Zhongshan Kam Ion or any of their respective associates. Each Director is aware of his fiduciary duties as a director of our Company which requires, 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 our 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.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

During the track record period, our Group has entered into a number of related party transactions, details of which are set out in the notes to the financial information set out in Appendix I of this prospectus. Our Directors have confirmed that these related party transactions were conducted during ordinary course of business and on fair and reasonable normal commercial terms.

Transactions with Riri (Quanzhou) Drink Co Ltd (日日(泉州)飲料有限公司)

Quanzhou Riri was established on 7 May 1999 in the PRC. It was wholly-owned by Ms. Hong Manna. Ms. Hong Manna is the spouse of Mr. Sin and the sister of Mr. Hong. Therefore, Ms. Hong Manna is a connected person of the Company (as defined in the Listing Rules).

We have supplied our concentrated fruit juice products to Quanzhou Riri during the Track Record Period. Our Directors have confirmed that the price of our products is determined by reference to the prevailing market price for similar products. For each of the three years ended 31 December 2007, the total purchases made by Quanzhou Riri from our Group amounted to approximately RMB0.37 million, RMB7.11 million and RMB3.24 million respectively, which accounted for approximately 0.4%, 4.1% and 1.2% of our total turnover respectively.

In need of funds for other investments, Ms. Hong Manna transferred all her equity interest in Quanzhou Riri to Mr. Wei Wentong, an Independent Third Party on 13 December 2007 at a consideration of RMB5 million. Upon the transfer, Quanzhou Riri became an Independent Third Party and the above connected transactions ceased.

Personal guarantees by Mr. Sin and Mr. San Kwan in respect of the bank loans of the Group

During the Track Record Period, Mr. Sin and Mr. San Kwan, both being executive Directors, had provided personal guarantees to certain bank borrowings of the Group. Our Directors have confirmed that such personal guarantees have been released and discharged prior to the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

GENERAL

The function and powers of the Board include, among others:

- all such powers which are not required to be exercised by our Company in general meeting;
- appoint any person to hold such office as the Directors may think necessary for the administration of our Company for such term and at such remuneration as the Directors may think fit;
- exercise all powers of our Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of our Company or of any third party; and
- cause minutes to be made in books provided for the purpose of recording all appointments of Officers made by the Directors, the names of the Directors present at each meeting of the Directors and of any committee of the Directors and all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Hong Hong U (洪鴻瑜), aged 52, has been the chairman and the executive Director of the Company since the establishment of the Company in February 2008. He provides leadership to the Board and is responsible for formulating the Company's business strategies.

He was the founder of our Group and was a director of our principal operating subsidiary, Summi Fujian, from its establishment in 1993 until March 2005. Through which, Mr. Hong has gained about 12 years of business operation experiences. In April 2005 he started to carry on the business of paint manufacturing on his own but has remained the controlling shareholder of the Group. As an executive Director of the Company, Mr. Hong intends to switch his business focus to and devote not less than 80% of his working time to the business of the Group including attending management meetings and developing new markets for the Group's products. Our Company plans to adopt a policy that, save in exceptional circumstances, the executive Directors will be required to attend all Board and management meetings and attendances in such meetings will be duly recorded.

As Mr. Hong did not hold a directorship in the Group for most of the Track Record Period and, being the controlling shareholder of the Group, had entrusted other directors for the management of the Group during the Track Record Period, Mr. Hong did not receive any remuneration during the Track Record Period.

Mr. Hong is the brother-in-law of Mr. Sin.

Sin Ke (辛克), aged 47, is our chief executive officer and executive Director.

Mr. Sin was involved in managerial and supervisory role in our Group from its establishment in 1993. Through which, Mr. Sin has gained more than 14 years of experience in managing and operating of business. From 1982 to 1993 he was involved in the sales, manufacturing and

DIRECTORS, SENIOR MANAGEMENT AND STAFF

administration of beverage, health products and pharmaceutical products. He was appointed as the honorary chairman of the Fujian Sports United Association of Macau (澳門福建體育聯合會), the committee member of Hui'An Province Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議惠安縣委員會) and council member of the Beverage Industry Association of China (中國飲料工業協會).

Mr. Sin is the brother-in-law of Mr. Hong and the elder brother of Mr. San Kwan.

San Kwan (辛軍), aged 40, is our executive Director. He joined our Group as a director of Summi Fujian in March 2005. He is responsible for assisting the Chairman and the chief executive officer in supervising the management of the Company.

Mr. San Kwan did not receive any remuneration from the Group during the Track Record Period as he had taken a non-executive role in the board of directors of Summi Fujian during the Track Record Period.

Mr. San Kwan is the younger brother of Mr. Sin Ke. From 1994 to 2006 he was the vice general manager of a company in Quanzhou, Fujian and was responsible for sales. Through which, Mr. San Kwan has gained experience in business.

Mr. San Kwan has been involved as a defendant in three court proceedings in the Court of First Instance of Hong Kong (respectively the "First Proceedings", "Second Proceedings" and "Third Proceedings"). The First Proceedings, Second Proceedings and Third Proceedings were commenced on 6 December 2004, 14 February 2006 and 8 March 2006 respectively. In the First Proceedings, Second Proceedings and Third Proceedings, *inter alia*, three defendants (including Mr. San Kwan) who were the directors of a Hong Kong company were sued for breach of the fiduciary duties in relation to a resolution to issue and allot certain additional shares to one of the defendants and that the purported allotment of shares was illegal. Mr. San Kwan confirmed that he did not receive any personal gain nor shares under the said resolution.

In passing the aforementioned resolution, Mr. San Kwan confirmed that he had exercised his independent judgment having regard to the interests of the Hong Kong company. Mr. San Kwan verily believed that all necessary procedures had been followed and that he had not been in breach of fiduciary duties as alleged.

As at the Latest Practicable Date, so far as the Directors are aware, the First Proceedings and the Second Proceedings have been discontinued and the Third Proceedings are now the only outstanding legal proceedings in relation to the subject matter against the defendants, including Mr. San Kwan.

So far as the Directors are aware, regarding the present position of the Third Proceedings, the Defence and Counterclaim was filed on 29 January 2007. As at January 2008, directions for further conduct of the proceedings have been given by the Court and the documentary evidence of the parties have been exchanged. Other procedural matters have yet to be dealt with by the parties before the Third Proceedings could be proceeded to trial.

Mr. San Kwan has obtained legal advice in relation to the Third Proceedings from a Hong Kong counsel who is of the view that there is reasonable chance that the allegation against Mr. San Kwan for breach of fiduciary duty will not succeed.

Independent non-executive Directors

Tu Zongcai (涂宗財), aged 43, is our independent non-executive Director. He joined our Group in 2008.

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Mr. Tu is an officer in charge of the Science and Technology Park of Nanchang University (南昌大學科技園), a vice-chairman of Nanchang University Science and Technology Park Development Company Limited (南昌大學科技園發展有限公司), and has been a professor of School of Life Science of Nanchang University (南昌大學生命科學學院) from 2001. Through which, Mr. Tu has gained about 7 years of experience in food science and engineering.

Mr. Tu specializes in food science and engineering. He graduated from Nanchang University (南昌大學) in July 2007 and received his doctoral degree in Food Science and is a professor and an academic adviser to Ph.D students at Nanchang University. He has served as the Academic Leader of Higher Colleges for Adults and Teenagers of Jiangxi Province (江西省高等學校中青年學科帶頭人) from 2004 to 2006 and as the Leader of Major Academic Subject and Technology of Jiangxi Province (江西省主要學科學術和技術帶頭人) from 2007.

He has received prizes such as the Ten Distinguished Teachers (十佳教師) of Nanchang University and the Second Prize in the Technology Advance Award of Jiangxi Province (江西省科學技術進步二等獎). His experience and knowledge in food science and engineering is beneficial to our Company's improvement in production operations and research and development.

Zhuang Weidong (莊衛東) aged 39, is our independent non-executive Director. He joined our Group in 2008.

Mr. Zhuang graduated from the Agricultural college, Fujian (福建農學院) in 1991 specializing in planting of fruit trees and has served as a senior orchard gardener in Quanzhou Agricultural Science Research Centre (泉州市農業科學研究所) since 2003. Through which, Mr. Zhuang has gained about 5 years of experience in fruit tree plantation. He has received the Third Prize in the Technology Advance Award of Quanzhou City (泉州市科學技術進步三等獎) and the Second Prize in the Technology Award of Fujian Province (福建省科學技術二等獎). His experience and knowledge in planting of fruit trees is beneficial to our Company's improvement in operation of leased orange farms.

Zhuang Xueyuan (莊學遠) aged 45, is our independent non-executive Director. He joined our Group in 2008.

Mr. Zhuang is a senior accountant accredited by the Assessing Panel of High Level Duties of Professional Accountants of Fujian Province (福建省會計專業人員高級職務評審委員會) in 2002. Mr. Zhuang had worked with Fujian Quanzhou Resources Group Company (福建泉州物資集團公司) from 1982 to 2000 where he had served as, among other roles, the accountant of the finance department in charge of the accounting issues of the Company. Through which, Mr. Zhuang has gained about 18 years of experience in accounting and auditing. He has served as a manager and then as a director of State-owned Assets Investment Company Limited of Luo Jiang District of Quanzhou City (泉州市洛江區國有資產投資經營有限公司). He has also served as a director of Tang Xi Industrial Park Construction and Development Company Limited in Wan An Development Zone of Quanzhou City (泉州市萬安開發區塘西工業園建設開發有限公司), a supervisor of Luo Jiang foreign trade Company Limited (洛江區對外貿易有限公司) and a legal representative of He Shi Chemist at Luo Jiang District of Quanzhou City (泉州市洛江區河市醫藥店). His experience and knowledge in accounting is relevant to the financial and accounting aspects of our operations and is beneficial to our internal control.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Save as disclosed above, none of our Directors has been a director of any other public listed company during the three years preceding the date of this prospectus. Save as disclosed herein, there are no other matters in relation to any of our Directors which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Hu Xu (胡旭), aged 45, is our chief financial officer. He joined in November 2004 and he is responsible for the financial and accounting management of our Group.

Mr. Hu graduated from Jiang Xi Institute of Finance (江西財經學院) in 1986 and received his bachelor's degree in statistics. From 1986 to 1992 Mr. Hu taught at the Department of Management and Engineering of the Faculty of Building Materials of the Shanghai Tongji University (上海同濟大學建築材料學院管理工程系). From 1995 to 1999 Mr Hu worked in an auditing firm in Zhuhai. From 1999 to 2003 he was a vice general manager of an industry enterprise and was in charge of financial, legal and management works. From 2003 to 2004 he was a legal representative, executive director and general manager of a pharmaceutical company.

Zhang Tuanqi (張團旗), aged 41, is our chief engineer. He joined our Group in October 2004 and he is responsible for the production and technology of the Company.

Mr. Zhang graduated from Xi'an Jiaotong University (西安交通大學) and received his bachelor degree in engineering. From 1992 to 2004 he served as a project supervisor for the work of project design in the Light Industry Department of the Xi'an Research Institute for Light Industrial Machinery Design (輕工部西安輕機設計研究所). From 2004 to 2005 Mr. Zhang was a manager in the food engineering department in the Xi'an Research Institute for Light Industrial Machinery Design.

Pan Qingsong (潘青松), aged 35, is our procurement controller. He joined our Group in September 2003 and he is responsible for the procurement of the Company.

Mr. Pan served as a procurement officer and then manager, and manager in a food and oil trading company from 1990 to 2000. From 2000 to 2003 he was the chairman of a trading company in Quanzhou, Fujian. In 2001 he served as a vice chairman and a secretary general of Quanzhou Chamber of Commerce (Urumqi Branch) (泉州市商會烏魯木齊分會). In 2002 he served as a vice chairman of Fujian Chamber of Commerce (Xinjiang Branch) (福建商會新疆分會).

Fu Lingling (富玲玲), aged 45, is our sales and marketing controller. She is responsible for the sales and marketing of the our products. She joined our Group in March 2002.

Ms. Fu graduated from Guizhou University for Nationalities (貴州民族學院) and received her bachelor degree in history in 1990. From 1996 to 2002 Ms. Fu was a sales manager of a Shanghai company.

Chen Xiaotang (陳曉棠), aged 32, is our investment department manager. He is responsible for management of financing and investment of the Company. He joined our Group in January 2005.

Mr. Chen graduated from Jiangxi University of Finance and Economics (江西財經大學) in 1999 and received his bachelor degree in international finance and management. From 1999 to 2000, Mr. Chen was an employee of a futures trading company. From 2001 to 2004 Mr. Chen worked in the area of investment and financial consulting an agricultural company in Fujian, China.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Jiang Shuiquan (江水泉), aged 35, is the assistant to our chief executive officer. Mr. Jiang is an engineer. He joined our Group in January 2008. Mr. Jiang is responsible to assist our chief executive officer to carry out macro-management of our Group and implement our external investment activities. Mr. Jiang graduated from Jiang Xi Agricultural University (江西農業大學) and received his bachelor degree in agriculture mechanisation (mechanical and electrical) in 1994. Mr. Jiang later obtained his master degree from Nanjing Agriculture University in design and manufacturing of agricultural machineries in 1997.

Lam Chat Lun, Paul (林則倫), aged 39, is our Company Secretary and the Qualified Accountant and joined us since May 2008. Mr. Lam graduated from University of East Anglia in 1991 and received his bachelor degree in accountancy. Prior to joining our Group, Mr. Lam has served in various corporations, including as a senior accountant in an international accounting firm, as a financial controller in three companies of which two of these companies are currently listed on the Stock Exchange. Mr. Lam has approximately 11 years of experience in auditing and financial accounting. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Management continuity

The Group has two principal operating subsidiaries, namely Summi Fujian and Sanming Summi.

As at the date of commencement of the Track Record Period, the directors of Summi Fujian were Mr. Sin, Mr. Hong, Ms. Hong Manna, Mr. Wu Qilang, Mr. Wu Wenxing and Mr. Xin Meisong.

Mr. Wu Qilang and Mr. Wu Wenxing were appointed by the Chinese joint venture partner of Summi Fujian and did not participate in the daily management of Summi Fujian.

In March 2005, the directors of Summi Fujian were changed to Mr. Sin, Mr. San Kwan and Mr. Wu Wenxing. Mr. Hong has remained the controlling shareholder of the Group and has had control over the appointment of directors of Summi Fujian nominated by the foreign joint venture party thereof throughout the Track Record Period.

In December 2007, as a result of the exiting of the Chinese joint venture partner and the investment by Kingdom Glory in the Group, the directors of Summi Fujian were further changed to Mr. Sin, Mr. San Kwan, Mr. Yang Yuchuan and Mr. Hu Xu (a member of the senior management). Mr. Yang Yuchuan was the investor's board representative and did not participate in the daily management of Summi Fujian.

Mr. Sin (the brother-in-law of Mr. Hong), Ms. Hong Manna (the wife of Mr. Sin and the sister of Mr. Hong), Mr. Hong (being the Controlling Shareholder), Mr. San Kwan (the brother of Mr. Sin) and Mr. Xin Meisong (the elder brother of Mr. Sin's father) are relatives and have close family ties.

For Sanming Summi, Mr. Sin has been the sole executive director since its establishment on 27 September 2007.

In addition, all the senior management of the Group during the Track Record Period, namely Mr. Hu Xu (chief financial controller), Mr. Zhang Tuanqi (chief engineer), Mr. Pan Qingsong (procurement controller), Ms. Fu Lingling (sales and marketing controller) and Mr. Chen Xiaotang

DIRECTORS, SENIOR MANAGEMENT AND STAFF

(investment department manager) had joined the Group in November 2004, October 2004, September 2003, March 2002 and January 2005 respectively. The members of the senior management respectively oversee the operation of different key functional departments of the Group and are responsible for the implementation of the business decisions and policies resolved by the board of directors and as directed by the general manager.

Mr. Sin has been the chairman, legal representative and general manager of Summi Fujian since its establishment and has all along been in charge of the daily management of the company, including being the authorized signatory of Summi Fujian in respect of most material contracts such as bank loan agreements. On the other hand, Mr. San Kwan has taken a non-executive role since his appointment as a director of Summi Fujian.

In view of all above, we consider that the management of the Group's business and operation during the Track Record Period was led by Mr. Sin (as entrusted by Mr. Hong, Ms. Hong Manna and Mr. Xin Meisong) with the support of Mr. San Kwan and all the senior management. In this regard, we consider that the management continuity requirements under Rule 8.05(1)(b) of the Listing Rules have been met.

Audit committee

Our audit committee consists of three members, being Mr. Zhuang Xueyuan, Mr. Yu Zongcai and Mr. Zhuang Weidong. Mr. Zhuang Xueyuan currently serves as the chairman of our audit committee. The primary duties of our audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and provide advice and comments to the Board. Two of them are independent non-executive Directors.

Remuneration committee

Our remuneration committee consists of three members, being Mr. Sin, Mr. Zhuang Weidong and Mr. Zhuang Xueyuan. Mr. Sin currently serves as the chairman of our remuneration committee. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration of our senior management and recommend members to the Board. Two of them are independent non-executive Directors. In determining or reviewing Mr. Sin's remuneration, Mr. Sin will abstain from voting in the relevant committee meeting. We consider that with the above arrangement in place, the relevant provision of the Listing Rules requiring that no Director should be involved in deciding his/her own remuneration can be complied with.

Nomination committee

Our nomination committee consists of three members, being Mr. Hong, Mr. Tu Zongcai and Mr. Zhuang Weidong. Mr. Hong currently serves as the chairman of our nomination committee. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and senior management. Our nomination committee is established with specific terms of references which deal clearly with the committee's authority and duties. Given the majority of the committee members of our nomination committee are independent non-executive Directors, we consider that the appointment of an executive Director as the chairman of our nomination committee will not prejudice the impartialness and transparency of the committee.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “Share Option Scheme” as set out in Appendix VI — Statutory and General Information”.

DIRECTORS’ AND SENIOR MANAGEMENT’S REMUNERATION

The aggregate amount of short term employee benefit paid or payable by the Group to the Directors for the three financial years ended 31 December 2007 were RMB0.35 million, RMB0.50 million and RMB0.40 million, respectively.

All our Directors receive reimbursements from us for expenses that are necessarily and reasonably incurred for providing services to us or in the execution of matters in relation to our operations. Our executive Directors are also our employees and receive, in their capacity as our employees, compensation in the form of salaries and contributions to the pension scheme according to PRC laws.

The aggregate amount of salaries, allowance and other benefits in kind, discretionary bonuses and contribution to defined contribution plans paid or payable by the Group to its five highest paid individuals for the three financial years ended 31 December 2007 were RMB0.68 million, RMB1.06 million and RMB0.75 million, respectively.

Save as disclosed above, no other payments have been made or are payable by the Company to the directors, in respect of the three financial years ended 31 December 2007.

EMPLOYEES

As at the Latest Practicable Date, we employed 273 full-time employees. The following table sets forth the total number of employees by function as at the Latest Practicable Date:

	Number of employees
General and administration	38
Finance and accounting	8
Sales and marketing	9
Raw materials procurement	6
Quality control	12
Research and development	5
Production	124
Orange Farms	<u>71</u>
Total	<u><u>273</u></u>

OUR RELATIONSHIP WITH EMPLOYEES

We maintain good working relations with our employees. We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

BENEFITS

As required by PRC regulations on social insurance, we participate in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

For the three years ended 31 December 2007, we made contributions to social insurance schemes in the sums of RMB0.29 million, RMB0.49 million and RMB0.73 million respectively.

COMPLIANCE ADVISER

The Company has appointed Evolution Watterson as its compliance adviser (the “Compliance Adviser”) pursuant to Rule 3A.19 of the Listing Rules. Pursuant to the terms of the engagement letter entered into between the Company and the Compliance Adviser, the Compliance Adviser will advise the Company, among others, on the following matters:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where the Company proposes to use the proceeds of the International Offering in a manner different from that detailed in the prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in the prospectus; and
- (4) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Company.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and end on the date of despatch of the annual report of the Company in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Given that our business and operations are primarily located, managed and conducted in the PRC and none of our executive Directors are ordinarily resident in Hong Kong, we consider that it would be unduly burdensome for us to maintain a management presence in Hong Kong in order to comply with the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to and obtained from the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain regular communication with the Stock Exchange, we have put in place various measures which are set out in the section headed “Waiver from Strict Compliance with the Listing Rules” in this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the International Offering and the Capitalisation Issue (but without taking into account Shares to be issued pursuant to the exercise of the Over-allotment Option or option which may be granted under the Share Option Scheme and without taking into account the arrangement under the Stock Borrowing Agreement), the following persons will have interests or short positions in our shares or underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in our Shares

Name of Shareholder	Nature of interest	Number of Shares held after the International Offering ⁽¹⁾	Percentage of shareholding after the International Offering ⁽¹⁾
<i>Substantial shareholders</i>			
Key Wise	Beneficial owner	570,608,145	57.06%
Mr. Hong ⁽²⁾	Interest of controlled corporation	570,608,145	57.06%
Ms. Ng Sao Lang ⁽³⁾	Family	570,608,145	57.06%
<i>Other shareholders</i>			
First Trading	Beneficial owner	75,000,000	7.50%
Mr. Ye Jinxing ⁽⁴⁾	Interest of controlled corporation	75,000,000	7.50%
Cheer Sky ⁽⁵⁾	Indirect interest	75,000,734	7.50%
Mr. Sin ⁽⁵⁾	Interest of controlled corporation	75,000,734	7.50%
Ms. Hong Manna ⁽⁶⁾	Family	75,000,734	7.50%

Notes:

- (1) Calculated based on an Offer Price at the mid-point of the indicative Offer Price range and assuming no exercise of the Over-allotment Option.
- (2) Key Wise is beneficially owned by Mr. Hong as to 86.856%. Therefore, Mr. Hong is deemed, or taken to be, interested in the 570,608,145 Shares which are beneficially owned by Key Wise for the purposes of the SFO.
- (3) Ms. Ng Sao Lang is the spouse of Mr. Hong. Therefore, Ms. Ng is deemed, or taken to be, interested in the 570,608,145 Shares which Mr. Hong is interested in for the purposes of the SFO.

SUBSTANTIAL SHAREHOLDERS

- (4) First Trading is wholly owned by Mr. Ye Jinxing and thus under the SFO, Mr. Ye is deemed to be interested in the 75,000,000 Shares held by First Trading.
- (5) Key Wise is beneficially owned by Cheer Sky as to 13.144% and Cheer Sky is regarded as interested in 13.144% of the 570,608,145 Shares (i.e. 75,000,734 Shares) owned by Key Wise. Cheer Sky is wholly owned by Mr. Sin. Therefore, Mr. Sin is deemed, or taken to be, interested in the 75,000,734 Shares which Cheer Sky is interested in for the purposes of the SFO.
- (6) Ms. Hong Manna is the spouse of Mr. Sin. Therefore, Ms. Hong is deemed, or taken to be, interested in the 75,000,734 Shares which Mr. Sin is interested in for the purposes of the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the completion of the International Offering and the Capitalisation Issue (but without taking into account Shares to be issued pursuant to the exercise of the Over-allotment Option or option which may be granted under the Share Option Scheme and without taking into account the arrangement under the Stock Borrowing Agreement), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

NON-COMPETE UNDERTAKINGS

Each of the Covenantors has entered into a deed of non-competition in favour of our Company, pursuant to which they have undertaken, subject to the exceptions mentioned below, that they would not, and would procure that neither they nor their associates and/or companies controlled by them (other than the Group) would not directly or indirectly be interested in or engaged in any Restricted Activity.

The aforesaid undertakings do not apply with respect to the holding of or interests in shares or other securities in any company which conducts or is engaged in any Restricted Activity, provided that, in the case of such shares, they are listed on a recognised stock exchange and:

- (a) the total number of the shares held by the relevant Covenantor and/or their associates does not amount to more than 5% of the issued shares of the company; and
- (b) the relevant Covenantor and/or their associates are not entitled to appoint a majority of the directors or management of that company.

The non-competition undertakings and the rights and obligations thereunder are subject to and conditional upon:

- (a) the listing of, and permission to deal in the Offer Shares have been granted by the Listing Committee;
- (b) the conditions precedent to the Underwriting Agreements have been satisfied (or if applicable, waived by the Underwriters) and the Underwriting Agreements have not been terminated in accordance with their terms or otherwise.

SUBSTANTIAL SHAREHOLDERS

The obligations of the Covenantors under the deeds of non-competition will remain in effect until:

- (a) the date on which the Shares cease to be listed on the Stock Exchange for whatever reason(s); or
- (b) the date on which the relevant Covenantor and his/its associates cease to own any of the then issued share capital of the Company directly or indirectly;

whichever occurs first.

Each of the Covenantors undertakes to our Company that he/it would, during the term of the deed of non-competition, indemnify and keep indemnified in full our Company and our Group against any loss suffered by our Company or our Group (as relevant) arising out of any breach of any of his/its undertakings under the deed of non-competition.

None of the Covenantors and their respective associates currently have interests in any business that competes or is likely to compete with our Group.

SHARE CAPITAL

HK\$

Authorized share capital:

3,000,000,000	Shares of HK\$0.01 each	30,000,000
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Issued and to be issued, fully paid or credited as fully paid

100,000,000	Shares in issue at the date of this prospectus	1,000,000
650,000,000	Shares to be issued pursuant to the Capitalisation Issue	6,500,000
250,000,000	Shares to be issued pursuant to the International Offering (excluding any Shares with may be issued under the Over- allotment Option)	2,500,000
<hr/>		<hr/>
<u>1,000,000,000</u>	Shares	<u>10,000,000</u>

Assumptions

The above tables assume that the International Offering and the Capitalisation Issue become unconditional. It takes no account of Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and Repurchase Mandate as described below.

Ranking

The Offer Shares will rank pari passu in all respects with all other Shares in issue as mentioned in this prospectus, and in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus save for entitlement under the Capitalisation Issue.

ISSUING MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding 20% of the aggregate of the total nominal amount of the share capital of the Company in issue as enlarged by the International Offering and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the Over-allotment Option).

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Scheme.

SHARE CAPITAL

This mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable law or its Articles to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further details of the Issuing Mandate, see the paragraph headed "Written resolutions of all the shareholders of our Company passed on 7 June 2008" in Appendix VI to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the International Offering and the Capitalisation Issue (but excluding any Share of the Company which may be issued pursuant to the Over-allotment Option).

This mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Repurchase by our Company of our Shares" in Appendix VI to this prospectus.

This mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable law or its Articles to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further information about the Repurchase Mandate, see the section headed "Written resolutions of all the shareholders of our Company passed on 7 June 2008" in Appendix VI to this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with the audited combined financial statements as of and for the three financial years ended 31 December 2007, in each case with the related notes thereto, included elsewhere in this prospectus. The combined financial statements of the Company have been prepared in accordance with IFRS, which differ in certain significant respects from generally accepted accounting principles in certain other countries. For further information, see “Appendix I — Accountants’ Report”. Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed below and particularly in “Risk Factors.”

OVERVIEW OF OUR OPERATIONS

According to the certificate issued by the China Beverage Industry Association on 15 February 2008, we are one of the leading domestic producers in the PRC FCOJ industry in terms of production quantity. It was forecasted by the United States Department of Agriculture, Foreign Agriculture Service in its Global Agriculture Information Network Report dated 29 November 2007 that approximately 20,000 tonnes of FCOJ was produced domestically in China in 2007 while we produced 7,222 tonnes of FCOJ in 2007. Since December 1993, we have principally engaged in the production and distribution of FCOJ and its related product, namely orange pulp. Since November 2004, we have also engaged in wholesale of fresh oranges. During the Track Record Period, in order to fully utilize the production capacity of our production plants for the periods other than the pressing season of oranges, we have also engaged in the production and distribution of concentrated strawberry juice and concentrated gooseberry juice. Nevertheless, FCOJ and its related product and fresh oranges remain dominantly our primary products in terms of both revenue and sales volume during the Track Record Period.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The major factors affecting our operating results and financial conditions include:

Competition

FCOJ and its related product

We face competition from offering similar products as us in terms of quality, delivery time and price. We believe we mainly face competition from overseas suppliers. Currently, we consider Brazil as the major exporter of FCOJ in the worldwide market and the largest competitor to manufacturers of FCOJ in the PRC in terms of price and quality. In addition to overseas competitors, we also face competition from the local suppliers. Keen competition in FCOJ industry in the PRC and overseas may have an adverse impact on the demand and pricing of our products, and hence our business and profitability.

Fresh Oranges

The fresh orange market is highly fragmented and characterized by intense competition. We believe that our major competitors are international and domestic orange growers. Some of these competitors have better financial, technical and marketing resources, recognized brand

FINANCIAL INFORMATION

names and larger customer base than us. It is also possible that these competitors may have the ability to respond more quickly to new or emerging technologies, may adapt more quickly to changes in customer requirements and may devote more resources to the development, promotion and sales of their products than us. There can be no assurance that we may be able to continue competing successfully against our competitors or such competition may not have any material adverse effect on our business, financial position and results of operations.

Reliance on oranges as the primary raw material

Orange is the major primary raw material used in the production of our products. We source oranges from our leased orange farms and the orange farmers in the vicinity of our production plants. As at the Latest Practicable Date, we operate 23 leased orange farms and we have more than 100 suppliers from whom we sourced the oranges. We had not entered into any long-term contracts with any of these suppliers. There is no guarantee that we are able to secure a consistent supply of oranges to meet our present or expanding need in the future.

In addition, the orange supply of those oranges sourced from third party suppliers and those oranges collected in our leased orange farms may be affected by weather, development or farming technology, pest control device and government policy, all of which are factors beyond our control.

The table below sets out the quantity of oranges sourced from our leased orange farms and the orange farmers in the vicinity of our production plants and the respective average cost of orange used in the production of our products during the Track Record Period:

	Year ended 31 December		
	2005	2006	2007
Tonnes of oranges purchased for our FCOJ production	24,467	29,595	36,591
Average price per kg (<i>RMB</i>)	0.57	0.59	0.61
Tonnes of oranges sourced from our leased orange farms	23,271	37,708	31,483
Average price per kg (<i>RMB</i>)	0.32	0.31	0.38

We may be unable to operate our production plants up to its present capacity as a result of the interruption to or a shortage in the supply of oranges, or if the shortage is severe, production may be adversely affected and thereby leading to reduced revenues or no production output and sales. In the event of a shortage in the supply of oranges or a shortage in the supply of oranges of the requisite quality, our production may be affected. In such event, our turnover and hence our profits may be adversely affected.

Our results of operations are subject to cyclical fluctuations

Our sales are subject to cyclical fluctuations during the year. Generally, our sales are higher during the period from November to May of the following year than the period from June to October of the year, but they may vary considerably from time to time as a result of changes in customer demand. During the Track Record Period, excluding the sales generated from June to October, our aggregate sales were approximately 92.8%, 94.6% and 95.4% for each of the three years ended 31 December 2007, respectively.

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As a result of the cyclical nature of our business, our results of operations may fluctuate from time to time. An analysis of our interim financial performance may not be indicative of our full year results due to the cyclical nature of our business. We believe the cyclical fluctuations in our results of operations may continue in the future.

Relationship with villagers' committee

We enter into labour co-operation agreements with the relevant villagers' committees which would arrange relevant labour force to work in our farms during the harvest seasons, fertilization and pest control. The wages and welfare for staff paid for each of the three years ended 31 December 2007 were RMB14.45 million, RMB23.39 million and RMB26.67 million respectively.

The labour costs and or the labour co-operation agreement during the Track Record Period were determined based on the market rate which varies depending on the supply of labour force, living standard and the terrain around the area of each respective orange farms.

To ensure an ample supply of orange for our sales of fresh oranges and production of our FCOJ and its related product, we operate 23 leased orange farms. We enter into orange farm leases with the villagers' committee which acts on behalf of the farmer-households.

We have maintained a co-operative relationship with the villagers' committee of each leased orange farms. During the Track Record Period, we have not faced any shortage of supply of labour force or oranges due to our relationship with the villagers' committee of each leased orange farms. In the event that there is any shortage of supply of labour force, our results may be adversely affected.

Change in consumer preference

According to Euromonitor, fruit and vegetable juice sector is expected to gain increasing market share in the soft drinks market in China, up to approximately 25.4% in 2010 from a low of 18.1% in 2001 while carbonated drinks is expected to lose their market share in the soft drinks market in China, down to approximately 14.8% in 2010 from a high of 23.0%. This change in consumer preference is one of the factors that has caused our turnover of our FCOJ and its related product to increase from approximately RMB44.40 million in 2005 to approximately RMB124.34 million in 2007. In the event that there is any change in the customer's preference and demand for fruit and vegetable juice, the demand for our FCOJ may be reduced.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain critical accounting policies that are significant to the preparation of our combined financial statements and important for an understanding of our financial condition and results of operation. Our principal accounting policies are set forth in section C to the Accountants' Report attached as Appendix I to this prospectus.

Accounting estimates are those that require management to exercise judgment and make estimates that yield materially different results if management were to apply different assumptions or make different estimates.

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We adopt accounting policies and make estimates that our Directors believe are most appropriate in the circumstances for the purpose of giving a true and fair view of our results and financial position. We believe the most complex and sensitive judgments, because of their significance to our results of operations and financial condition, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas could differ from our estimates. The critical accounting policies and estimates we have adopted are described below.

Revenue

(a) Sale of goods

Our revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of value added tax or other sales taxes, returns or allowances, trade discounts and volume rebates. Our revenue is recognised in the combined income statements when the significant risks and rewards of ownership have been transferred to the customers. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Government grants

Unconditional government grants in recognition of our contribution to the development of the local agriculture industry are recognised in our combined income statements as other income on a receivable basis.

Inventory

Our inventories are stated at the lower of cost and net realisable value. The cost of inventories is computed using the weighted average method and includes expenditure incurred in acquiring the inventories to bring them to their existing location and condition. In the case of manufactured inventories, cost includes direct labour and an appropriate share of overheads based on normal operating capacity. We determine the net realisable value based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

We initially measure the agricultural produce at its fair value less estimated point-of-sale costs at the point of harvest, subsequently included under inventories at deemed cost and stated at the lower of cost and net realisable value.

We recognise the carrying amount of those inventories that are sold in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down of loss occurs. The amount of any reversal of any write-down of inventories as a reduction in the amount of inventories is recognised as an expense in the period in which the reversal occurs.

We review the carrying amount of our inventories for slow moving inventory, obsolescence or declines in market value. These reviews are conducted with reference to inventory ageing analyses, projections of expected future saleability of goods and management experience and judgment. If our estimate of net realisable value is below the cost of inventory, we record a provision against the inventories for the difference between cost and net realisable value, which will result in a corresponding increase in our cost of sales. For the year ended 31

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December 2005, 2006 and 2007, our provision for inventory obsolescence charged to our combined income statements were approximately RMB0.25 million, RMB0.31 million and RMB1.17 million, respectively.

Rental prepayments

Rental prepayments represent prepaid rent for the leased orange farms.

Rental prepayments are carried at cost less accumulated amortisation and impairment losses. Amortisation is charged to our combined income statements on a straight-line basis over the period of the leases which is 5 years.

For details of the movement of the rental prepayments during the Track Record Period, please refer to note 13 of the accountants' report in Appendix I to this prospectus.

Property, plant and equipment

(a) Recognition and measurement

Our property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. The cost of an asset includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent costs

We recognise in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that future economic benefits associated with such costs incremental will flow to us and such cost incremental can be measured reliably. Repairs and maintenance are charged to the combined income statement as expenses in the period incurred.

(c) Depreciation

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

— Buildings	5–35 years
— Plant and machinery	5–20 years
— Furniture, fittings and equipment	5 years
— Motor vehicles	5–10 years

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We review the assets' depreciation methods, residual values and useful lives and make adjustment, if appropriate, at each balance sheet date. The estimated useful lives are based on our historical experience of the actual useful lives of assets of similar nature and functions and the anticipated technological changes.

(d) Retirement and disposal

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the combined income statements on the date of retirement or disposal.

(e) Construction in progress

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. We do not make any provision for depreciation on construction in progress until it is completed and substantially ready for its intended use.

Biological assets and agricultural produce

Our biological assets comprise of immature oranges before harvest in the leased orange farms, but not including the leased orange trees. Agricultural produce refers to the mature oranges after harvest. In our combined balance sheets, biological assets are recognised as a separate line item under current assets while agricultural produce is recognised as part of inventories under the "Oranges" category.

In accordance with IAS 41.30, there is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such case, the biological asset should be measured initially at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an entity should measure it at its fair value less estimated point-of-sale costs.

The initial recognition of our biological assets (i.e. immature oranges) for each growth cycle of oranges starts after the previous harvest season of the oranges. Our biological assets are carried at cost less any accumulated depreciation and impairment losses until the fair value of such biological assets become reliably measurable. Our Directors believe that the fair value of biological assets can only be reliably measurable when it is close to their harvest dates (i.e. from November to December), as the quantity and quality including shape, colour, sweetness and size of the oranges to be harvested are reliably measurable at this stage.

The growth cycle of our oranges starts mainly from May to October while the harvest season of oranges is between November and December each year. Before the fair value can be measured reliably for immature oranges, in order to measure the value of the biological assets, we keep perpetual records of the numbers of orange trees and the amount of cultivation costs, which mainly consist of fertilizers and pesticides used, labor costs and orange farm rentals. The

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reporting accountants have performed sample testings on the records of cultivation costs and are satisfied with the testing results. Our staff also visit the orange farms three time a month to monitor the physical condition of the biological assets and report to our senior management on a monthly basis. During the Track Record Period, no material damage or death of biological assets was noted by our staff.

As at the harvest date, the fair value of the oranges can be measured reliably with reference to the market price of fresh oranges at or close to the harvest date and the weighting of the harvested quantity. Prevailing market prices for oranges used for FCOJ production are based on the purchase price of oranges sourced by us from other suppliers while prevailing market prices for fresh oranges to be sold to our customers are based on market selling price of fresh oranges of similar quality at or close to the harvest date. The difference between the fair value less estimated point-of-sale costs of oranges and the cultivation cost is recognised as a gain from changes in fair value of biological assets upon harvest in our combined income statements. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market. Given the date when the fair value of biological assets could be measured reliably is close to the date when the oranges are harvested, our Directors believe that the above treatment is sufficient to enable us to assess the fair value of our biological assets on a timely basis for financial reporting purposes.

As all oranges from the leased orange farms were harvested shortly before the year end, little biological transformation for the following year's harvest has taken place as at each balance sheet dates during the Track Record Period. The senior management of the Company and the reporting accountants did not carry out physical count for biological assets at year end as oranges have been harvested and new oranges have yet grown as at each balance sheet date in our leased orange farms. Biological assets as at year end are thus stated at their cost less any accumulated depreciation and any accumulated impairment losses. The reporting accountants are of view that the carrying amount of the biological assets as at each balance sheet date during the Track Record Period was not materially misstated notwithstanding that the reporting accountants did not perform physical count procedures on the biological assets as at each balance sheet date during the Track Record Period.

In accordance with IAS 41.13, agricultural produce harvested from an entity's biological assets shall be measured at its fair value less estimated point-of-sale costs at the point of harvest. Such measurement is the cost at that date when applying IAS 2 Inventories or another applicable Standard. Given the biological assets are transferred to agricultural produce at the point of harvest, the carrying value (i.e. cultivation costs and the fair value gain upon harvest) of related biological assets is transferred to inventory-agricultural produce.

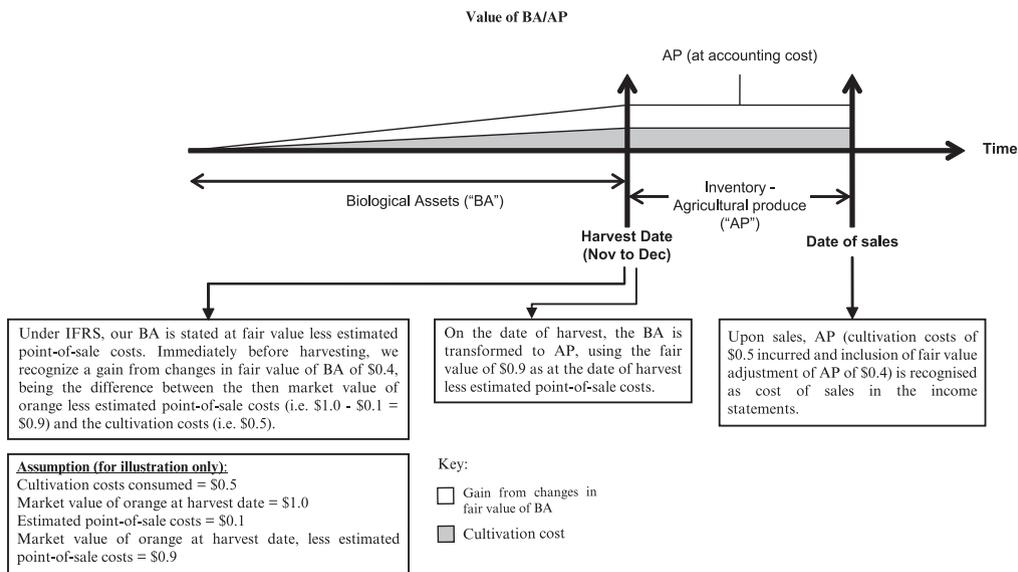
Following the harvest of oranges, we keep track of the quantity (in term of weight) of oranges upon harvest, sales and usages in the production of FCOJ in order to keep track of the inventory value. Fair value gain or fair value adjustment per kilogram of oranges are allocated and accounted for as inventory-fresh oranges, inventory-FCOJ and its related product and cost of sales upon harvest, usages in the production of FCOJ and its related product and sales according to the actual consumption of the oranges in term of weight. Any subsequent write down of agricultural produce during the Track Record Period are mainly due to the perishable nature of our oranges. The reporting accountants attended the year end stock-take of the Group as at 31 December 2007 and performed roll back procedures on a sample basis to ascertain the inventory value as at 31 December 2005 and 31 December 2006 based on the stock-take result on 31 December 2007. The reporting accountants are satisfied with the results of the roll back procedures.

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The quantity of agricultural produce as at the balance sheet dates are as follows:

	As at 31 December		
	2005	2006	2007
	<i>(Tonnes)</i>	<i>(Tonnes)</i>	<i>(Tonnes)</i>
Fresh oranges for sales in the fresh oranges wholesale market	18,845	25,236	18,374
Oranges used as raw materials for the production of FCOJ	7,868	13,936	—

Set out below is a graph showing an illustration of the accounting treatments of biological asset before harvesting and agricultural produce after harvesting:



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The following table sets out a reconciliation showing the movement of biological assets for the periods indicated below:

	Year ended 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	3,301	5,439	5,777
Increase due to cultivation (<i>Note 1</i>)			
Fertilizers, pesticides and soil improvements	19,043	28,501	39,445
Wages and welfare for staff	14,449	23,392	26,674
Rental expenses for oranges farms	6,040	9,201	9,201
Others	1,244	2,158	4,904
	40,776	63,252	80,224
Gain from changes in fair value less estimated point-of-sale costs	32,563	60,536	44,001
Harvested oranges transferred to inventories-agricultural produce	<u>(71,201)</u>	<u>(123,450)</u>	<u>(124,203)</u>
At 31 December (<i>Note 2</i>)	<u>5,439</u>	<u>5,777</u>	<u>5,799</u>

Notes:

- The increase due to cultivation represents cost of cultivation which primarily consists of rental, fertilizers and pesticides, wages and welfare for staff involved in cultivation and harvest.
- At each year end date, biological assets are stated at cost as the directors consider that their fair value cannot be measured reliably and no reliable alternative estimates exist to determine fair value. The carrying value of biological assets as at each year end represents cultivation costs incurred after harvest.

As several fertilizations are carried out in our leased orange farms throughout the year and the quantity of fertilizers used varies each time, this has caused the financial figures reflecting the post-harvest change in fair value of the biological assets not being in proportion of annual cultivation costs.

The following table sets out a reconciliation showing the movement of inventories-agricultural produce for the periods indicated below:

	Year ended 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	14,763	36,427	53,614
Harvested oranges transferred from biological assets	71,201	123,450	124,203
Transportations and labour costs and materials for packing process	4,605	8,946	11,839
Write-down of agricultural produce	(254)	(312)	(1,165)
Transfer to cost of sales of fresh oranges	(44,230)	(95,754)	(127,781)
Transfer to the production cost of FCOJ and its related product	<u>(9,658)</u>	<u>(19,143)</u>	<u>(28,965)</u>
At 31 December	<u>36,427</u>	<u>53,614</u>	<u>31,745</u>

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The following table sets out a reconciliation showing the movement of fair value gain included in inventories for the periods indicated below:

	Year ended 31 December								
	2005			2006			2007		
	Fresh oranges/ FCOJ and its related production product			Fresh oranges/ FCOJ and its related production product			Fresh oranges/ FCOJ and its related production product		
	of FCOJ	Total	of FCOJ	Total	of FCOJ	Total	of FCOJ	Total	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	25	6,116	6,141	218	16,083	16,301	1,158	24,448	25,606
Fair value gain (a)(b)	—	32,563	32,563	—	60,536	60,536	—	44,001	44,001
Transfer due to consumption in production of FCOJ and its related product (c)	2,502	(2,502)	—	5,222	(5,222)	—	7,243	(7,243)	—
Fair value adjustment (d)	(2,309)	(20,094)	(22,403)	(4,282)	(46,949)	(51,231)	(8,127)	(51,641)	(59,768)
At 31 December	<u>218</u>	<u>16,083</u>	<u>16,301</u>	<u>1,158</u>	<u>24,448</u>	<u>25,606</u>	<u>274</u>	<u>9,565</u>	<u>9,839</u>

During the Track Record Period,

- (a) a fair value gain of RMB29.08 million, RMB54.28 million and RMB38.91 million was allocated to oranges for sales in the fresh oranges wholesale market;
- (b) a fair value gain of RMB3.48 million, RMB6.26 million and RMB5.09 million was allocated to oranges used as raw materials for the production of FCOJ and its related product;
- (c) a fair value gain of RMB2.50 million, RMB5.22 million and RMB7.24 million included in oranges used as raw materials for the production of FCOJ and its related product was transferred to FCOJ and its related product upon actual consumption in production; and
- (d) a fair value gain of RMB22.40 million, RMB51.23 million and RMB59.77 million was recognised in combined income statements as cost of sales due to sales and disposals of fresh oranges or FCOJ and its related product.

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The following table sets out a reconciliation showing the calculation of fair value gain included in fresh oranges for wholesale and oranges for productions of FCOJ and its related product for the periods indicated below:

	Year ended 31 December					
	2005		2006		2007	
	Fresh oranges for wholesale	Oranges for production of FCOJ and its related product	Fresh oranges for wholesale	Oranges for production of FCOJ and its related product	Fresh oranges for wholesale	Oranges for production of FCOJ and its related product
Fair value less estimated point-of-sale costs (RMB/kg)	1.70	0.47	1.80	0.47	1.75	0.54
Less: cultivation costs (RMB/kg)	0.91	0.32	0.91	0.30	1.17	0.38
Fair value gain (RMB/kg)	0.79	0.15	0.89	0.17	0.58	0.16
Fair value gain (RMB'000)	29,079	3,484	54,273	6,263	38,911	5,090
Quantity of oranges harvested from our leased orange farms (tonnes)	36,681	23,271	60,775	37,708	66,550	31,483
Fair value gain (RMB/kg)	0.79	0.15	0.89	0.17	0.58	0.16

The cultivation costs per kilogram of fresh oranges and oranges for production of FCOJ and its related product are mainly allocated with reference to the estimated market value of fresh oranges and oranges for production of FCOJ and its related product. The Directors consider that such allocation, by matching the cultivation costs with the estimated market value, is fair and reasonable.

The difference between the amounts of fair value gain allocated to oranges used as raw materials for the production of FCOJ and its related product and the amounts of fair value gain transferred to production of FCOJ and its related product during the Track Record Period is mainly due to some of the oranges used as raw materials for the production of FCOJ and its related product are remain unused as at each of the three years ended 31 December 2007.

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The following tables set out reconciliations showing the movement of agricultural produce from inventories to cost of sales for the periods indicated below:

Fresh oranges

	Year ended 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transfer to cost of sales of fresh oranges	44,230	95,754	127,781
Write-down of agricultural produce	254	312	1,165
	44,484	96,066	128,946
Cost of oranges — Fresh oranges			
Charged out from agricultural produce	24,390	49,117	77,305
Fair value adjustment			
Fresh oranges	20,094	46,949	51,641
	44,484	96,066	128,946

FCOJ and its related product

	Year ended 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transfer to the production cost of FCOJ and its related product	9,658	19,143	28,965
Cost of oranges — FCOJ and its related product			
Consumption of oranges supplied from leased oranges farms	7,136	12,623	23,595
Fair value adjustment			
FCOJ and its related product	2,309	4,282	8,127
	9,445	16,905	31,722
Production cost movement in inventories —			
FCOJ and its related product	213	2,238	(2,757)
	9,658	19,143	28,965

The Group maintains an internal control system to separately keep track of the quantity (i.e. weight) of oranges upon harvest for oranges for sales in the fresh oranges wholesale market and oranges used as raw materials for the production of FCOJ and its related product. In addition, the records were perpetually kept from the point of harvest to the point of sales or production of FCOJ and its related product. The reporting accountants have performed sample testing on the records of the quantity of oranges upon harvest and are satisfied with the testing results.

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Trade and other receivables

Our receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. We estimate provision for impairment of trade and other receivables based on the evaluation of collectibility and ageing analysis of the receivables. The amount of provision is recognised in our combined income statements.

If the recoverable amount of our trade and other receivables is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount based on our Director's estimation with reference to the ageing of the trade and other receivables balance, customer creditworthiness and historical write-off experience. Any impairment loss is immediately recognised as an expense in our combined income statements.

For the year ended 31 December 2005, 2006 and 2007, we do not make any provision for impairment of trade and other receivables nor recognise any impairment loss as our Directors believe, based on historical experience, most of the trade and other receivables at the year end could be collected within the first quarter of the following year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

The following discussion addresses the principal trends that have affected our results of operations during the Track Record Period and should be read in conjunction with the combined financial statements during the Track Record Period as set forth in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus. The following table sets forth selected financial data from our combined financial information for the period indicated.

Combined Income Statements

	Year ended 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	94,480	175,443	265,595
Cost of sales	<u>(76,038)</u>	<u>(142,078)</u>	<u>(202,480)</u>
Gross profit	18,442	33,365	63,115
Gain from changes in fair value of biological assets less estimated point-of-sale costs	32,563	60,536	44,001
Other income	858	1,007	757
Distribution costs	(1,579)	(2,048)	(5,085)
Administrative expenses	(3,387)	(6,430)	(5,417)
Other expenses	<u>(2)</u>	<u>(51)</u>	<u>(118)</u>
Profit from operations	----- 46,895	----- 86,379	----- 97,253
Finance income	10	32	222
Finance expenses	<u>(786)</u>	<u>(914)</u>	<u>(1,727)</u>
Net finance costs	----- (776)	----- (882)	----- (1,505)
Profit before tax	46,119	85,497	95,748
Income tax	<u>(12,661)</u>	<u>(23,717)</u>	<u>(25,899)</u>
Profit for the year	<u>33,458</u>	<u>61,780</u>	<u>69,849</u>
Attributable to:			
Equity holders of the Company	30,112	55,602	62,818
Minority interests	<u>3,346</u>	<u>6,178</u>	<u>7,031</u>
Profit for the year	<u>33,458</u>	<u>61,780</u>	<u>69,849</u>
Earnings per share (RMB cents)			
— Basic	<u>4.46</u>	<u>8.24</u>	<u>9.31</u>

Note: The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to the equity holders of the Company for the Track Record Period and the 675,000,000 shares of the Company in issue and issuable, comprising 90,000,000 shares (the entire 100,000,000 shares in issue at the date of the prospectus, excluding 10,000,000 shares issued in relation to the acquisition of minority interests from Mr. Sin Ke on 22 May 2008) in issue at the date of the prospectus and 585,000,000 (the entire 650,000,000 shares to be issued pursuant to the Capitalisation Issue, excluding 65,000,000 shares to be issued to Mr. Sin Ke via Key Wise) shares to be issued, pursuant to the Capitalisation Issue, as if the shares were outstanding throughout the Track Record Period.

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Combined Balance Sheets

	As at 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	39,274	39,922	39,337
Current assets	63,778	134,363	238,126
Total assets	103,052	174,285	277,463
Current liabilities	27,321	34,981	37,764
Non-current liabilities	5,120	6,913	37,459
Total liabilities	32,441	41,894	75,223
Total equity attributable to equity holders of the Company	63,550	119,152	181,970
Minority interests	7,061	13,239	20,270
Total equity	70,611	132,391	202,240
Total equity and liabilities	103,052	174,285	277,463

Revenue

Our revenue represents revenue generated from the sales of FCOJ and its related product, fresh oranges and other concentrated fruit juices such as concentrated strawberry juice and concentrated gooseberry juice. We have also engaged in the production and distribution of dehydrated longans since 2006. Revenue represents the sales value of goods sold net of value added tax or other sales taxes, returns or allowance and trade discounts. The table below sets forth the revenue of our Group for the periods indicated by main product categories, which are also expressed as a percentage of total revenue for the Track Record Period:

	Year ended 31 December					
	2005		2006		2007	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
FCOJ and its related product	44,398	47.0	70,725	40.3	124,337	46.8
Fresh oranges	43,793	46.3	94,818	54.0	127,128	47.9
Others (<i>note</i>)	6,289	6.7	9,900	5.7	14,130	5.3
Total	94,480	100.0	175,443	100.0	265,595	100.0

Note: Others include the turnover generated from the sales of concentrated strawberry juice, concentrated gooseberry juice and dehydrated longans.

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Our total revenue increased steadily during the Track Record Period. In particular, sales of FCOJ and its related product increased from approximately RMB44.40 million in 2005 to approximately RMB124.34 million in 2007, representing a compound annual growth rate of 67.3%. Sales of fresh oranges increased from approximately RMB43.79 million in 2005 to approximately RMB127.13 million in 2007, representing a compound annual growth rate of 70.4%.

The following table sets forth the sales volume of our FCOJ and fresh oranges for the periods indicated:

	Year ended 31 December		
	2005	2006	2007
	<i>(Tonnes)</i>	<i>(Tonnes)</i>	<i>(Tonnes)</i>
FCOJ	3,558	4,871	7,753
Fresh oranges	26,706	54,384	73,412

Our sales volume has increased significantly across our major products during the Track Record Period. For FCOJ, our sales volume increased from approximately 3,558 tonnes in 2005 to 7,753 tonnes in 2007, representing a compound annual growth rate of 47.6%. The growth in our fresh oranges sold was surged from approximately 26,706 tonnes in 2005 to 73,412 tonnes in 2007, representing a compound annual growth rate of 65.8%. Such increase was primarily due to our continuous marketing efforts, growing demand for our products and the increase in the number of our leased orange farms from 13 in 2005 to 23 in 2007 which directly increased our fresh oranges available for sale and raw materials for producing FCOJ.

The following table sets forth the average selling price of our FCOJ and fresh oranges for the periods indicated:

	Year ended 31 December		
	2005	2006	2007
	<i>(RMB/kg)</i>	<i>(RMB/kg)</i>	<i>(RMB/kg)</i>
FCOJ	11.4	13.4	14.7
Fresh oranges	1.64	1.74	1.73

Our average selling price of FCOJ has increased significantly during the Track Record Period. The increase in average selling price was aligned with the increase in the international FCOJ price and our pricing strategy as our sales volume is restricted by our production capacity. Average selling price of fresh oranges was generally maintained throughout the Track Record Period despite rising cultivation costs, which is part of our marketing strategy to gain market share.

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Cost of sales

Our cost of sales primarily consists of costs of agricultural raw materials such as oranges, fertilizers and pesticides, fair value adjustment, direct labour, packing materials and overheads involved in production.

The table below sets forth a breakdown of our cost of sales for the period indicated:

	Year ended 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fresh oranges			
Charged out from agricultural produce	24,390	49,117	77,305
FCOJ and its related product			
Consumption of oranges supplied from third parties	13,800	15,875	24,236
Consumption of oranges supplied from our leased oranges farms	7,136	12,623	23,595
Direct labour, packing materials and overhead	4,904	6,880	8,130
	25,840	35,378	55,961
Others			
Raw materials purchased from third parties	2,917	5,093	7,427
Direct labour, packing materials and overhead	488	1,259	2,019
	3,405	6,352	9,446
Cost of sales before fair value adjustment	53,635	90,847	142,712
Fair value adjustment			
Fresh oranges	20,094	46,949	51,641
FCOJ and its related product	2,309	4,282	8,127
	22,403	51,231	59,768
Total	76,038	142,078	202,480

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The following table sets forth the average unit cost of sales of our FCOJ for the period indicated:

	Year ended 31 December		
	2005	2006	2007
	(RMB/kg)	(RMB/kg)	(RMB/kg)
FCOJ	7.16	7.17	7.13

Our average unit cost of sales of our FCOJ has slightly decreased from RMB7.16 per kilogram in 2005 to RMB7.13 per kilogram in 2007, though our total costs of sales has increased from RMB76.04 million in 2005 to RMB202.48 million in 2007. The decrease in average unit cost of sales was achieved by selling more fresh oranges in the wholesale market and sourcing oranges for production of our FCOJ from external sources. During the Track Record Period, the average price of selling our fresh oranges of higher quality were approximately 2.88 times, 2.95 times and 2.84 times of the average purchase price of oranges for production of FCOJ.

Gross profit and gross profit margin

Gross profit is our revenue minus our cost of sales. Our gross profit margin for the year ended 31 December 2005, 2006 and 2007, was 19.5%, 19.0% and 23.8%, respectively. The following sets out the gross profit/(loss) and gross profit margin of sale of FCOJ and its related product, fresh oranges and other products:

	Year ended 31 December								
	2005			2006			2007		
	Gross profit/ (loss)	Revenue	Gross profit margin	Gross profit/ (loss)	Revenue	Gross profit margin	Gross profit/ (loss)	Revenue	Gross profit margin
	<i>RMB'000</i>	<i>RMB'000</i>	%	<i>RMB'000</i>	<i>RMB'000</i>	%	<i>RMB'000</i>	<i>RMB'000</i>	%
FCOJ and its									
related product	16,249	44,398	36.6	31,065	70,725	43.9	60,249	124,337	48.5
Fresh oranges	(691)	43,793	(1.6)	(1,248)	94,818	(1.3)	(1,818)	127,128	(1.4)
Others (<i>note</i>)	2,884	6,289	45.9	3,548	9,900	35.8	4,684	14,130	33.1
Total	18,442	94,480	19.5	33,365	175,443	19.0	63,115	265,595	23.8

Note: Others include concentrated strawberry juice, concentrated gooseberry juice and dehydrated longans.

The gross profit margin for our FCOJ and its related product improved from 36.6% in 2005 to 48.5% in 2007, primarily due to the increase in unit selling price from approximately RMB11,400 per tonne in 2005 to approximately RMB14,700 per tonne in 2007 and quantity of the FCOJ sold from approximately 3,558 tonnes in 2005 to 7,753 tonnes in 2007.

The gross profit margin for our fresh oranges was remain stable throughout the Track Record Period. The gross loss in relation to the sales of fresh oranges is due to the adjustment in the cost of sales by taking into account the fair value adjustment. As the agricultural produce is included under inventories at its fair value less estimated point-of-sale costs at the point of harvest, the fresh oranges subsequently sold may have a lower unit price due to the perishable nature of the fresh oranges.

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To demonstrate our gross profit and gross profit margin of our major products during the Track Record Period without considering any effect results from the recognition of fair value gain or fair value adjustment under IAS41, we have prepared the following table, which is not in accordance with accounting terminology under IFRS, solely for illustrative purpose:

	Year ended 31 December								
	2005			2006			2007		
	Gross profit	Revenue	Gross profit margin	Gross profit	Revenue	Gross profit margin	Gross profit	Revenue	Gross profit margin
<i>RMB'000</i>	<i>RMB'000</i>	%	<i>RMB'000</i>	<i>RMB'000</i>	%	<i>RMB'000</i>	<i>RMB'000</i>	%	
FCOJ and its related product	18,558	44,398	41.8	35,347	70,725	50.0	68,376	124,337	55.0
Fresh oranges	19,403	43,793	44.3	45,701	94,818	48.2	49,823	127,128	39.2
Others <i>(note)</i>	2,884	6,289	45.9	3,548	9,900	35.8	4,684	14,130	33.1
Total	40,845	94,480	43.2	84,596	175,443	48.2	122,883	265,595	46.3

Note: Others include concentrated strawberry juice, concentrated gooseberry juice and dehydrated longans.

Before taking into account the fair value adjustment, (a) the gross profit on the sales of fresh oranges would be approximately RMB19.40 million, RMB45.70 million and RMB49.82 million respectively and our gross profit margin for the sales of fresh oranges would be 44.3%, 48.2% and 39.2% respectively for each of the three years ended 31 December 2007; and (b) the gross profit on the sales of FCOJ and its related product would be approximately RMB18.56 million, RMB35.35 million and RMB68.38 million respectively and our gross profit margin for the sales of FCOJ and its related product would be 41.8%, 50.0% and 55.0% respectively for each of the three years ended 31 December 2007. We have been successful in maintaining a relatively high gross profit margin because we have adopted an end-to-end vertically integrated approach in orange cultivation and processing. We have a readily available source of fresh oranges from the orange farms we leased for the production of our FCOJ and its related product and wholesale of fresh oranges and we do not need to solely rely on third parties for the supply of oranges. We therefore can avoid having to bear the profit margin which may otherwise be charged by third party suppliers of oranges.

The gross profit margin of our fresh oranges improved from 44.3% in 2005 to 48.2% in 2006, primarily due to the increase in unit selling price from approximately RMB1.64 per kilogram in 2005 to RMB1.74 per kilogram in 2006. For 2007, as part of our marketing strategy to gain market share, our average selling price of fresh oranges was RMB1.73 per kilogram in 2007 despite rising cultivation costs, which result in a reduced gross profit margin from 48.2% in 2006 to 39.2% in 2007.

Distribution costs

Our distribution costs primarily consist of delivery charges, salaries and benefits for our sales personnel, products refrigeration costs, storage costs, exhibition charges, travelling expenses of sales personnel, all of which account for approximately 1.7%, 1.2% and 1.9% respectively of our total revenue for each of the three years ended 31 December 2007 and 2.1%, 1.4% and 2.5% respectively of our cost of sales for each of the three years ended 31 December 2007.

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Administrative expenses

Administrative expenses primarily consist of directors' fees, depreciation charges, salaries and benefits for administrative staff, vehicle running cost, telephone charges, water and electricity charges, tax and other miscellaneous expenses, of which constitute 3.6%, 3.7% and 2.0% respectively of our total revenue for each of the three years ended 31 December 2007 and 4.5%, 4.5% and 2.7% respectively of our cost of sales for each of the three years ended 31 December 2007.

Net finance costs

Net finance costs mainly consist of interest expenses on bank loans and borrowings. Net finance cost constitutes 0.8%, 0.5% and 0.6% respectively of our total revenue for each of the three years ended 31 December 2007 and 1.0%, 0.6% and 0.7% respectively of our cost of sales for each of the three years ended 31 December 2007.

Taxation

Our income tax expense consists of provisions for income tax at the prevailing rates applicable to the relevant Group entities, as adjusted for non-deductible expenses and the effect of deferred taxation recognised. The effective tax rates were 27.5%, 27.7% and 27.0% respectively for each of the three years ended 31 December 2007. It is approximately equal to the preferential taxation rate of 27% we enjoyed during the Track Record Period.

Minority interest

Our minority interest represents the 10% equity interest of Summi Fujian held by Manwell Limited, which was not under the control of the Group's ultimate equity holder during the Track Record Period.

YEAR ENDED 31 DECEMBER 2006 COMPARED TO YEAR ENDED 31 DECEMBER 2005

Revenue

Our revenue was derived primarily from the sale of FCOJ and its related product, fresh oranges, other concentrated fruit juices and dehydrated longans.

Our revenue increased from approximately RMB94.48 million for the year ended 31 December 2005 to approximately RMB175.44 million for the year ended 31 December 2006 which represented an increase of approximately 85.7%. The growth in turnover in 2006 was mainly attributable to the increase in orange farms leased from 13 to 23 and the increase in average selling price of our FCOJ.

The average selling price of FCOJ increased by 17.5% from RMB11.4 per kilogram in 2005 to RMB13.4 per kilogram in 2006 which was aligned with the increase in the international FCOJ price.

The increase in the sales volume of FCOJ in 2006 was mainly attributable to the increase in the number of our leased orange farms from 13 in 2005 to 23 in 2006 which directly increased oranges for FCOJ production from 23,271 tonnes in 2005 to 37,708 tonnes in 2006.

The average selling price of fresh oranges increased by 6.1% from RMB1.64 per kilogram in 2005 to RMB1.74 per kilogram in 2006. Such increase was primarily due to the growing demand for our fresh oranges.

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The increase in the sales quantity of fresh oranges in 2006 was mainly attributable to the increase in the number of our leased orange farms from 13 in 2005 to 23 in 2006 which directly increased fresh oranges for wholesale from 26,706 tonnes in 2005 to 54,384 tonnes in 2006, representing an annual growth rate of 103.6%.

As a result, sales of our FCOJ and its related product increased from approximately RMB44.40 million in 2005 to approximately RMB70.73 million in 2006; sales of our fresh oranges increased from approximately RMB43.79 million in 2005 to approximately RMB94.82 million in 2006; and sales of other products increased from approximately RMB6.29 million in 2005 to approximately RMB9.90 million in 2006.

Cost of sales

For the years ended 31 December 2005 and 31 December 2006, our cost of sales were approximately RMB76.04 million and RMB142.08 million respectively, representing an increase of approximately 86.9%. Our cost of sales mainly comprised the fair value adjustment, cost of agricultural raw materials consumed and various manufacturing costs incurred, including depreciation, transportation charges and miscellaneous overhead.

The increase in cost of sales was mainly attributable to the increase in orange farms leased from 13 to 23 and the increase in the total production output of FCOJ of approximately 50.6%, which result in (i) the increase in the fair value adjustment from RMB22.40 million in 2005 to RMB51.23 million in 2006, and (ii) cultivation costs consumed from RMB40.78 million in 2005 to RMB63.25 million in 2006.

Gross profit and gross profit margin

Gross profit increased by 80.9% to approximately RMB33.37 million in 2006. Such increase was driven by the increase in our scale of operation and increase in average selling price of our products. The gross profit margin decreased to approximately 19.0% in 2006 from approximately 19.5% in 2005 due to the increase of the fair value adjustment from RMB22.40 million in 2005 to RMB51.23 million in 2006. While before taking into account the fair value adjustment, the increase in gross profit margin from 43.2% in 2005 to 48.2% in 2006 was due to an increase in average selling price as customers were willing to pay a higher price for our concentrated fruit juice and fresh oranges.

Other income, net of other expenses

For the years ended 31 December 2005 and 2006, we received unconditional discretionary grants of approximately RMB0.85 million and RMB1.01 million respectively, from various government authorities in recognition of our contribution to the development of the local agriculture industry.

Distribution costs

Our distribution costs increased by 29.7% from approximately RMB1.58 million in 2005 to approximately RMB2.05 million in 2006, primarily as a result of an increase in our refrigeration and loading charges in respect of FCOJ and its related product segment as the quantity sold was increased.

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Administrative expenses

Our administrative expenses increased by 89.7% from approximately RMB3.39 million in 2005 to approximately RMB6.43 million in 2006, primarily as a result of an increase in the number of staff from 53 as at 31 December 2005 to 67 as at 31 December 2006 following the expansion of our scale of our operations.

Net finance costs

Our net finance costs increased by 12.8% from approximately RMB0.78 million in 2005 to RMB0.88 million in 2006, primarily due to an increase in borrowing rates and an increase in bank loans and borrowings used to finance our operation which result in an increase of the interest expense.

Profit for the year

For the year ended 31 December 2005, the profit for the year was approximately RMB33.46 million, represented a net profit margin of approximately 35.4%. For the year ended 2006, the profit for the year was approximately RMB61.78 million, represented a net profit margin of approximately 35.2%. The increase in our profit for the year of approximately 84.6% was mainly attributable to the increase in our scale of operations.

Income tax

Income tax was approximately RMB12.66 million for the year ended 31 December 2005, compared to approximately RMB23.72 million for the year ended 31 December 2006 representing an increase of 87.4%. This increase was primarily the result of increase in our revenue and taxable profit. During the Track Record Period, we enjoyed a preferential taxation rate of 27% as compared with a standard income taxation rate of 33% because the preferential tax treatments are granted to companies located in the coastal economic areas. Our effective tax rate slightly increased from 27.5% in 2005 to 27.7% in 2006.

YEAR ENDED 31 DECEMBER 2007 COMPARED TO YEAR ENDED 31 DECEMBER 2006

Revenue

Our revenue increased from approximately RMB175.44 million for the year ended 31 December 2006 to approximately RMB265.60 million for the year ended 31 December 2007 which represented an increase of approximately 51.4%. The growth in revenue in 2007 was mainly attributable to the increase in average selling price of our FCOJ and its related product and the increase in sale volume of FCOJ and its related product and fresh oranges.

The average selling price of FCOJ increased by 9.7% from RMB13.4 per kilogram in 2006 to RMB14.7 per kilogram in 2007 which was aligned with the increase in the international FCOJ price and our pricing strategy.

The increase in the sales volume of FCOJ in 2007 was mainly attributable to the increase in the total production output of FCOJ of approximately 34% and the increased market demand. The increase in the total production output was mainly attributable to (i) the Group expanded the production output of the Sanming production line significantly by carrying out certain technological modifications, ancillary equipment enhancement, as well as improved factory layouts in September

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and October 2007. For the two-month-period of November and December 2007, the Sanming production line produced approximately 1,054 tonnes of FCOJ, representing an increase of 76.8% from the corresponding period in 2006 by the same production line. The production capacity of the Sanming production line after the technological modifications, enhancement of ancillary equipment and change in factory layouts increased from 2,906 tonnes of FCOJ per pressing season to 3,300 tonnes of FCOJ per pressing season; and (ii) before the relocation, the Sanming production line did not commence operation at Quanzhou production plant until November 2006 and operated for only two months in 2006. In 2007, the Sanming production line operated for a total of six months and produced a total of 2,484 tonnes of FCOJ.

The average selling price of fresh oranges of RMB1.73 per kilogram in 2007 which is approximately the same as those of RMB1.74 per kilogram in 2006.

The increase in the sales quantity of fresh oranges in 2007 was mainly our strategy to sell more fresh oranges in the wholesale market and source oranges used for production of FCOJ from external sources with a view to increase the overall gross profit margin of our business as the average selling price of fresh oranges were significantly higher than the average purchase price of oranges used for production of FCOJ. As such, the fresh oranges for wholesale increased from 54,384 tonnes in 2006 to 73,412 tonnes in 2007, representing an annual growth rate of 35.0%.

As a result, sales of our FCOJ and its related product increased from approximately RMB70.73 million in 2006 to approximately RMB124.34 million in 2007; sales of our fresh oranges increased from approximately RMB94.82 million in 2006 to approximately RMB127.13 million in 2007; and sales of other products increased from approximately RMB9.90 million in 2006 to approximately RMB14.13 million in 2007.

Cost of sales

For the years ended 31 December 2006 and 31 December 2007, our cost of sales were approximately RMB142.08 million and RMB202.48 million respectively, representing an increase of approximately 42.5%. Our cost of sales mainly comprised the fair value adjustment, cost of agricultural raw materials consumed and various manufacturing costs incurred, including depreciation, transportation charges and miscellaneous overhead. The 42.5% increase in cost of sales was consistent with the increase of turnover of 51.4%.

Gross profit and gross profit margin

Our gross profit increased by 89.2% to approximately RMB63.12 million in 2007. Our gross profit margin increased to approximately 23.8% in 2007 from approximately 19.0% in 2006 due to increase in average selling price of our FCOJ and its related product. Before the fair value adjustment, the gross profit margin decreased by 1.9% from 48.2% in 2006 to 46.3% in 2007. Such decrease was because the Company recorded an expense of RMB10.4 million in connection with soil improvement works carried out in 2007, which represents approximately 3.9% of the turnover of RMB265.60 million for the year ended 31 December 2007. In general, soil improvement works are carried out on each leased orange farms every 3 to 5 years.

Other income, net of other expenses

Our other income, net of other expenses decreased by 33.3% from approximately RMB0.96 million in 2006 to approximately RMB0.64 million in 2007, primarily as a result of a decrease in government grants.

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Distribution costs

Our distribution costs increased by 148.3% from approximately RMB2.05 million in 2006 to approximately RMB5.09 million in 2007, primarily as a result of an increase in our loading and transportation charges due to the expansion of our FCOJ and fresh oranges segments.

Administrative expenses

Our administrative expenses decreased by 15.7% from approximately RMB6.43 million in 2006 to approximately RMB5.42 million in 2007, primarily as a result of no bonus was distributed to staff in 2007.

Net finance costs

The net finance costs for the years ended 31 December 2006 and 2007 were approximately RMB0.88 million, RMB1.51 million respectively. The net finance cost primarily comprised bank loans and borrowings interest. The increase in net finance costs was mainly attributable to the increase in our bank borrowings to finance our operation and the increase in borrowing interest rates.

Profit for the year

For the year ended 31 December 2006, the profit for the year was approximately RMB61.78 million, represented a net profit margin of approximately 35.2%. For the year ended 2007, the profit for the year was approximately RMB69.85 million, represented a net profit margin of approximately 26.3%. The decrease in net profit margin was mainly attributable to the soil improvement cost of approximately RMB10.4 million incurred in 2007 and the decrease in fair value gain recognised in the combined income statements.

Income tax

Income tax was approximately RMB23.72 million for the year ended 2006, compared to approximately RMB25.90 million for the year ended 2007 representing an increase of 9.2%. This increase was primarily the result of the increase in our revenue and taxable profit. During the Track Record Period, we enjoyed a preferential taxation rate of 27% as compared with a standard income taxation rate of 33% because of the preferential tax treatments granted to companies located in the coastal economic areas. Our effective tax rate slightly decreased from 27.7% in 2006 to 27.0% in 2007.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Since the commencement of our business, we have generally relied on internal cash flows, banking borrowings available from our principal bankers to meet the requirements for our operations. We expect to meet our anticipated cash needs, including capital commitments, repayment of borrowings and working capital, principally through cash generated from operations and the net proceeds of the International Offering.

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Net current assets

As at 30 April 2008, based on our unaudited management account of the Group, we had combined net current assets of approximately RMB219.68 million. Our combined current assets comprised cash and cash equivalents of approximately RMB117.76 million, trade and other receivables of approximately RMB67.39 million, rental prepayments of approximately RMB8.05 million, and inventories and biological assets of approximately RMB44.21 million. Our combined current liabilities comprised trade and other payables of approximately RMB14.64 million and income tax payables of approximately RMB3.10 million.

Combined cash flow statements

The following table sets forth certain information about our audited combined cash flow statements during the three years ended 31 December 2007.

	Year ended 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/generated from operating activities	(564)	23,269	25,616
Net cash used in investing activities	(375)	(10,428)	(11,404)
Net cash generated from financing activities	<u>1,000</u>	<u>2,520</u>	<u>37,120</u>
Net increase in cash and cash equivalents	61	15,361	51,332
Cash and cash equivalents at 1 January	<u>1,029</u>	<u>1,090</u>	<u>16,451</u>
Cash and cash equivalents at 31 December	<u><u>1,090</u></u>	<u><u>16,451</u></u>	<u><u>67,783</u></u>

During the Track Record Period, our operations were funded primarily from operating cash flow and loans and borrowings from banks and related parties. Our cash requirements are mainly for working capital and capital expenditures relating to the expansion of our operations as well as repayment of existing indebtedness. We continuously manage our liquidity situation to ensure that it is adequate to meet our expansion plans.

Cash flow from operating activities

Our net cash flows from operating activities is generally the cash effects of transactions and other events used in the determination of net income, adjusted for the changes in our working capital.

Net cash generated from operating activities for the year ended 31 December 2007 was RMB25.62 million, while we had a profit before tax for the same period of RMB95.75 million. The difference of RMB70.13 million was primarily a result of a RMB44.00 million of recognition of the fair value gain and a RMB78.79 million increase in trade and other receivables as a result of increased sales, partially offset by a RMB24.98 million decrease in inventories, a RMB43.98 million decrease in biological assets and a RMB9.20 million decrease in rental prepayments. The increase in our trade and other receivables was in line with our business expansion and turnover growth during the year.

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Net cash generated from operating activities for the year ended 31 December 2006 was RMB23.27 million, while we had a profit before tax for the same period of RMB85.50 million. The difference of RMB62.23 million was primarily a result of a RMB60.54 million of recognition of the fair value gain, a RMB21.53 million increase in inventories and a RMB33.67 million increase in trade and other receivables as a result of increased sales, partially offset by a RMB60.20 million decrease in biological assets and a RMB9.20 million decrease in rental prepayments. The increase in our trade and other receivables and inventories was in line with our business expansion during the year.

Net cash used in operating activities for the year ended 31 December 2005 was RMB0.56 million, while we had a profit before tax for the same period of RMB46.12 million. The difference of RMB46.68 million was primarily a result of a RMB32.56 million of recognition of the fair value gain, a RMB22.30 million increase in inventories and a RMB16.22 million increase in rental prepayments as a result of payment of 5-year rentals of certain orange farms of approximately RMB22.26 million, partially offset by a RMB30.43 million decrease in biological assets. The fluctuation in net cash flow from operating activities was mainly due to the prepayment of rentals of orange farms in 2005. No rental prepayment was made in 2006 and 2007.

Cash flow from investing activities

Our cash inflow from investing activities primarily consists of proceeds from the disposal of property, plant and equipment and interest income received. Our cash outflow from investing activities primarily consists of amounts used in the purchase of property, plant and equipment.

Our net cash used in investing activities for each of the year ended 31 December 2005, 2006 and 2007 was RMB0.38 million, RMB10.43 million and RMB11.40 million respectively. Our expenditures for investing activities primarily relate to our expansion of operation. For the year ended 31 December 2006 and 2007, we have invested RMB10.49 million and RMB11.63 million for the expansion of our production facilities and cold storage facilities. The cash used in investing activities in 2006 and 2007 was used primarily to finance the increase in scale of our operation and the modification of our production facilities in Sanming.

Cash flow from financing activities

Our cash inflow from financing activities primarily consists of financing from bank loans and borrowings. Our cash outflow from financing activities primarily consists of repayments of bank loans and borrowings. During the Track Record Period, we had arranged a number of short-term bank loans to fulfill our financing needs.

Our net cash generated from financing activities for the year ended 31 December 2005 was RMB1.00 million, primarily as a result of RMB11.00 million proceeds from bank loans and borrowings, partially offset by RMB10.00 million repayments of bank loans and borrowings.

Our net cash generated from financing activities for the year ended 31 December 2006 was RMB2.52 million, primarily as a result of RMB14.20 million proceeds from bank loans and borrowings, partially offset by RMB11.68 million repayments of bank loans and borrowings.

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Our net cash generated from financing activities for the year ended 31 December 2007 was RMB37.12 million, primarily as a result of RMB56.50 million proceeds from loans and borrowings, including RMB35.00 million unsecured equity holder's loan granted to us to finance the increase in scale of our operation, partially offset by RMB19.38 million repayments of bank loans and borrowings.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in raising funds by short-term bank loans from various banks in the PRC, and we had not experienced any liquidity problems in settling the payables in the normal course of business and repaying bank loans as and when such bank loans fall due.

For further details of our debt financing, please refer to the paragraph headed "Indebtedness" in this section.

CAPITAL EXPENDITURE

Historical Capital Expenditure

Our capital expenditure was RMB0.39 million, RMB11.08 million and RMB10.61 million for 2005, 2006 and 2007, respectively.

	Year ended 31 December		
	2005	2006	2007
	(RMB'000)	(RMB'000)	(RMB'000)
Capital Expenditure (note)			
Construction in progress	315	11,079	9,759
Purchase of property, plant and equipment	<u>70</u>	<u>3</u>	<u>851</u>
Total	<u><u>385</u></u>	<u><u>11,082</u></u>	<u><u>10,610</u></u>

Note: During the Track Record Period, all our historical capital expenditures were funded primarily by cash from operations.

Capital expenditure for 2005 was RMB0.39 million, which primarily comprised RMB0.32 million spent on construction in progress and RMB0.07 million spent on purchase of property, plant and equipment. Our capital expenditure for the year ended 2006 was RMB11.08 million, which primarily spent on construction of plant and machinery in connection with the production of FCOJ. Capital expenditure for the year ended 2007 was RMB10.61 million, which primarily comprised RMB9.76 million spent on construction of buildings and RMB0.85 million on purchase of property, plant and equipment for production of FCOJ.

Planned Capital Expenditure

Our planned capital expenditure for the year ending 31 December 2008 is approximately HK\$15.67 million for plant construction of production plant and establishing a citrus technology centre in collaboration with other institute of citrus production technique.

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We intend to fund these projects from proceeds from the International Offering, our cash from operating activities, undistributed profits and existing or new bank facilities.

No assurance can be given that we will undertake these projects, or that if completed, they will be completed in the expected timeframe or within the estimated budget or that they will achieve capacities in the targeted amounts. See the section headed “Risk Factors — Risks related to our business — The construction and installation of our new production plants may not be completed in the time frame or at the cost levels originally anticipated and, as a result, we may not be able to implement our future plans for expansion” of this prospectus.

CONTINGENT LIABILITIES

As at 30 April 2008, we do not have any material contingent liabilities.

CAPITAL COMMITMENT

We had the following commitments of capital expenditure, which were not provided for in our combined financial statements:

	As at 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for in our combined financial statements	<u>210</u>	<u>—</u>	<u>1,002</u>
Total	<u><u>210</u></u>	<u><u>—</u></u>	<u><u>1,002</u></u>

CERTAIN FINANCIAL ITEMS

Account receivables

We implement strict credit control policies. We grant credit terms range from 30 to 90 days with respect to the sales of our products, depending on our relationship with the relevant customers as well as the credit worthiness of the respective customers.

Impairment for doubtful debts is made based on the evaluation of recoverability, ageing analysis of receivable and the judgment of our management on a case-by-case basis. We continue to attempt to collect account receivables from our customers even after the credit period and our staff will follow up with these customers and request payment from them. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and subsequent collection. We will only deem trade receivables uncollectible upon careful consideration after having attempted to collect the same from our customers and by reference to the aforementioned factors, appropriate impairment will be recognised in our accounts. In line with industrial practice, trade receivables aged over six months are generally deemed to be uncollectible or unlikely to be collectible.

Our staff in marketing and finance departments are responsible for monitoring collection and following up with the customers when payment is due.

FINANCIAL INFORMATION

Debtors' turnover days

The average number of debtors' turnover days during the Track Record Period was as follows:

	Year ended 31 December		
	2005	2006	2007
Debtors' turnover days (<i>note</i>)	32	50	105

Note: Debtors' turnover days equal to the average trade receivables divided by total revenue and multiplied by 365 days. Average trade receivables is equal to the average of trade receivables at the beginning of the year and trade receivable at the end of the year.

For each of three years ended 31 December 2007, the average debtors' turnover days were 32, 50 and 105 respectively. The increase in debtors' turnover day from 32 days in 2005 to 50 days in 2006 and 105 days in 2007 is mainly due to the increase in account receivables from RMB9.58 million as at 31 December 2005 to RMB38.69 million as at 31 December 2006 and to RMB113.78 million as at 31 December 2007 which in turn was attributable to (i) we have extended our credit terms granted to our customers from 30 days in 2005 and 2006 to up to 90 days in 2007 as part of our marketing strategy; (ii) our turnover grew from RMB94.48 million in 2005 to RMB175.44 million in 2006 and to RMB265.60 million in 2007; and (iii) due to the cyclical fluctuations of our business, the wholesale of fresh oranges and the production of FCOJ and its related product start from November in each harvesting season and as a result, turnover recorded in the two-month-period ended 31 December accounted for approximately 50% of the total turnover during the Track Record Period.

The following table sets ageing analysis of the trade receivables as at the date indicated:

	At 31 December					
	2005		2006		2007	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Within three months	9,511	99.3	38,445	99.4	113,455	99.7
More than three months but within one year	64	0.7	242	0.6	329	0.3
Total	9,575	100.0	38,687	100.0	113,784	100.0

The Directors of the Company confirm that approximately 97% of trade receivables outstanding as at 31 December 2007 has been settled on or before 31 March 2008.

Account payables

Our trade payables mainly related to the purchase of raw materials from our principal suppliers which includes packaging materials, fertilizers and pesticides with credit terms of 30 days after receipt of goods and invoices.

During the Track Record Period, the amount payable for the purchase of oranges sourced from our suppliers are settled by bank transfer upon confirmation of receipt of oranges.

FINANCIAL INFORMATION

Creditors' turnover days

The table below sets forth our average creditors' turnover days for the Track Record Period:

	Year ended 31 December		
	2005	2006	2007
Creditors' turnover days (<i>note</i>)	1	1	0

Note: Creditors' turnover days equal to the average trade payables at the end of the year divided by total cost of sales and multiplied by 365 days. Average trade payables is equal to the average of trade payables at the beginning of the year and trade payables at the end of the year.

The following table sets the ageing analysis of the trade payables as at the date indicated:

	As at 31 December					
	2005		2006		2007	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Within three months	132	100.0	231	100.0	202	100.0
Total	132	100.0	231	100.0	202	100.0

Inventories

The following table sets forth a breakdown of our inventories (net of provision for obsolete inventories) and percentage of inventories by nature as at the date indicated:

	As at 31 December					
	2005		2006		2007	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Oranges	36,427	95.9	53,614	90.5	31,745	96.0
Frozen concentrated juice	1,041	2.7	5,129	8.7	1,113	3.4
Consumables and packing materials	526	1.4	464	0.8	202	0.6
Total	37,994	100.0	59,207	100.0	33,060	100.0

Inventory turnover days

The table below sets forth our inventory turnover days as at the date indicated:

	Year ended 31 December		
	2005	2006	2007
Inventory turnover days (<i>note</i>)	129	125	83

Note: Inventory turnover days equal to the average inventories divided by total costs of sales and multiplied by 365 days. Average inventories is equal to the average of inventories at the beginning of the year and inventories at the end of the year.

FINANCIAL INFORMATION

As illustrated in the above table, the average inventory turnover days for the three years ended 31 December 2007 were 129 days, 125 days and 83 days respectively. The turnover days was slightly decreased from 129 days in 2005 to 125 days in 2006. The decreased in our inventory turnover days from 125 days in 2006 to 83 days in 2007 was primarily due to our marketing strategy to conduct an early sale of our fresh oranges and FCOJ and its related product in November and December 2007 which result in a lower inventory level as at 31 December 2007. Due to the cyclical fluctuations of our business, the harvesting season and production of FCOJ and its related product starts from November in each harvesting reason. As such, our inventory level (i.e., amount of oranges harvested and/or purchased from other suppliers, and FCOJ and its related product produced during November and December each year) as at the balance sheet date and as at the 1 January stands high.

The following table sets forth the ageing analysis of our inventories at the date indicated:

	As at 31 December					
	2005		2006		2007	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Within three months	37,568	98.9	58,903	99.5	32,519	98.4
More than three months but within six months	1	0.0	4	0.0	447	1.4
More than six months but within one year	386	1.0	6	0.0	42	0.1
Over one year	39	0.1	294	0.5	52	0.1
Total	37,994	100.0	59,207	100.0	33,060	100.0

The Directors of the Company confirm that more than 98% of the inventories outstanding as at 31 December 2007 has been used or sold on or before 31 March 2008.

Selected key financial ratios

The following table sets forth certain key financial ratios of our Group as of the date or for the year indicated:

	<i>Note</i>	As at or for the year ended 31 December		
		2005	2006	2007
Return on total assets (%)	1	32.5	35.4	25.2
Current ratio (time)	2	2.3	3.8	6.3
Quick ratio (time)	3	0.9	2.1	5.4

Notes:

1. Return on total assets equals to our profit for the year divided by the total assets as at the end of the year and multiplied by 100%.
2. Current ratio equals to the total current assets as at the end of the year divided by the total current liabilities as at the end of the year.
3. Quick ratio equals to the difference between the total current assets and the inventories as at the end of the year divided by the total current liabilities as at the end of the year.

FINANCIAL INFORMATION

Return on total assets

Return on total assets measures the efficiency of a company to use its assets in generating earnings. Our return on total assets for each of the three years ended 31 December 2007 amounted to approximately 32.5%, 35.4% and 25.2%, respectively. The improved return on total assets from 32.5% in 2005 to 35.4% in 2006 was mainly attributable to the increase in the average selling price and quantity of our products sold which increase our profit. For 2007, as our total assets increased by 59.2% mainly resulting from the grant of an unsecured equity holder's loan of RMB35 million while our net profit for the year only increased by 13.1% due to recognition of an expense of RMB10.4 million in connection with soil improvement work carried out in 2007, our return on total assets decreased from 35.4% in 2006 to 25.2% in 2007.

Current and quick ratio

Current and quick ratio measure the liquidity of the Group. Our current ratio as at each of the three years ended 31 December 2007 amounted to approximately 2.3, 3.8 and 6.3, respectively, while our quick ratio were 0.9, 2.1 and 5.4. The improving current and quick ratio during the Track Record Period were mainly attributable to the combined effects of (i) improving cash and cash equivalent balance from RMB1.09 million in 2005 to RMB67.78 million in 2007 as a result of the receipt of RMB35 million equity holder's loan in 2007; and (ii) increase in trade receivables from RMB9.58 million in 2005 to RMB113.78 million in 2007 which aligned with our business expansion.

INDEBTEDNESS

Our gearing ratio, defined as total borrowing as a percentage of total assets, was 12.1%, 8.6% and 18.7% as at 31 December 2005, 31 December 2006 and 31 December 2007, respectively, and remained stable despite rising debt during the Track Record Period. The increase in gearing ratio from 8.6% in 2006 to 18.7% in 2007 primarily resulted from the increase in unsecured equity holder's loan of RMB35 million to finance our continuous business operation. On 2 June 2008, such unsecured equity holder's loan of RMB35 million together with the accrued interest of RMB1.40 million was waived by the equity holder and credited to the capital reserve of the Group.

As at 30 April 2008, we had a total indebtedness of RMB36.19 million, representing a shareholder's loan and the accrued interest. The shareholder's loan was unsecured and was waived on 2 June 2008.

Except as described above, as at the latest practicable date for determining our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirm that there is no material adverse change in indebtedness and contingent liabilities since 30 April 2008, being the date for determining our indebtedness.

MARKET RISK

We are, in the normal course of business, exposed to risks relating to fluctuations in interest rates and exchange rates, as well as credit risks and commodity price risks. Our risk management strategy aims to minimise the adverse effects of these risks on our financial performance.

FINANCIAL INFORMATION

Foreign currency exchange risk

Most of our revenue and expenses are denominated in Renminbi. We currently do not have a foreign currency exchange hedging policy. Therefore, fluctuations in exchange rates may adversely affect the value translated or converted into Renminbi, of our net assets, earnings and any dividends we may declare.

Interest rate risk

Our interest bearing financial assets are mainly bank balances, which are all short-term and carry fixed interest rates. Our interest bearing financial liabilities as at 31 December 2007 are mainly equity holder's loan and short-term bank loans which have fixed interest rates. Accordingly, we believe we are not exposed to significant fair value interest rate risk. We currently do not have an interest rate hedging policy.

Credit risk

Our cash and cash equivalents are deposited principally with state-owned banks in the PRC. The carrying amount of trade receivables and cash included in the combined balance sheets represent our maximum exposure to credit risk in relation to our financial assets. We have no significant concentration of credit risk and no other financial assets that carrying significant exposure to credit risk.

Off-balance sheet transactions

We do not have any off-balance sheet transaction as at 31 December 2007.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Up to the date of this prospectus, the Directors confirm that there has been no material adverse change in the financial or trading positions or prospects of the Company since 31 December 2007, the date of the latest audited financial statements of the Company.

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2007, the date of the latest audited financial statements of our Company were made up, and there is no event since 31 December 2007 which would materially affect the information shown in the Accountants' Reports, contained in Appendix I to this prospectus.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Our Directors may declare dividends, if any, after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on IFRS, our Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. The distribution of dividend for any financial year shall be subject to Shareholders' approval. As at 31 December 2007, the Company did not have distributable reserves available for distribution to our shareholders.

FINANCIAL INFORMATION

Subject to the factors above, we plan to distribute regular dividends after the Listing. Going forward, we intend to distribute as dividend to our shareholders approximately 15% of our total distributable profits in respect of the year ending 31 December 2008 and for each of the following years. Please see “Risk Factors — There is no guarantee that dividends will be declared in the future.”

No dividend was declared during the Track Record Period.

WORKING CAPITAL

Taking into account cash from operating activities, credit facilities available to the Group and the net proceeds from the International Offering, our Directors are of the opinion that we will have sufficient funds to meet our working capital requirements and financial requirements for capital expenditures for at least the next 12 months from the date of this prospectus.

PROPERTY INTERESTS AND VALUATION OF PROPERTIES

For the purpose of the listing of the Shares on the Stock Exchange, our properties were valued as at 31 March 2008 by Jones Lang LaSalle Sallmanns Limited. Details of the valuation are summarised in Appendix IV to this prospectus.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as at 31 March 2008 at approximately RMB26.2 million. The texts of its letter, summary of valuation and the valuation certificates are set out in Appendix IV to this prospectus.

A reconciliation of the net book value of the relevant property interests as at 31 December 2007 to their fair value as at 31 March 2008 as stated in Appendix IV to this prospectus is as follows:

	<i>RMB'000</i>
Buildings	7,317
Construction in progress	4,231
Land use rights	<u>2,521</u>
Net book value as at 31 December 2007 included in the Accountants' Report set out in Appendix I to this prospectus (audited)	14,069
Additions of properties for the three-month period ended 31 March 2008 (unaudited)	729
Depreciation of buildings and amortisation of land use rights for the three-month period ended 31 March 2008 (unaudited)	<u>(166)</u>
Net book value as at 31 March 2008 (unaudited)	14,632
Fair value as at 31 March 2008	<u>26,189</u>
Net valuation surplus (unaudited)	<u><u>11,557</u></u>

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of the Group which has been prepared in the basis of the notes set out below for the purpose of illustrating the effect of the International Offering as if it has taken place on 31 December 2007. This unaudited pro forma financial information has been prepared for illustrative proposed only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 December 2007 or any future date.

	Audited combined net tangible assets attributable to the Group as at 31 December 2007	Estimated net proceeds from the International Offering	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on an Offer Price of HK\$0.63 per Share	202,240	115,144	317,384	0.32
Based on an Offer Price of HK\$0.73 per Share	202,240	135,914	338,154	0.34

Notes:

1. The audited combined net tangible assets of the Group as at 31 December 2007 is extracted from the accountants' report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group as at 31 December 2007 of RMB202.24 million.
2. The estimated net proceeds from the International Offering are based on the Offer Price of HK\$0.63 and HK\$0.73 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option or any option which may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares in issue immediately after completion of the International Offering and the Capitalisation Issue, taking no account for the Share which may be issued pursuant to any exercise of Over-allotment Option or any option which may be granted under the Share Option Scheme.
4. The Group's property interests were valued by Jones Lang LaSalle Sallmanns Limited, the valuation in respect of which is set out in Appendix IV to this prospectus. The Group will not incorporate the revaluation surplus in its first annual financial statements after the listing. It is the Group's accounting policy to state its property, plant and equipment at cost less accumulated depreciation and any impairment loss and land use rights at cost less accumulated amortisation and any impairment loss in accordance with International Accounting Standard 16 and 17, respectively, rather than at revalued amounts. Pursuant to the valuation performed by Jones Lang LaSalle Sallmanns Limited, the Group's property interests as at 31 March 2008 amounted to approximately RMB26.2 million. Comparing the valuation amount as at 31 March 2008 to the unaudited net book value of the property interests as at 31 March 2008, there was a difference of approximately RMB11.6 million which will not be included in the financial statements for the year end 31 December 2007. If the revaluation surplus was recorded in the financial statements, the depreciation expenses would increase by approximately RMB0.4 million per annum.
5. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2007.

FINANCIAL INFORMATION

PROFIT FORECAST

Our Directors forecast that, on the bases and assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the forecast combined profit attributable to equity holders of the Company prepared in accordance with IFRS for the six-month period ending 30 June 2008 will not be less than RMB21.5 million. The profit forecast for the six-month period ending 30 June 2008 is the best estimate of our Directors and prepared by us based on the results of our unaudited management accounts for the four-month period ended 30 April 2008 and a forecast of our combined results for the remaining two-month period ending 30 June 2008. The above profit forecast is based on the principal assumptions set out in Appendix III to this prospectus. We have undertaken to the Stock Exchange that our interim financial report for the six-month period ending 30 June 2008 will be audited pursuant to Rule 11.18 of the Listing Rules.

To arrive at the forecast combined profit attributable to equity holders of the Company, the Directors have estimated the fair value gain for the six months ending 30 June 2008 to be nil as we are of the view that it is impracticable to reliably measure the quantity and quality of the oranges from our leased oranges farms which will be matured in November and December 2008 and the immature oranges as at 30 June normally do not have a market value.

Our forecast combined profit attributable to our shareholders for the six months ending 30 June 2008 may not necessarily give any indication on, and should not be interpreted as a guidance of, our full year financial results for 2008, and will be different from the actual combined net profit attributable to our shareholders due to a number of factors, which have affected in past, and will continue to affect our business. For further details of such factors, please refer to the sections headed “Risk factors” and “Financial information — Significant Factors Affecting our Results of Operations” in this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rule.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

See the section headed “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the International Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the International Offering, and assuming an Offer Price of HK\$0.68 per share, being the mid-point of the indicative Offer Price range) will be approximately HK\$141.0 million. We currently intend to apply these net proceeds in the following manner:

- approximately HK\$103.0 million (equivalent to approximately 73.1% of our total estimated net proceeds) for acquiring land use rights, plant construction, purchase and installation of production and processing equipment. Whilst we have not identified any particular land use right for establishment of our new plant to which the net proceeds from the International Offering will apply, we currently plan to use approximately (i) HK\$10.0 million to acquire land use rights in the first half of 2009; (ii) approximately HK\$38.0 million will be spent as capital expenditure for the construction of the production plant which is expected to commence in around in the second half of 2008 and is expected to complete before June 2009; and (iii) approximately HK\$55.0 million to acquire two sets of production facilities in 2009. Once completed, we expect the production plant to have an annual production capacity of 9,000 tonnes concentrated fruit juice. Investors should carefully read the risk factors “The construction and installation of our new production plants may not be completed within the time frame or at the cost levels originally anticipated and, as a result, we may not be able to implement our future plans for expansion” and “Our plan to expand our orange farms and production plant in other provinces may not succeed or materialise” under the section headed “Risk Factors” of this prospectus;
- approximately HK\$23.0 million (equivalent to approximately 16.3% of our total estimated net proceeds) for expanding of the total area of the orange farms we operate by approximately 10,000 mu (approximately equals to 6,666,667 sq.m.). Whilst we have not identified any particular orange farms to which the net proceeds from the International Offering will apply, we currently plan to look for suitable lands situated in Chongqing and Hunan Province of the PRC and lease approximately 10,000 mu of orange farms by the end of 2008;
- approximately HK\$4.0 million (equivalent to approximately 2.8% of our total estimated net proceeds) for enhancing our marketing activities and expanding and improving the coverage of our sales network. In particular, we currently plan to use (i) approximately HK\$2.0 million to participate marketing activities such as exhibitions, industry conference and promotion in different market mediums in the period from September 2008 to June 2010; (ii) approximately HK\$1.5 million to set up sales representative offices in three top-tier cities in China in 2009; and (iii) approximately HK\$0.5 million to recruit new sales and marketing staff between the period from September 2008 to September 2009;

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$4.0 million (equivalent to approximately 2.8% of our total estimated net proceeds) for improving the orange planting technology and further developing our technological know-how on production of fruit concentrate products. In particular, we currently plan to use (i) approximately HK\$2.0 million to establish a citrus technology centre in collaboration with other institute for the development of citrus production technique between the period of around September 2008 and June 2009; (ii) approximately HK\$1.5 million to establish a fruit and vegetable juice processing technology centre to research and develop the technique of fruit and vegetable processing technique in the last quarter of 2008; and (iii) approximately HK\$0.5 million for recruitment of research and development staff between the period of around October 2008 to December 2009. As at the Latest Practicable Date, we have not signed any agreement with any institute to perform the aforementioned projects; and
- approximately HK\$7.0 million (equivalent to approximately 5.0% of our total estimated net proceeds) will be used for our general working capital.

As at the Latest Practicable Date, other than the non-binding memorandum of understanding between us and Kaixian Jinhu Agriculture Development Co., Ltd. on 21 April 2008 as disclosed in the section “Business” under the paragraph “Our Strategies” of this prospectus, we have yet to identify any specific land acquisition or orange farms leasing opportunity. In selecting the location of our farms we will adopt the criteria as set out in the section “Business” under the paragraph “Selection of orange farms” of this prospectus. In selecting the location of the site for our production plant, we look for a site which is (i) in close proximity of other orange farms to ensure an abundant supply of raw materials; (ii) a pollution-free environment; (iii) supported by an efficient transportation system and auxiliary support facilities; and (iv) and a sufficient supply of competitively priced land.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the International Offering (assuming the Over-allotment Option is not exercised) will increase or decrease by approximately HK\$12.0 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purpose on a pro-rata basis.

For further information about our planned capital expenditure, please refer to the section headed “Financial Information — Planned Capital Expenditure” in this prospectus.

If the Over-allotment Option is exercised in full, the net proceeds from the International Offering will increase to approximately HK\$165.0 million, assuming an Offer Price of HK\$0.68 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the International Offering will increase or decrease by approximately HK\$1.9 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

UNDERWRITING

HONG KONG UNDERWRITERS

Evolution Watterson Securities Limited
China Merchants Securities (HK) Co., Ltd
Mirae Asset Hong Kong Limited
Sun Hung Kai International Limited

INTERNATIONAL UNDERWRITERS

Evolution Watterson Securities Limited
China Merchants Securities (HK) Co., Ltd
First Shanghai Securities Limited
Partners Capital Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

(a) Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering 25,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering on and subject to the terms and conditions of this prospectus and the related Application Forms and 225,000,000 International Placing Shares (subject to adjustment and to any additional new Shares to be issued pursuant to the exercise of the Over-allotment Option) for subscription by way of International Placing on and subject to the terms and conditions of this prospectus.

Subject to (i) the Listing Committee granting listing of, and permission to deal in the Shares, including the Shares to be issued under the International Offering, the Over-allotment Option and the Share Option Scheme, subject only to allotment and/or despatch of Share certificates for the Offer Shares, on or before the Business Day preceding the Listing Date (or such later date as the International Co-ordinator (on behalf of the Underwriters) may agree in writing) and such approval and permission not having been subsequently revoked prior to 8:00 a.m. on the Listing Date and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

- (1) there has come to the notice of Evolution Watterson:
 - (a) that any statement, considered by Evolution Watterson to be material, contained in this prospectus and/or the Application Forms in relation to the International Offering was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or

UNDERWRITING

- (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by Evolution Watterson to be material to the International Offering; or
 - (c) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on any of the Underwriters); or
 - (d) any material adverse change or development involving a prospective material adverse change in the conditions, business affairs, prospects or the financial or trading position of the Group as a whole; or
 - (e) any breach by the Company, the executive Directors or the Covenantors, reasonably considered by Evolution Watterson to be material, of any of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement;
- (2) there shall develop, occur, exist or come into effect:
- (a) any event, or series of events, beyond the reasonable control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) which in the reasonable opinion of Evolution Watterson has or would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the International Offering or pursuant to the underwriting thereof; or
 - (b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium or suspension on or material fluctuations in trading prices of the securities generally traded on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market or any of the stock exchanges in China, a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or
 - (c) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any member of the Group (the “Specific Jurisdictions”); or

UNDERWRITING

- (d) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the U.S. or by the EU (or any member thereof) on Hong Kong or any of the Specific Jurisdictions; or
- (e) a change or development occurs involving a prospective change in taxation or currency exchange control (or the implementation of any exchange control) in Hong Kong or any of the Specific Jurisdictions; or
- (f) any change or development involving a prospective change, or an actual occurrence of, any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (g) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group; or
- (h) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (i) any material loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (j) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (k) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Specific Jurisdictions,

which in the sole opinion of Evolution Watterson (for itself and on behalf of the Hong Kong Underwriters) (1) is or will have or could be expected to have a material adverse effect on the business, financial or other condition or prospects of the Group as a whole or in the case of paragraph (e) above, to any present or prospective shareholder of the Company in his, her or its capacity as such; or (2) has or will have or could reasonably be expected to have material adverse effect on the success, marketability or pricing of the International Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes it inadvisable, inexpedient or impracticable for the International Offering to proceed.

UNDERWRITING

Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement

The Company has undertaken to the Hong Kong Underwriters and each of them that it will not, and each of the Covenantors and executive Directors has jointly and severally undertaken to the Hong Kong Underwriters and each of them to procure, except pursuant to the International Offering (including the issue of new Shares pursuant to the exercise of any of the Over-allotment Options and the exercise of options that may be granted under the Share Option Scheme) and save as mentioned in this prospectus or with the prior written consent of Evolution Watterson, and unless in compliance with the requirements of the Listing Rules, the Company shall not, and shall procure that its subsidiaries shall not, allot or issue, or agree to allot or issue, any Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) (including warrants or other convertible or exchangeable securities), or grant or agree to grant any options, warrants or other rights to subscribe for or otherwise acquire any securities or convertible or exchangeable into Shares or other securities of the Company, or repurchase Shares or other securities of the Company, or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership in any Shares, or offer to or agree to do any of the foregoing or announce any intention to do so within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) and in the event of the Company doing any of the foregoing by virtue of the aforesaid consent or exceptions or during the period of six months immediately following the expiry of the first six months period after the Listing Date, the Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of the Company.

Each of the Covenantors has jointly and severally undertaken to the Company and the Hong Kong Underwriters and each of them that without the prior written consent of Evolution Watterson (on behalf of the Hong Kong Underwriters), he or she or it shall not directly or indirectly (except pursuant to or in connection with the Stock Borrowing Agreement) and shall procure that the relevant registered Shareholders shall not in the period commencing on the date by reference to which disclosure of the shareholding of them is made in this prospectus and ending on a date which is six months from the Listing Date:

- (a) transfer or dispose of, nor enter into any agreements to transfer or dispose of or otherwise create any options, rights, interests or encumbrances (including the creation or entry into of any agreement to create any pledge or charge) in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s) or any interest in such securities (which includes any interest in a company which holds any such securities) or securities that constitute or confer the right to receive such securities or securities convertible into or exercisable or exchangeable for or repayable with such securities; or
- (b) enter into a swap agreement or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such securities, whether any such swap agreement or other agreement or transaction is to be settled by delivery of such securities or other securities, in cash or otherwise; or

UNDERWRITING

- (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) and (b) above; or
- (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above.

Pursuant to rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders, has undertaken to the Stock Exchange that he or she or it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) during the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; or
- (b) during the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances he or she or it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and the Company that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he or she or it shall:

- (a) when he or she or it pledges or charges any Shares beneficially owned by it in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of the Shares so pledged or charged; and
- (b) when he or she or it receives any indications, either verbal or written, from any pledgee or chargee of any of the pledged or charged Shares will be disposed of, immediately inform the Company of any such indications.

The Company shall inform the Stock Exchange as soon as it has been informed of such matters and disclose such matters by way of an announcement which will be published in the newspapers as soon as possible.

UNDERWRITING

(b) International Placing

International Underwriting Agreement

In connection with the International Placing, the Company is expected to enter into the International Underwriting Agreement with the International Underwriters and the International Co-ordinator. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares being offered pursuant to the International Placing or procure purchasers for such International Placing Shares.

Under the International Underwriting Agreement, the Company will grant to the International Underwriters the Over-allotment Option, exercisable by the International Co-ordinator on behalf of the International Underwriters within 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 37,500,000 additional Shares, representing in aggregate not more than 15% of the maximum number of the Offer Shares initially available under the International Offering. These additional Shares will be issued at the Offer Price and will be solely for the purpose of covering over-allocations in the International Placing, if any.

(c) Underwriting Commission

The Hong Kong Underwriters will receive an underwriting commission of 3% on the aggregate Offer Price of all the Hong Kong Offer Shares, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters subject to the terms and conditions of the Underwriting Agreements. The commission payable to the Underwriters, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, the investor compensation levy, legal and other professional fees, printing and other expenses relating to the International Offering which are currently estimated to be approximately HK\$29.0 million in aggregate (based on an Offer Price of HK\$0.68 per Share, being the mid-point of the stated range of the Offer Price of between HK\$0.63 and HK\$0.73 per Share and the assumption that the Over-allotment Option is not exercised) is to be borne by the Company.

(d) Underwriters' interests in the Company

Other than pursuant to the Underwriting Agreements, none of the Underwriters has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Pursuant to Rule 3A.19 of the Listing Rules, we have appointed Evolution Watterson as our compliance adviser for the period commencing on the Listing Date and ending on the date on which our financial results for the first full financial year commencing after the Listing Date is required to be published in compliance with Rule 13.46 of the Listing Rules.

STRUCTURE OF THE INTERNATIONAL OFFERING

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.73 and is expected to be not less than HK\$0.63 per Offer Share. Based on the maximum Offer Price of HK\$0.73 per Offer Share, plus 1% brokerage fee, 0.004% SFC transaction levy (per side) and 0.005% Stock Exchange trading fee (per side), one board lot of 4,000 Shares will amount to a total of HK\$2,949.47.

The Offer Price is expected to be determined by the Company and the International Co-ordinator (on behalf of the Underwriters) on 5:00 p.m. on the price Determination Date, or such later date as may be agreed by the Company and the International Co-ordinator but in any event no later than Tuesday, 8 July 2008.

If, based on the level of interests expressed by prospective professional and institutional investors during the book-building process, the International Co-ordinator (on behalf of the Underwriters, and with the consent of the Company) thinks it appropriate (for instance, if the level of interests is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that as stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and the website of the Stock Exchange at www.hkex.com.hk notice of the reduction of the indicative Offer Price range. Such notice will also include any financial information which may change as a result of any such reduction. **If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn. If, for any reason, the Offer Price is not agreed between the Company and the International Co-ordinator (on behalf of the Underwriters) before the Price Determination Date (or such later day as agreed), the International Offering will not proceed and will lapse.**

CONDITIONS

Acceptance of all applications for the International Offering will be conditional upon:

- (i) the Listing Committee granting a listing of, and permission to deal in the Shares, including the Shares to be issued under the International Offering, the Over-allotment Option and the Share Option Scheme, subject only to allotment and/or despatch of Share certificates for the Offer Shares;
- (ii) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the International Co-ordinator on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise,

STRUCTURE OF THE INTERNATIONAL OFFERING

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. Thursday, 10 July 2008.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the International Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be caused to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and the website of the Stock Exchange at www.hkex.com.hk on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for the Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bankers or other licensed bank(s) in Hong Kong.

Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, 9 July 2008 but will only become valid certificates of title at 8:00 a.m. on Thursday, 10 July 2008, provided that (i) the International Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

OFFER MECHANISM — BASIS OF ALLOCATION OF SHARES

The International Offering

The International Offering consists of the International Placing and the Hong Kong Public Offering. The 250,000,000 Shares initially offered will comprise 225,000,000 Shares being offered under the International Placing and 25,000,000 Shares being offered under the Hong Kong Public Offering. The 250,000,000 Shares being offered under the International Offering will represent about 25% of the Company’s enlarged share capital immediately after completion of the International Offering (without taking into account the exercise of the Over-allotment Option).

Subject to possible reallocation on the basis set forth below, 25,000,000 Shares, representing 10% of the total number of Shares initially being offered under the International Offering, will be offered to the public in Hong Kong under the Hong Kong Public Offering. The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors.

The International Placing Shares, will be placed with professional and institutional investors in Hong Kong, Europe and elsewhere under the International Placing. The International Placing Shares will be offered in Hong Kong, Europe and other jurisdictions outside the United States in offshore transactions, as defined in, and in reliance on, Regulation S.

In connection with the International Offering, the Company intends to grant to the International Co-ordinator on behalf of the International Underwriters the Over-allotment Option which is exercisable at any time within 30 days from the last date for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Company may be required to issue up to an aggregate of 37,500,000 additional Shares (representing

STRUCTURE OF THE INTERNATIONAL OFFERING

15% of the number of Shares initially being offered under the International Offering) to cover over-allocations in the International Placing. Please refer to the paragraph “Over-allotment and stabilisation” below for further details.

The levels of indication of interest in the International Placing and the basis of allotment and the results of application under the Hong Kong Public Offering are expected to be published in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese) and the website of the Stock Exchange at www.hkex.com.hk on or before Wednesday, 9 July 2008.

The International Placing

The Company is initially offering 225,000,000 International Placing Shares, representing 90% of the total number of Shares initially being offered in the International Offering, for subscription by way of the International Placing. The International Placing is fully underwritten by the International Underwriters, subject to the pricing agreement and other terms and conditions of the International Underwriting Agreement. The International Underwriters are soliciting from prospective professional and institutional investors indications of interest in acquiring International Placing Shares in the International Placing. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities and entities which regularly invest in shares and other securities. Prospective professional and institutional investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as “book building”. In Hong Kong, retail investors should apply for Shares in the Hong Kong Public Offering, as retail investors applying for International Placing Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any International Placing Shares.

Allocation of the International Placing Shares pursuant to the International Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of the Company and its Shareholders as a whole.

If the Hong Kong Public Offering is not fully subscribed, the International Co-ordinator may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offering to the International Placing.

The International Underwriters or selling agents nominated by the International Underwriters shall, on behalf of the Company, conditionally place the International Placing Shares with professional and institutional investor in Hong Kong, Europe and other regions. The International Placing of the International Placing Shares shall be subject to the International Offering restrictions set out under the section “Information about this prospectus and the International Offering” in this prospectus.

The International Placing is conditional on the same conditions as set out in the paragraph “Conditions” above. The total number of International Placing Shares to be allotted and issued pursuant to the International Placing may change as a result of the clawback arrangement referred to in the section “The Hong Kong Public Offering” below, the exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offering.

STRUCTURE OF THE INTERNATIONAL OFFERING

The Hong Kong Public Offering

The Company is initially offering 25,000,000 Hong Kong Offer Shares, representing 10% of the total number of Shares initially being offered in the International Offering, for subscription by way of a public offer in Hong Kong. The Hong Kong Offer Shares are being offered at the Offer Price. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters, subject to the terms and conditions of the Hong Kong Underwriting Agreement.

The total number of Shares available for subscription under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee payable) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Shares in one (but not both) of the pools are undersubscribed, the surplus Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly.

Applicants can only receive an allocation of Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than the total number of Shares originally allocated to each pool (i.e., 12,500,000 Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of the Shares between the International Placing and the Hong Kong Public Offering is subject to adjustment. If the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 75,000,000 Shares, representing 30% of the Shares initially available for subscription under the International Offering. If the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of Shares available for subscription under the Hong Kong Public Offering will be 100,000,000 Shares, representing 40% of the Shares initially available for subscription under the International Offering. If the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 125,000,000 Shares, representing 50% of the Shares initially available

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for subscription under the International Offering. In each such case, the additional Shares reallocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Shares allocated to the International Placing will be correspondingly reduced.

In addition, if the Hong Kong Public Offering is not fully subscribed, the International Co-ordinator in its discretion may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offering to the International Placing.

Evolution Watterson is the International Co-ordinator and lead manager of the Hong Kong Public Offering which is underwritten at the Offer Price by the Hong Kong Underwriters, on and subject to the terms and conditions of the Underwriting Agreements.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants.

This could, where appropriate, consist of balloting which means that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

OVER-ALLOTMENT AND STABILISATION

The Over-allotment Option

In connection with the International Offering, our Company intends to grant to the International Co-ordinator on behalf of the International Underwriters the Over-allotment Option, which will be exercisable by the International Co-ordinator on behalf of the International Underwriters within 30 days from the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue and allot at the Offer Price up to an aggregate of 37,500,000 additional Shares, representing 15% of the total number of Shares initially available under the International Offering, in connection with over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the total Offer Shares will represent approximately 27.71% of our Company's enlarged issued share capital following the completion of the International Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Stabilising Action

In connection with the International Offering, the International Co-ordinator, on behalf of the International Underwriters, or any person acting for it, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. Such transactions, if commenced, may be discontinued at any time. The International Co-ordinator has been or will be appointed as stabilising manager for purposes of the International Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO and, should stabilising transactions be effected in connection with the International Offering, this will be at the absolute discretion of the International Co-ordinator.

STRUCTURE OF THE INTERNATIONAL OFFERING

Following any over-allotment of Shares in connection with the International Offering, the International Co-ordinator or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market or exercising the Over-allotment Option in full or in part, or by any combination of purchases and exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilising) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 37,500,000 Shares representing 15% of the Shares initially available under the International Offering.

In order to facilitate the exercise of over-allocations in connection with the International Offering, the Stock Borrowing Agreement will be entered into between, among others, Evolution Watterson and Key Wise pursuant to which Key Wise will, if requested by Evolution Watterson and subject to the terms of the Stock Borrowing Agreement, make available to Evolution Watterson up to 37,500,000 Shares held by them which is equivalent to maximum number of new Shares to be allotted and issued by the Company under the Over-allotment Option, by way of stock borrowing, in order to cover the over-allocations in connection with the International Placing, if any.

Pursuant to Rule 10.07(3) of the Listing Rules, the Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules which otherwise restricts the disposal of shares by controlling shareholders following a new listing on the conditions that:

- (1) the stock borrowing arrangements as contemplated under the Stock Borrowing Agreement with Key Wise will only be effected for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- (2) the maximum number of Shares to be borrowed from Key Wise will be limited to the maximum number of Shares which may be allotted and issued by the Company upon full exercise of the Over-allotment Option;
- (3) the same number of Shares so borrowed (if any) must be returned to Key Wise or their nominees (as the case may be), no later than three Business Days after the earlier of (a) the last day on which the Over-allotment Option may be exercised; and (b) the day on which the Over-allotment Option is exercised in full;
- (4) the stock borrowing arrangements as contemplated under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements; and
- (5) no payments will be made to Key Wise by Evolution Watterson under the Stock Borrowing Agreement.

The possible stabilising action which may be taken by the International Co-ordinator in connection with the International Offering may involve (among other things) (i) over-allotment of Shares, (ii) purchases of Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allotment Option in whole or in part and/or (v) the International Co-ordinator attempting to do any of the foregoing. Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the International Co-ordinator may, in connection with any stabilising action, maintain a long position in the Shares;

STRUCTURE OF THE INTERNATIONAL OFFERING

- there is no certainty regarding the extent to which and the time period for which the International Co-ordinator will maintain such a position;
- liquidation of any such long position by the International Co-ordinator may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on the 30th day after the date expected to be the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering any listing of our Company on any other overseas stock exchange. The Company has not submitted any application nor obtained any approval for the listing of the Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. METHODS TO APPLY FOR THE HONG KONG OFFER SHARES

You may apply for the Hong Kong Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** Application Form; or
- using designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk).

2. WHICH APPLICATION METHOD YOU SHOULD USE

(a) **WHITE** Application Forms

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.

(b) **YELLOW** Application Forms

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(c) **White Form eIPO**

Instead of using a **WHITE** Application Form, you may apply using designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) if you want the Hong Kong Offer Shares to be registered in your own name.

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service (www.eipo.com.hk) you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

Note:

The Hong Kong Offer Shares are not available to existing beneficial owners of the Shares, the Directors, chief executives or substantial Shareholders (as defined in the Listing Rules) of the Company or any of their associates (as defined in the Listing Rules) or United States persons (as defined in Regulation S) or persons who do not have a Hong Kong address.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

3. WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and this prospectus from:

Any of the following offices of the Hong Kong Underwriters

Evolution Watterson Securities Limited

5th Floor, 8 Queen's Road Central,
Hong Kong

China Merchants Securities (HK) Co., Ltd

48th Floor, One Exchange Square,
Central, Hong Kong

Mirae Asset Hong Kong Limited

Suites 601, 615 & 616, 6th Floor, One International Finance Centre,
1 Harbour View Street,
Central, Hong Kong

Sun Hung Kai International Limited

1201 CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

or any of the following branches of

Industrial and Commercial Bank of China (Asia) Limited

	Branch	Address
Hong Kong Island:	Queen's Road Central Branch	122–126 Queen's Road Central
	Central Branch	1/F, 9 Queen's Road Central
	Wanchai Branch	117–123 Hennessy Road, Wanchai
	Aberdeen Branch	Shop 7A, G/F, Site 1, Aberdeen Centre
	North Point Branch	G/F, 436–438 King's Road, North Point
Kowloon:	Mongkok Branch	G/F., Belgian Bank Building, 721–725 Nathan Road, Mongkok
	Shamshuipo Branch	G/F., 290 Lai Chi Kok Road, Shamshuipo
	Tsim Sha Tsui Branch	Shop 6–7, G/F., Hankow Centre, 5–15 Hankow Road, Tsimshatsui
New Territories:	Tseung Kwan O Branch	Shop Nos. 2011–2012, Level 2, Metro City, Plaza II, 8 Yan King Road, Tseung Kwan O
	Yuen Long Branch	G/F., 197–199 Castle Peak Road, Yuen Long
	Kwai Fong Branch	C63A–C66, 2/F, Kwai Chung Plaza, Kwai Fong
	Tai Po Branch	9 Kwong Fuk Road, Tai Po

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9 a.m. on Monday, 30 June 2008 till 12 noon on Friday, 4 July 2008 from:

- (i) the **depository counter of HKSCC** at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (ii) your stockbroker, who may have such Application Form and this prospectus available.

4. HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned, together with the accompanying cheque(s) or banker's cashier order(s), by ordinary post to you (or the First-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

If your application is made through a duly authorised attorney, the Company, the Sponsor and the Hong Kong Underwriters may accept it at their discretion, subject to any conditions they think fit, including evidence of the authority of your attorney.

In order for the **YELLOW** Application Form to be valid:

You, as the applicant(s) must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

- (a) if the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box;
- (b) if the application is made by an individual CCASS Investor Participant:
 - the Application Form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and
 - the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form;
- (c) if the application is made by joint individual CCASS Investor Participants:
 - the Application Form must contain all joint CCASS Investor Participants' full names and Hong Kong identity card numbers of all joint CCASS Investor Participants; and
 - the participant I.D. must be inserted in the appropriate box in the Application Form;
- (d) if the application is made by a corporate CCASS Investor Participant:
 - the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or omission of details of CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

5. APPLYING BY MEANS OF WHITE FORM eIPO

If you are an individual and meet the criteria set out in paragraph above, you may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk. If you apply through **White Form eIPO**, the Shares will be issued in your own name.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** service provider and may not be submitted to our Company.

If you give electronic application instructions through the designated website at www.eipo.com.hk, you will have authorized the designated **White Form eIPO** service provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** service provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application to the designated **White Form eIPO** service provider through the **White Form eIPO** service, you are deemed to have authorized the designated **White Form eIPO** service provider to transfer the details of your application to our Company and our registrars.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 4,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.

Warning: The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** service provider to public investors. Our Company, our Directors, the International Co-ordinator, bookrunner, Sponsor and lead manager and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See the paragraph entitled “How many Applications may you make by means of White Form eIPO”.

Additional information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** service provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** service provider on the designated website at www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the paragraph entitled “Refund of your money — additional information”.

Members of the Public — Time for applying for Hong Kong Offer Shares by means of White Form eIPO

You may submit your application to the designated **White Form eIPO** service provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Monday, 30 June 2008 until 11:30 a.m. on Friday, 4 July 2008 or such later time as described under the paragraph headed “Effects of Bad Weather Conditions on the Opening of the Applications Lists” above (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 4 July 2008, the last application day, or, if the application lists are not open on that day, then by the time and date stated in “Effect of Bad Weather on the Opening of the Applications Lists” below.

You will not be permitted to submit your application to the designated **White Form eIPO** service provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Friday, 4 July 2008, or such later time as described under the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists”, the designated **White Form eIPO** service provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.

How many applications may you make by means of White Form eIPO

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving electronic application instructions through the designated website at **www.eipo.com.hk** and completing payment in respect of such electronic application instructions, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

6. HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Offer Shares only if:

You are a **nominee**, in which case you may lodge more than one application in your own name on behalf of different beneficial owners. In the box of the Application Form marked “For nominees” you must include:

- an account number, or
- some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed.

Multiple applications or suspected multiple applications will be rejected. Save as referred to above, **all** of your applications will be rejected as multiple applications if you, or you and your joint applicants or any of your joint applicants together:

- make more than one application (whether individually or jointly with others) on a **WHITE** and/or **YELLOW** Application Form or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**);
- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**) for more than the total number of Hong Kong Offer Shares initially available in either pool A or pool B, as further described in the section headed “Structure of the International Offering — The Hong Kong Public Offering”; or

apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or one **WHITE** or **YELLOW** Application Form and to the designated **White Form eIPO** Service Provider through **White Form eIPO** service.
- have indicated an interest for, or have been or will be allocated International Placing Shares under the International Placing.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

All of your applications will also be rejected as multiple applications if more than one application is made for your **benefit**. If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company

then the application will be treated as being for your own benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- control the composition of the board of directors of that company; or
- control more than half of the voting power of that company; or
- hold more than half the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

7. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$0.73 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 4,000 Offer Shares you will pay HK\$2,949.47. The Application Forms have tables showing the exact amount payable for certain multiples of the Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full when you apply for the Offer Shares. Your payment must be made by one cheque or one banker's cashier order and must comply with the terms set out in the Application Form.

If your application is successful, the brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the transaction levy is paid to the SFC and the trading fee is paid to the Stock Exchange.

If the Offer Price as finally determined is less than HK\$0.73 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to applicants, without interest. Details of the procedures for refund are contained below in the paragraph headed "13. Publication of Results, Despatch/collection of share certificates and refund cheques".

8. MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR HONG KONG OFFER SHARES

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Friday, 4 July 2008, or, if the application lists are not open on that day, then by 12:00 noon on the next business day the lists are open.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Your completed Application Forms, with payment attached, should be deposited in the special collection boxes provided at any of the branches of Industrial and Commercial Bank of China (Asia) Limited listed in the section headed “Where to collect the Application Forms” above at the following times:

Monday, 30 June 2008	—	9:00 a.m. to 5:00 p.m.
Wednesday, 2 July 2008	—	9:00 a.m. to 5:00 p.m.
Thursday, 3 July 2008	—	9:00 a.m. to 5:00 p.m.
Friday, 4 July 2008	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 4 July 2008, except as provided in the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” below.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 4 July 2008. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

10. COMMENCEMENT OF DEALINGS IN THE SHARES ON THE STOCK EXCHANGE

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 10 July 2008. The Shares will be traded on the Stock Exchange in board lots of 4,000 each.

11. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

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12. DEPOSIT OF SHARE CERTIFICATES INTO CCASS

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successfully, your Share certificates will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your investor participant stock account or the stock account of your designated CCASS participant as instructed by you in your Application Form at the close of business on Wednesday, 9 July 2008, or under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

If you are applying through a designated CCASS participant (other than a CCASS investor participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS participant (other than a CCASS investor participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

If you are applying as a CCASS investor participant:

- the Company expects to publish the results of CCASS investor participants' applications, together with the result of the Hong Kong Public Offering, in the newspaper on Wednesday, 9 July 2008. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 9 July 2008 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited.

Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an Activity Statement showing the number of Hong Kong Offer Shares credited to your stock account.

13. PUBLICATION OF RESULTS, DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

We expect to announce the basis of allocation and the level of applications under the Hong Kong Public Offering on Wednesday, 9 July 2008 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at www.iporeresults.com.hk on a 24-hour basis from 8:00 a.m. on Wednesday, 9 July 2008 to 12:00 midnight on Tuesday, 15 July 2008. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application form to search for his/her/its own allocation result;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 9 July 2008 to Saturday, 12 July 2008;
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Wednesday, 9 July 2008 to Monday, 14 July 2008 at all the receiving bank branches and sub-branches at the addresses set out in the section headed “How to Apply for the Hong Kong Offer Shares – Where to Collect the Application Forms”.

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum price per Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy thereon) paid on application, or if the conditions of the International Offering are not fulfilled in accordance with the section headed “Structure of the International Offering — Conditions” or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, Stock Exchange trading fee and SFC transaction levy, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there will be sent to you by ordinary post, at your own risk to the address specified on the Application Form:

- (a) for applications on **WHITE** Application Forms: (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for if, the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described above); and/or
- (b) for applicants on **WHITE** and **YELLOW** Application Forms, a refund cheque or refund cheques crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum price per Share paid on application in the event that the Offer Price is less than the maximum price per Share paid on application, in each case including related brokerage at the rate of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.004% but without interest.

Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 10 July 2008 provided that the Hong Kong Public Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and Share certificates for successful applicants under **WHITE** Application Forms are expected to be posted on Wednesday, 9 July 2008. The right is reserved to retain any Share certificates and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

If you are applying for 1,000,000 or more Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form and have indicated your intention on your Application Form to collect your refund cheque(s) (where applicable) and/or (for applicants using **WHITE** Application Forms) Share certificate(s) (where applicable) from the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, and have provided all information required by your Application Form, you may collect (where applicable) your refund cheque(s) and (where applicable) share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 July 2008 or any other date notified by the Company in the newspapers as the date of despatch of Share certificates/refund cheques. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Company's Hong Kong share registrar. If you do not collect your refund cheque(s) and Share certificate(s), they will be despatched promptly to you by ordinary post to the address as specified in your Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) will be sent to the address on your Application Form on Wednesday, 9 July 2008, by ordinary post and at your own risk.

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

1. GENERAL

- (a) If you apply for the Hong Kong Offer Shares in the Hong Kong Public Offering, you will be agreeing with our Company and the International Co-ordinator (on behalf of the Hong Kong Underwriters) as set out below.
- (b) If you give electronic application instructions to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk, you will have authorized the designated **White form eIPO** Service Provider to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.
- (c) In this section, references to “you”, “applicants”, “joint applicants” and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees or the **White Form eIPO** Service Provider are applying for the Hong Kong Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk).
- (d) Applicants should read this prospectus carefully, including other terms and conditions of the Hong Kong Public Offering, the paragraph headed “The Hong Kong Public Offering” in the section headed “Structure of the International Offering”, and in the section headed “How to Apply for the Hong Kong Offer Shares” and the terms and conditions set out in the relevant Application Form or imposed by HKSCC (as the case may be) or the **White Form eIPO** Service Provider prior to making an application.

2. OFFER TO PURCHASE THE HONG KONG OFFER SHARES

- (a) You offer to purchase from our Company at the Offer Price the number of the Hong Kong Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.
- (b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable thereto), is expected to be sent to you at your own risk to the address stated on your Application Form.

Details of the procedure for refunds relating to each of the Hong Kong Public Offering methods are contained below in the paragraphs headed “If your application for the Hong Kong Offer Shares is successful (in whole or in part)” and “Refund of your money — additional information” in this section.

- (c) Any application may be rejected in whole or in part.
- (d) Applicants under the Hong Kong Public Offering should note that in no circumstances (save for those provided under section 40 of the Hong Kong Companies Ordinance) can applications be withdrawn once submitted.

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

3. ACCEPTANCE OF YOUR OFFER

- (a) The Hong Kong Offer Shares will be allocated after the application lists close. Our Company expects to announce the final number of Hong Kong Offer Shares, the level of applications under the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Wednesday, 9 July 2008.
- (b) The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including the Hong Kong Identity Card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Hong Kong Offer Shares successfully applied for, will be made available on Wednesday, 9 July 2008 in the manner described in “How to Apply for Hong Kong Offer Shares — 13. Publication of results, despatch/collection of share certificates and refund cheques”.
- (c) Our Company may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.
- (d) If our Company accepts your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares in respect of which your offer has been accepted if the conditions of the International Offering are satisfied or the International Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the International Offering”.
- (e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

4. EFFECT OF MAKING ANY APPLICATION

- (a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:
 - **instruct and authorise** our Company, the International Co-ordinator and the Underwriters (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
 - **undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Memorandum of Association and the Articles;**

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

- **represent, warrant and undertake that you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States when completing the Application Form (as defined in Regulation S) and are not a U.S. person described in paragraph (k)(1) of Rule 902 of Regulation S under the U.S. Securities Act;**
- **represent and warrant that you are outside the United States and will acquire the Hong Kong Offer Shares in an offshore transaction (within the meaning of Regulation S);**
- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representations concerning our Company and you agree that neither our Company, the Sponsor and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the International Offering is or will be liable for any information or representations not contained in this prospectus;
- **agree (without prejudice to any other rights which you may have) that once your application has been accepted, you cannot revoke or rescind it because of an innocent misrepresentation;**
- **(if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;**
- **(if the application is made for your own benefit) warrant that the application is the only application which has been or will be made for your benefit on a WHITE or YELLOW Application Form or to the designated White Form eIPO Service Provider through White Form eIPO service (www.eipo.com.hk);**
- **(if you are an agent for another person) warrant** that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**), and that you are duly authorised to sign the Application Form;
- **agree** that our Company, the International Co-ordinator, the Hong Kong Underwriters and their respective directors and any other parties involved in the Hong Kong Public Offering are liable only for the information and representations contained in this prospectus and the Application Forms;
- **agree** to disclose to our Company, its registrar, receiving banker, the International Co-ordinator, the Underwriters and their respective advisers and agents any personal data and any information which they require about you or the person(s) for whose benefit you have made this application which they require;
- **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering made available by our Company;

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

- (if the application is made for your benefit) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;
- **warrant** the truth and accuracy of the information contained in your application;
- **represent, warrant** and **undertake** that the allotment of or application for the Hong Kong Offer Shares to you or by you or for whose benefit the application is made would not require the Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- **authorise** our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form, you can collect your share certificate(s) and/or refund cheque (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Wednesday, 9 July 2008 (Hong Kong time) from Computershare Hong Kong Investor Services Limited);
- **understand** that these declarations and representations will be relied upon by our Company and the International Co-ordinator in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application and that you may be prosecuted for false declaration;
- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of our Company, the International Co-ordinator and the Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;
- **confirm** that you are aware of the restrictions on offering of the Hong Kong Offer Shares described in this prospectus.

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

- (b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you **agree** that:
- all the Hong Kong Offer Shares to be allocated to you shall be issued in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;
 - each of HKSCC and HKSCC Nominees reserves the right at this absolute discretion
 - (1) **not to accept** any or part of the Hong Kong Offer Shares allotted to you in the name of HKSCC Nominees or **not to accept** such allotted Hong Kong Offer Shares for deposit into CCASS;
 - (2) to cause such allotted Hong Kong Offer Shares to be **withdrawn** from CCASS and transferred into your name at your own risk and costs; and
 - (3) to cause such **allotted Hong Kong Offer Shares to be issued in your name** (or, if you are a joint applicant, to the first-named applicant) and in such a case, to **post the share certificates** for such allotted Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post **or to make available the same for your collection**;
 - each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees;
 - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Forms;
 - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares to you or to HKSCC (if you apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

(b) If you make applications under the Hong Kong Public Offering as well as the International Placing:

By filling in any of the Application Forms, you agree not to apply for International Placing Shares under the International Placing.

Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offering from investors who have received International Placing Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering.

(c) If our Company, the International Co-ordinator or their respective agents exercise their discretion:

Our Company, the International Co-ordinator or their respective agents have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(d) If:

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed correctly;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive International Placing Shares under the International Placing;
- if you apply for more than 50% of the Hong Kong Offer Shares initially being offered in the public for subscription;
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with the terms thereof.

(e) If your application is revoked:

By completing and submitting an Application Form, you agree that you cannot revoke your application before the end of the fifth day after the time of opening of the application lists (excluding for this purpose any day which is not a Business Day) unless a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form. This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the end of the fifth day after the time of opening of the application lists (excluding for this purpose any day which is not a Business Day) except by means of one of the procedures referred to in this prospectus.

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

If any supplement to this prospectus is issued, applicant(s) who has/have already submitted application(s) may or may not (depending on the information contained in the supplement) be notified that he/she/they can withdraw his/her/their application(s). If applicant(s) has/have not been so notified, or if applicant(s) has/have been notified but has/have not withdrawn his/her/their application(s) in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicant(s) shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application has been accepted, it cannot be revoked. Acceptance of application will be constituted by notification to the press of the basis of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

7. IF YOUR APPLICATION FOR THE HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

(a) If you are applying using a WHITE Application Form and you elect to receive any share certificate(s) in your name:

- Refund cheques and Share certificates for these applicants who apply for less than 1,000,000 Hong Kong Offer Shares or apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person are expected to be despatched on or before Wednesday, 9 July 2008 to the same address as that for Share certificate(s).
- Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect Share certificates and (where applicable) refund cheques in person from the Company's Hong Kong share registrar may collect Share certificates and (where applicable) refund cheques in person from the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 July 2008.
- Applicants being individuals who opt for personal collection cannot authorise any other person to make collection on their behalf. Corporate applicants who opt for personal collection must attend by their authorised representatives bearing letters of authorization from the corporation stamped with the corporation's respective chops. Both individuals and authorised representative (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong share registrar.
- Uncollected Share certificates and (where applicable) refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms.

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

(b) If you are applying using White Form eIPO Services:

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** service provider through the designated website **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your Share certificate(s) and/or refund cheque(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 July 2008, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/refund cheques.

If you do not collect your Share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** service provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated **White Form eIPO** service provider through the designated website at **www.eipo.com.hk** on Wednesday, 9 July 2008 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** service provider set out above in the paragraph entitled “Additional Information”.

(c) If you are applying on a YELLOW Application Form you elect to have allocated Hong Kong Offer Shares deposited directly into CCASS:

If your application is wholly or partly successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you on the Application Form, at the close of business on Wednesday, 9 July 2008, or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- *If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** Application Form:*

For Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant on a **YELLOW** Application Form:*

The Company is expected to make available the results of the Hong Kong Public Offering, including the results of CCASS Investor Participants’ applications, in the manner described in the paragraph headed “How to Apply for the Hong Kong Offer Shares — 13. Publication of results, despatch/collection of share certificates and refund cheques”, on Wednesday, 9 July 2008. You should check the results made available by the

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 9 July 2008 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

No receipt will be issued for application monies paid. The Company will not issue temporary documents of title.

8. REFUND OF YOUR MONEY — ADDITIONAL INFORMATION

- (a) You will be entitled to a refund (any interest accrued on refund money prior to the date of despatch of refund cheques will be retained for the benefit of our Company) if:
- your application is not successful, in which case our Company will refund your application money together with the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee to you, without interest;
 - your application is accepted only in part, in which case our Company will refund the appropriate portion of your application money, the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest;
 - the Offer Price (as finally determined) is less than the price per Offer Share initially paid by the applicant on application, in which case our Company will refund the surplus application money together with the appropriate portion of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest; and
 - the conditions of International Offering are not fulfilled in accordance with the section headed "Structure of the International Offering — Conditions".
- (b) If you apply on a **YELLOW** Application Form for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering, you may collect your refund cheque (if any) in person from the Hong Kong share registrar on Wednesday, 9 July 2008. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants set out in sub-paragraph (a) of the paragraph headed "If your application for the Hong Kong Offer Shares is successful (in whole or in part)" in this section.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) will be sent to the address on your Application Form on Wednesday, 9 July 2008, by ordinary post and at your own risk.

- (c) All refunds by cheque will be crossed "Account Payee Only", and made out to you, or if you are a joint applicant, to the first-named applicant on your Application Form.
- (d) Refund cheques are expected to be despatched on Wednesday, 9 July 2008. Our Company intends to make special efforts to avoid undue delays in refunding money.

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Commencement of dealings in the Shares

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 10 July 2008.

Shares will be traded in board lots of 4,000 Shares each.

Shares will be eligible for admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

9. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Offer Shares of the policies and practices of our Company and the Hong Kong share registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and the Hong Kong share registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong share registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or its Hong Kong share registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s), and/or refund cheque(s) to which you are entitled.

It is important that holders of securities inform our Company and the Hong Kong share registrar immediately of any inaccuracies in the personal data supplied.

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(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong share registrar to discharge their obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by our Company and the Hong Kong share registrar relating to the applicants and the holders of securities will be kept confidential but our Company and the Hong Kong share registrar, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- our Company or its appointed agents such as financial advisers and receiving bankers;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);

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- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or the Hong Kong share registrar in connection with the operation of their businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form you agree to all of the above.

(d) Access and correction of personal data

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether our Company and/or the Hong Kong share registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, our Company and the Hong Kong share registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to our Company for the attention of the Company Secretary or (as the case may be) the Hong Kong share registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

The following is the text of a report, prepared for the purposes of incorporation in this prospectus, received from the independent reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong. As described in the section headed "Documents delivered to the Registrar of Companies and available for public inspection in Hong Kong" in Appendix VII to this prospectus, a copy of the following accountants' report is available for public inspection.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 June 2008

The Directors
Tianyi Fruit Holdings Limited
Evolution Watterson Securities Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Tianyi Fruit Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined income statements, combined statements of changes in equity and combined cash flow statements of the Group for each of the years ended 31 December 2005, 2006 and 2007 (the "Relevant Period") and the combined balance sheets of the Group as at 31 December 2005, 2006 and 2007, together with the notes thereto (the "Financial Information") for inclusion in the prospectus of the Company dated 30 June 2008 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 5 February 2008 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as detailed in the section headed "Corporate reorganisation" in Appendix VI to the Prospectus (the "Reorganisation"), which was completed on 22 May 2008, the Company became the holding company of the subsidiaries now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the Reorganisation.

As at the date of this report, no audited financial statements have been prepared for Sunshine Vocal Limited and Potel Limited as they are investment holding companies incorporated shortly before 31 December 2007 and are not subject to statutory audit requirements during the Relevant Period under the relevant rules and regulations in their jurisdictions of incorporation. No audited financial statements have been prepared for the Company during the Relevant Period as it is an investment holding company incorporated after 31 December 2007 as part of the Reorganisation. We have, however, reviewed all significant transactions of Sunshine Vocal Limited and Potel Limited from their respective dates of establishment/incorporation to 31 December 2007 for the purpose of this report.

The statutory financial statements of Summi (Fujian) Food Co., Ltd. and Sanming Summi Food Co., Ltd. were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "PRC"), and were audited during the Relevant Period by the respective statutory auditors as indicated below:

Name of company	Statutory auditors		
	2005	2006	2007
Summi (Fujian) Food Co., Ltd. ("Summi Fujian")* 森美(福建)食品有限公司	Xiamen Huafeng Associated Certified Public Accountants* 廈門華峰聯合會計師事務所	Xiamen Huafeng Associated Certified Public Accountants* 廈門華峰聯合會計師事務所	Xiamen Huafeng Associated Certified Public Accountants* 廈門華峰聯合會計師事務所
Sanming Summi Food Co., Ltd. ("Sanming Summi")* 三明森美食品有限公司	N/A	N/A	Xiamen Huafeng Associated Certified Public Accountants* 廈門華峰聯合會計師事務所

* The English translation of the company names above is for reference only. The official names of these companies are in Chinese.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies comprising the Group during the Relevant Period and on the basis set out in Section A below for the Relevant Period (or where the companies were established/incorporated at a date later than 1 January 2005, for the period from their respective dates of establishment/incorporation to 31 December 2007), after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements to conform with the accounting policies as referred to in Section C, which are in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board and in compliance with the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to 31 December 2007.

OPINION

In our opinion, for the purpose of this report and on the basis of presentation set out in Section A below, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of the Group's combined results, combined changes in equity and combined cash flows for the Relevant Period, and of the Group's combined state of affairs as at 31 December 2005, 2006 and 2007.

A BASIS OF PRESENTATION

Because the same ultimate controlling equity holder, Mr. Hong Hong U, controlled the companies comprising the Group during the Relevant Period before and after the Reorganisation and consequently there was continuation of the risks and benefits to the ultimate controlling equity holder, the Financial Information has been prepared as a reorganisation of business under common control and Accounting Guideline 5 “Merger Accounting for Common Control Combinations” has been applied. Accordingly, the relevant assets and liabilities of the companies comprising the Group during the Relevant Period are included in the Financial Information of the Group from the date when the companies first came under the control of the Group's ultimate controlling equity holder, using the existing book values from the ultimate controlling equity holder's perspective.

The combined income statements, combined statements of changes in equity and combined cash flow statements of the Group as set out in section B include the results of operations of the companies comprising the Group during the Relevant Period (or where the companies were established/incorporated at a date later than 1 January 2005, for the period from the date of establishment/incorporation to 31 December 2007) as if the companies comprising the Group during

the Relevant Period had been in existence and remained unchanged throughout the entire Relevant Period. The combined balance sheets of the Group as at 31 December 2005, 2006 and 2007 as set out in section B have been prepared to present the combined state of affairs of the companies comprising the Group during the Relevant Period as at the respective dates as if the companies comprising the Group during the Relevant Period had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on combination.

Companies now comprising the Group

At the date of this report, the Company has direct or indirect interests in the following subsidiaries, particulars of which are set out below:

Name of company	Place and date of establishment/ incorporation	Issued and fully paid up/registered capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Sunshine Vocal Limited	British Virgin Islands ("BVI") 17 July 2007	USD100,000/ USD100,000	100%	—	Investment holding
Rich Anges Limited (i)	BVI 10 October 2007	USD1/ USD50,000	100%	—	Investment holding
Potel Limited	Hong Kong 3 September 2007	HKD 1/ HKD 10,000	—	100%	Investment holding
Manwell (China) Limited (i)	Hong Kong 22 November 2007	HKD 1/ HKD 10,000	—	100%	Investment holding
Summi Fujian (i)	PRC 15 March 1993	RMB30,000,000/ RMB30,000,000	—	100%	Manufacturing and selling of concentrated fruit juice and selling of fresh oranges
Sanming Summi (ii)	PRC 27 September 2007	RMB2,000,000/ RMB2,000,000	—	100%	Manufacturing and selling of concentrated fruit juice

- (i) Summi Fujian was incorporated in the PRC as a sino-foreign equity joint-venture. During the Relevant Period, 90% equity interest in Summi Fujian was held indirectly by Mr. Hong Hong U until 22 October 2007, when Mr. Hong Hong U transferred 12.153% of his equity interest in Summi Fujian to an unrelated BVI investment holding company. Prior to 20 December 2007, the remaining 10% equity interest in Summi Fujian was held by an unrelated domestic company in the PRC and has been presented as minority interest in the Financial Information as at 31 December 2005 and 2006. On 20 December 2007, Quanzhou Yuansen Trading Limited ("Quanzhou Yuansen"), a company controlled by Ms. Xin Liang, the sister of Mr. Sin Ke, a director of Summi Fujian, acquired this 10% equity interest in Summi Fujian at a consideration of RMB12 million determined by reference to the net asset value of Summi Fujian based on a PRC valuation report issued by Xiamen Junhe Appraisal Consultancy Co., Ltd. (廈門均和評估諮詢有限公司) dated 20 May 2007. On 29 December 2007, Quanzhou Yuansen sold this 10% equity interest at cost of RMB12 million to Manwell (China) Limited, a wholly owned subsidiary of Rich Anges Limited which is wholly controlled by Mr. Sin Ke.

Both Rich Anges Limited and Manwell (China) Limited did not conduct any activities from the date of their establishment to 31 December 2007, other than acting as investment holding companies from 29 December 2007 in respect of the 10% equity interest in Summi Fujian. Both entities were wholly owned by Mr. Sin Ke from their establishment date to 22 May 2008 and were not under the control of the Group's ultimate controlling equity holder, Mr. Hong Hong U until 22 May 2008, when Rich Anges Limited and Manwell (China) Limited were acquired by the Company as part of the Reorganisation. Accordingly the relevant assets and liabilities of these two companies are not included in the Financial Information of the companies comprising the Group during the Relevant Period. The 10% equity interest in Summi Fujian held by Manwell (China) Limited has been presented as minority interest in the Financial Information as at 31 December 2007. On 22 May 2008, the Company acquired 10% equity interest in Summi Fujian by acquiring the entire issued capital of Rich Anges Limited from Mr. Sin Ke in consideration of which the Company allocated and issued 10,000,000 shares to Mr. Sin Ke credited as fully paid.

- (ii) The entity was incorporated in the PRC as a domestic company and has been wholly owned by Summi Fujian since its establishment.

B FINANCIAL INFORMATION**1 Combined income statements**

	<i>Section C Note</i>	Year ended 31 December		
		2005	2006	2007
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	94,480	175,443	265,595
Cost of sales		<u>(76,038)</u>	<u>(142,078)</u>	<u>(202,480)</u>
Gross profit		18,442	33,365	63,115
Gain from changes in fair value of biological assets less estimated point-of- sale costs	15	32,563	60,536	44,001
Other income	3	858	1,007	757
Distribution costs		(1,579)	(2,048)	(5,085)
Administrative expenses		(3,387)	(6,430)	(5,417)
Other expenses		<u>(2)</u>	<u>(51)</u>	<u>(118)</u>
Profit from operations		<u>46,895</u>	<u>86,379</u>	<u>97,253</u>
Finance income		10	32	222
Finance expenses		<u>(786)</u>	<u>(914)</u>	<u>(1,727)</u>
Net finance costs	6	<u>(776)</u>	<u>(882)</u>	<u>(1,505)</u>
Profit before tax		46,119	85,497	95,748
Income tax	7	<u>(12,661)</u>	<u>(23,717)</u>	<u>(25,899)</u>
Profit for the year		<u>33,458</u>	<u>61,780</u>	<u>69,849</u>
Attributable to:				
Equity holders of the Company		30,112	55,602	62,818
Minority interests		<u>3,346</u>	<u>6,178</u>	<u>7,031</u>
Profit for the year		<u>33,458</u>	<u>61,780</u>	<u>69,849</u>
Earnings per share (RMB cents)				
— Basic	10	<u>4.46</u>	<u>8.24</u>	<u>9.31</u>

The accompanying notes form part of the Financial Information.

2 Combined balance sheets

	Section C Note	At 31 December		
		2005 RMB'000	2006 RMB'000	2007 RMB'000
Non-current assets				
Property, plant and equipment	11	9,084	19,003	27,459
Land use rights	12	2,661	2,591	2,521
Rental prepayments	13	27,529	18,328	9,357
		<u>39,274</u>	<u>39,922</u>	<u>39,337</u>
Current assets				
Inventories	14	37,994	59,207	33,060
Biological assets	15	5,439	5,777	5,799
Rental prepayments	13	9,201	9,201	8,971
Trade and other receivables	16	10,054	43,727	122,513
Cash and cash equivalents	17	1,090	16,451	67,783
		<u>63,778</u>	<u>134,363</u>	<u>238,126</u>
Total assets		<u>103,052</u>	<u>174,285</u>	<u>277,463</u>
Current liabilities				
Loans and borrowings	18(a)	11,716	14,975	17,000
Trade and other payables	19	9,439	7,881	5,627
Income tax payables		6,166	12,125	15,137
		<u>27,321</u>	<u>34,981</u>	<u>37,764</u>
Net current assets		<u>36,457</u>	<u>99,382</u>	<u>200,362</u>
Total assets less current liabilities		<u>75,731</u>	<u>139,304</u>	<u>239,699</u>
Non-current liabilities				
Loans and borrowings	18(a)	719	—	35,000
Deferred tax liabilities	20(a)	4,401	6,913	2,459
		<u>5,120</u>	<u>6,913</u>	<u>37,459</u>
Total liabilities		<u>32,441</u>	<u>41,894</u>	<u>75,223</u>
Net assets		<u>70,611</u>	<u>132,391</u>	<u>202,240</u>
Capital and reserves				
Share capital	21	18,000	18,000	730
Reserves	22	45,550	101,152	181,240
Total equity attributable to equity holders of the Company		63,550	119,152	181,970
Minority interests		7,061	13,239	20,270
Total equity		<u>70,611</u>	<u>132,391</u>	<u>202,240</u>

The accompanying notes form part of the Financial Information.

3 Combined statements of changes in equity

	Attributable to equity holders of the Company					Total RMB'000	Minority interests (iii) RMB'000	Total equity RMB'000
	Share capital	Share premium	Capital reserve	Statutory reserves	Retained earnings			
	RMB'000 (Section C note 21)	RMB'000 (Section C note 22(a))	RMB'000 (Section C note 22(b))	RMB'000 (Section C note 22(c))	RMB'000			
At 1 January 2005	18,000	—	3,227	150	12,061	33,438	3,715	37,153
Profit for the year	—	—	—	—	30,112	30,112	3,346	33,458
Appropriation to statutory reserves	—	—	—	300	(300)	—	—	—
At 31 December 2005	18,000	—	3,227	450	41,873	63,550	7,061	70,611
Profit for the year	—	—	—	—	55,602	55,602	6,178	61,780
Appropriation to statutory reserves	—	—	—	600	(600)	—	—	—
At 31 December 2006	18,000	—	3,227	1,050	96,875	119,152	13,239	132,391
Capital injection (i)	0	—	—	—	—	0	—	0
Arising on Reorganisation (ii)	(17,270)	17,270	—	—	—	—	—	—
Profit for the year	—	—	—	—	62,818	62,818	7,031	69,849
Appropriation to statutory reserves	—	—	—	8,960	(8,960)	—	—	—
At 31 December 2007	<u>730</u>	<u>17,270</u>	<u>3,227</u>	<u>10,010</u>	<u>150,733</u>	<u>181,970</u>	<u>20,270</u>	<u>202,240</u>

- (i) On 17 July 2007, Sunshine Vocal Limited was incorporated with limited liability. On 12 October 2007, 1 share of US\$1.00 in Sunshine Vocal Limited, credited as fully paid, was allotted and issued to Mr. Hong Hong U.
- (ii) On 22 October 2007, Potel Limited, a wholly owned subsidiary of Sunshine Vocal Limited, acquired 90% equity interest in Summi Fujian at a consideration of RMB18,000,000, from Tak Vang Sap Ip Fat Chin Hong (“Macau Dehong”), a company wholly owned by the Group’s ultimate controlling equity holder, Mr. Hong Hong U. On the same day, 99,999 shares of Sunshine Vocal Limited of US\$1.00 each were allotted and issued to Mr. Hong Hong U as consideration for the amount owing to Macau Dehong (see Section C note 21 (b)).
- (iii) Prior to 20 December 2007, 10% equity interest in Summi Fujian was held by an unrelated domestic company in the PRC. On 20 December 2007, Quanzhou Yuansen acquired this 10% interest in Summi Fujian. On 29 December 2007, Quanzhou Yuansen sold this 10% interest at cost to Manwell (China) Limited, a wholly owned subsidiary of Rich Anges Limited.

Both Rich Anges Limited and Manwell (China) Limited were wholly owned by Mr. Sin Ke from their establishment date to 22 May 2008 and were not under the control of the Group’s ultimate controlling equity holder, Mr. Hong Hong U until 22 May 2008, when Rich Anges Limited and Manwell (China) Limited were acquired by the Company as part of the Reorganisation. Accordingly the 10% equity interest in Summi Fujian held by Manwell (China) Limited has been presented as minority interest in the Financial Information as at 31 December 2007.

The accompanying notes form part of the Financial Information.

4 Combined cash flow statements

	<i>Section C</i>	Year ended 31 December		
		2005	2006	2007
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>			
Operating activities				
Profit before tax		46,119	85,497	95,748
Adjustments for:				
Gain from changes in fair value of biological assets less estimated point-of-sale costs	15	(32,563)	(60,536)	(44,001)
Depreciation	5	977	1,099	2,147
Amortisation of land use rights	5	70	70	70
Loss on disposal of property, plant and equipment	5	—	35	3
Write-down of inventories	14(c)	254	312	1,165
Interest income	6	(10)	(32)	(222)
Interest expenses	6	781	910	1,184
Operating profit before changes in working capital		15,628	27,355	56,094
(Increase)/decrease in inventories, including harvested oranges transferred to inventories		(22,296)	(21,525)	24,982
Decrease in biological assets		30,425	60,198	43,979
(Increase)/decrease in rental prepayments		(16,224)	9,201	9,201
Increase in trade and other receivables		(2,476)	(33,673)	(78,786)
Increase/(decrease) in trade and other payables		1,671	(2,151)	(1,234)
Cash generated from operations		6,728	39,405	54,236
Interest paid		(742)	(890)	(1,279)
Income tax paid		(6,550)	(15,246)	(27,341)
Net cash (used in)/generated from operating activities		(564)	23,269	25,616

The accompanying notes form part of the Financial Information.

	<i>Section C</i> <i>Note</i>	Year ended 31 December		
		2005	2006	2007
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investing activities				
Interest received		10	32	222
Payment for purchase of property, plant and equipment		(385)	(10,489)	(11,630)
Proceeds from disposal of property, plant and equipment		—	29	4
Net cash used in investing activities		(375)	(10,428)	(11,404)
Financing activities				
Proceeds from loans and borrowings		11,000	14,200	56,500
Repayment of loans and borrowings		(10,000)	(11,680)	(19,380)
Net cash generated from financing activities		1,000	2,520	37,120
Net increase in cash and cash equivalents		61	15,361	51,332
Cash and cash equivalents at 1 January		1,029	1,090	16,451
Cash and cash equivalents at 31 December	17	<u>1,090</u>	<u>16,451</u>	<u>67,783</u>

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations, issued by the International Accounting Standards Board ("IASB").

The Financial Information also complies with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group has not previously presented combined financial statements. This is the Group's first IFRS Financial Information and IFRS 1 has been applied.

For the purpose of preparing the Financial Information, the Group has applied all new and revised IFRSs applicable to the Relevant Period, except for any new standards or interpretations that are not yet effective for accounting periods beginning on 1 January 2007, as set out in note 1(v).

(b) Basis of measurement

The Financial Information is prepared on the historical cost basis except for biological assets (see note 1(j)). It is presented in Renminbi ("RMB"), rounded to the nearest thousand.

(c) Use of estimates and judgements

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Information is described in note 26.

(d) Basis of combination*(i) Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

(ii) Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the equity holder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling equity holder's combined financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of other reserve. Any cash paid for the acquisition is recognised directly in equity.

(iii) *Transactions eliminated on combination*

Intra-group balances, transactions and any unrealised gains and losses arising from intra-group transactions are eliminated in full in preparing the Financial Information.

(iv) *Transactions with minority interests*

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Group, whether directly or indirectly by subsidiaries, are presented in the combined balance sheet and combined statement of changes in equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the combined income statements as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Transactions with minority equity holders are at book value and classified as equity transactions. Accordingly, when the Group acquires minority interests of its subsidiaries, the difference between the amounts of consideration and carrying values of minority interests are recognised as reserve movement.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(e) **Foreign currency**

(i) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("functional currency"). The Financial Information is presented in RMB ("presentation currency").

(ii) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(f) **Financial instruments**

(i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the combined cash flow statements.

Accounting for finance income and expenses is discussed in note I(p) (ii).

(ii) *Share capital*

Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity.

(g) Property, plant and equipment

(i) *Recognition and measurement*

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note I(l)). Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) *Subsequent costs*

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the combined income statements as an expense as incurred.

(iii) *Depreciation*

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

— Buildings	5–35 years
— Plant and machinery	5–20 years
— Furniture, fittings and equipment	5 years
— Motor vehicles	5–10 years

The depreciation methods, useful lives and residual value, if not insignificant, are reassessed annually.

(iv) *Retirement and disposal*

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the combined income statements on the date of retirement or disposal.

(v) *Construction in progress*

Construction in progress is stated at cost less impairment losses (see note 1(I)). Cost comprises direct costs of construction during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

(h) Land use rights

Land use rights represent the purchase costs of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 1(I)). Amortisation is charged to the combined income statements on a straight-line basis over the period of the rights which is 50 years.

(i) Rental prepayments

Rental prepayments represent prepaid rent for leased orange farms.

Rental prepayments are carried at cost less accumulated amortisation and impairment losses (see note 1(I)). Amortisation is charged to the combined income statements on a straight-line basis over the period of the leases which is 5 years.

(j) Biological assets

Biological assets comprise immature oranges before harvest in leased orange farms.

Biological assets are stated at fair value less estimated point-of-sale costs from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of market-determined prices and no reliable alternative estimates exist to determine fair value in which case the assets are held at cost less accumulated depreciation and impairment losses (see note 1(I)). Once the fair value becomes reliably measurable, the biological assets are measured at fair value less point-of-sale costs. Where assets are held at fair value, changes in fair value are taken to the combined income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

After harvesting, oranges are transferred to inventories as agricultural produce at their deemed cost which is fair value at harvest less the estimated point-of-sale costs. Fair value at harvest is based on the selling prices for similar oranges prevailing in the market as at or close to the harvest dates.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is computed using the weighted average method and includes expenditure incurred in acquiring the inventories to bring them to their existing location and condition. In the case of manufactured inventories, cost includes direct labour and an appropriate share of overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(l) Impairment

(i) *Financial assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (see note 1(k)) and deferred tax assets (see note 1(q)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses and staff welfare are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution retirement plans

Obligations for contributions to local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss when they are due, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue

(i) Sales of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of value added tax or other sales taxes, returns or allowances, trade discounts and volume rebates. Revenue is recognised in the combined income statements when the significant risks and rewards of ownership have been transferred to the customers. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, also continuing management involvement with the goods.

(ii) Government grants

Unconditional government grants in recognition of the Group's contribution to the development of the local agriculture industry are recognised in the combined income statements as other income on a receivable basis.

(p) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the combined income statements on a straight-line basis over the term of the respective leases. Lease incentives received are recognised in the combined income statements as an integral part of the total lease expense.

(ii) Finance income and expenses

Finance income comprises interest income on cash deposits in bank and foreign currency gains that are recognised in the combined income statements. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expenses on borrowings and foreign currency losses that are recognised in the combined income statements. All borrowing costs are calculated using the effective interest rate method.

(q) Income tax

Income tax in the combined income statements during the Relevant Period comprises current and deferred tax. Income tax is recognised in the combined income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Earnings per share

The Group presents basic earnings per share ("EPS") data for its shares. Basic EPS is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of shares outstanding during the period.

(s) Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised as an expense in the period in which it is incurred.

(t) Related parties

For the purposes of the Financial Information, parties are considered to be related to the Group if:

- (i) The party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) The Group and the party are subject to common control;
- (iii) The party is an associate of the Group or a jointly controlled entity in which the Group is a venturer;
- (iv) The party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) The party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) The party is a post-employment benefit plans which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the Group's reporting format for the purposes of the Financial Information. No geographical segment information is separately presented as the Group's business segments are only managed and operated in the PRC.

(v) New standards and interpretations not yet adopted

At the date of issue of the Financial Information, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2007 and which have not been adopted in preparing the Financial Information:

	Effective for accounting period beginning on or after
IFRIC 11, IFRS 2 — Group and treasury share transaction	1 March 2007
IFRIC 12, Service concession arrangements	1 January 2008
IFRIC 14, IAS 19 — The limit on a defined benefit asset, minimum funding requirements and interaction	1 January 2008
IFRIC 13, Customer loyalty programmes	1 July 2008
Amendments to IFRS 1, First-time adoption of International Financial Standards, and IAS 27, Consolidated and separate financial statements — Cost of an investment in a subsidiary, jointly-controlled entity or associate	1 January 2009
Amendment to IFRS 2, Share-based payment — Vesting conditions and cancellations	1 January 2009
IFRS 8, Operating segments	1 January 2009
Revised IAS 1, Presentation of financial statements	1 January 2009
Revised IAS 23, Borrowing costs	1 January 2009
Amendments to IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of financial statements — Puttable financial instruments and obligations arising on liquidation	1 January 2009
Improvements to IFRSs	1 January 2009 or 1 July 2009
Revised IFRS 3, Business combinations	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning or after 1 July 2009
Amendment to IAS 27, Consolidated and separate financial statements	1 July 2009

The directors have confirmed that the above IFRSs do not have a significant impact on how the results of operations and financial position for the Relevant Period are prepared and presented. These IFRSs and interpretations may result in changes in the future as to how the results and financial position of the Group are prepared and presented.

2. SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. The business segment reporting format reflects the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets, loans and borrowings and expenses, and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segment

The Group comprises the following main business segments:

- Frozen concentrated orange juice and its related product. The frozen concentrated orange juice and its related product segment carries on the business of manufacturing and distribution of frozen concentrated orange juice, which is produced through a sequence of processes including crushing, pressing, pasteurization and concentrating by using fresh oranges as raw material. Frozen concentrated orange juice and its related product are mainly used as raw material in the production of fruit juice and blended fruit juice.

— Fresh oranges. The fresh orange segment carries on the business of cultivation and selling of fresh oranges.

Other operations include business of manufacturing and selling of other fruit juice and additive products.

Geographical segment

As the Group only operates in the PRC, no geographical segment information is presented.

(a) For the year ended 31 December 2005

(i) Revenue and expenses

	Year ended 31 December 2005				
	Frozen concentrated orange juice and its related product	Fresh oranges	Others	Inter-segment elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenues from external customers	44,398	43,793	6,289	—	94,480
Inter-segment revenue	—	—	—	—	—
Total	<u>44,398</u>	<u>43,793</u>	<u>6,289</u>	<u>—</u>	<u>94,480</u>
Segment results	16,553	27,080	2,406	—	46,039
Unallocated operating income and expenses					<u>856</u>
Profit from operations					46,895
Net finance costs					(776)
Income tax					<u>(12,661)</u>
Profit for the year					<u>33,458</u>
Depreciation and land use rights amortisation	<u>(919)</u>	<u>(112)</u>	<u>(16)</u>	<u>—</u>	<u>(1,047)</u>

(ii) Assets and liabilities

	At 31 December 2005				
	Frozen concentrated orange juice and its related product	Fresh oranges	Others	Inter-segment elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	72,020	28,357	526	—	100,903
Unallocated assets					<u>2,149</u>
Total assets					<u>103,052</u>
Segment liabilities	(7,007)	(4,959)	(893)	—	(12,859)
Unallocated liabilities					<u>(19,582)</u>
Total liabilities					<u>(32,441)</u>
Capital expenditure incurred during the year	<u>347</u>	<u>33</u>	<u>5</u>	<u>—</u>	<u>385</u>

(b) For the year ended 31 December 2006*(i) Revenue and expenses*

	Year ended 31 December 2006				
	Frozen concentrated orange juice and its related product	Fresh oranges	Others	Inter-segment elimination	Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenues from external customers	70,725	94,818	9,900	—	175,443
Inter-segment revenue	—	—	—	—	—
Total	70,725	94,818	9,900	—	175,443
Segment results	33,083	49,487	2,853	—	85,423
Unallocated operating income and expenses					956
Profit from operations					86,379
Net finance costs					(882)
Income tax					(23,717)
Profit for the year					61,780
Depreciation and land use rights amortisation	(1,028)	(128)	(13)	—	(1,169)

(ii) Assets and liabilities

	At 31 December 2006				
	Frozen concentrated orange juice and its related product	Fresh oranges	Others	Inter-segment elimination	Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	112,612	42,894	465	—	155,971
Unallocated assets					18,314
Total assets					174,285
Segment liabilities	(11,023)	(10,414)	(1,681)	—	(23,118)
Unallocated liabilities					(18,776)
Total liabilities					(41,894)
Capital expenditure incurred during the year	10,623	403	56	—	11,082

(c) For the year ended 31 December 2007

(i) Revenue and expenses

	Year ended 31 December 2007				
	Frozen concentrated orange juice and its related product	Fresh oranges	Others	Inter-segment elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenues from external customers	124,337	127,128	14,130	—	265,595
Inter-segment revenue	—	—	8,984	(8,984)	—
Total	124,337	127,128	23,114	(8,984)	265,595
Segment results	62,576	29,913	4,125	—	96,614
Unallocated operating income and expenses					639
Profit from operations					97,253
Net finance costs					(1,505)
Income tax					(25,899)
Profit for the year					69,849
Depreciation and land use rights amortisation	(2,016)	(181)	(20)	—	(2,217)

(ii) Assets and liabilities

	At 31 December 2007				
	Frozen concentrated orange juice and its related product	Fresh oranges	Others	Inter-segment elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	103,440	100,426	202	—	204,068
Unallocated assets					73,395
Total assets					277,463
Segment liabilities	(12,231)	(8,519)	(956)	—	(21,706)
Unallocated liabilities					(53,517)
Total liabilities					(75,223)
Capital expenditure incurred during the year	896	9,696	18	—	10,610

3. OTHER INCOME

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Government grants	850	1,007	647
Others	8	—	110
	<u>858</u>	<u>1,007</u>	<u>757</u>

The Group received unconditional discretionary grants amounting to RMB850,000, RMB1,007,000 and RMB647,000 for the years ended 31 December 2005, 2006 and 2007, respectively, from various PRC government authorities in recognition of the Group's contribution to the development of the local agriculture industry. These government grants are not recurring in nature and are not only available to the Group. There is no assurance that the Group will receive these government grants in the future.

4. PERSONNEL EXPENSES

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	18,529	32,242	34,290
Contributions to defined contribution plans	286	487	732
	<u>18,815</u>	<u>32,729</u>	<u>35,022</u>

The Group participates in pension funds organised by the PRC government. According to the respective pension fund regulations, the Group is required to pay annual contributions during the Relevant Period. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds. The Group has no obligation for payment of retirement and other post retirement benefits of employees other than the contributions described above.

5. EXPENSES BY NATURE

The following expenses are included in cost of sales, distribution costs, administrative expenses and other expenses.

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Cost of inventories recognised as expenses (<i>note 14(c)</i>)	76,038	142,078	202,480
Depreciation (<i>note 11</i>)	977	1,099	2,147
Amortisation of land use rights (<i>note 12</i>)	70	70	70
Amortisation of rental prepayments (<i>note 13</i>)	6,040	9,201	9,201
Auditors' remuneration	30	34	55
Loss on disposal of property, plant and equipment	—	35	3
Research and development cost	61	116	223

For the years ended 31 December 2005, 2006 and 2007, cost of inventories includes personnel expenses of RMB16,392,000, RMB27,043,000 and RMB32,412,000 respectively. These amounts are also included in the respective expenses disclosed in note 4.

6. NET FINANCE COSTS

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Interest income on bank deposits	10	32	222
Finance income	10	32	222
Interest expenses on loans and borrowings	(781)	(910)	(1,184)
Bank charges	(5)	(4)	(7)
Net foreign exchange loss	—	—	(536)
Finance expenses	(786)	(914)	(1,727)
Net finance costs	(776)	(882)	(1,505)

7. INCOME TAX

(a) Income tax in the combined income statements represents:

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Current tax expense			
Provision for PRC income tax	9,918	21,205	30,353
Deferred tax expense			
Origination and reversal of temporary differences (<i>note 20(b)</i>)	2,743	2,512	(4,454)
	12,661	23,717	25,899

- (i) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) No provision has been made for Hong Kong profits tax as the Group did not earn any income subject to Hong Kong profits tax during the Relevant Period.
- (iii) Pursuant to the Income Tax Law of the PRC For Enterprises with Foreign Investment And Foreign Enterprises (effective as of 1 July 1991), Summi Fujian is entitled to a preferential PRC foreign enterprise income tax rate of 27% of which 24% is attributable to the state government and 3% is attributable to local government, applicable to companies located in the coastal economic areas during the Relevant Period. Sanming Summi, established on 27 September 2007 as a PRC domestic company, is subject to the statutory income tax rate of 33%.
- (iv) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which took effect on 1 January 2008. As a result of the new tax law, the income tax rate applicable to the Group's PRC subsidiaries will be unified to 25% from 1 January 2008. The new tax law has been adopted when measuring the Group's deferred taxes as at 31 December 2007. The enactment of the new tax law has no financial effect on the amounts accrued in the combined balance sheets in respect of current tax payable.

(b) Reconciliation between income tax and accounting profit at applicable tax rates:

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Profit before tax	46,119	85,497	95,748
Income tax computed by applying the tax rate of 27% to profit before tax	12,452	23,084	25,852
Effect of non-deductible expenses	77	72	343
Effect of differences in tax rates of subsidiaries	—	—	628
Effect of change in tax rate on deferred tax balances (note 7(a) (iv))	—	—	(197)
Others	132	561	(727)
Income tax	12,661	23,717	25,899

8. DIRECTORS' REMUNERATION

Details of directors' remuneration of the Company are as follows:

	Year ended 31 December 2005				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contribution to defined contribution plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr. Hong Hong U	—	—	—	—	—
Mr. Sin Ke	200	96	50	—	346
Mr. San Kwan	—	—	—	—	—
	<u>200</u>	<u>96</u>	<u>50</u>	<u>—</u>	<u>346</u>
	Year ended 31 December 2006				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contribution to defined contribution plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr. Hong Hong U	—	—	—	—	—
Mr. Sin Ke	300	96	100	—	496
Mr. San Kwan	—	—	—	—	—
	<u>300</u>	<u>96</u>	<u>100</u>	<u>—</u>	<u>496</u>
	Year ended 31 December 2007				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contribution to defined contribution plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr. Hong Hong U	—	—	—	—	—
Mr. Sin Ke	300	96	—	—	396
Mr. San Kwan	—	—	—	—	—
	<u>300</u>	<u>96</u>	<u>—</u>	<u>—</u>	<u>396</u>

An analysis of directors' remuneration by the number of directors and remuneration range is as follows:

	Year ended 31 December		
	2005	2006	2007
	<i>Number of directors</i>	<i>Number of directors</i>	<i>Number of directors</i>
Nil to RMB1,000,000	3	3	3

During the Relevant Period, no amount was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was also no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group include one director for each of the years ended 31 December 2005, 2006 and 2007, whose emoluments are disclosed in note 8. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	Year ended 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowance and other benefits in kind	192	226	304
Discretionary bonuses	120	310	—
Contribution to defined contribution plans	22	26	45
	334	562	349

An analysis of their emoluments by number of employees and emolument range is set out below:

	Year ended 31 December		
	2005	2006	2007
Nil to RMB1,000,000	4	4	4

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Period.

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the Relevant Period is based on the profit attributable to the equity holders of the Company for the Relevant Period and the 675,000,000 shares of the Company in issue and issuable, comprising 90,000,000 shares (note i) in issue at the date of the Prospectus and 585,000,000 (note ii) shares to be issued, pursuant to the capitalisation issue ("Capitalisation Issue") as detailed in paragraph headed "Written resolutions of all the shareholders of our Company passed on 7 June 2008" as set out in Appendix VI to the Prospectus, as if the shares were outstanding throughout the Relevant Period.

note i: It represents the entire 100,000,000 shares in issue at the date of the Prospectus, excluding 10,000,000 shares issued in relation to the acquisition of minority interests from Mr. Sin Ke on 22 May 2008.

note ii: It represents the entire 650,000,000 shares to be issued pursuant to the Capitalisation Issue, excluding 65,000,000 shares to be issued to Mr. Sin Ke via Key Wise Group Limited.

11. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Furniture, fittings and equipment</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost						
At 1 January 2005	1,749	12,269	214	1,096	1,414	16,742
Additions	—	—	3	67	315	385
Transfers	—	1,105	—	—	(1,105)	—
At 31 December 2005	1,749	13,374	217	1,163	624	17,127
Additions	—	3	—	—	11,079	11,082
Transfers	1,148	10,555	—	—	(11,703)	—
Disposals	—	—	—	(700)	—	(700)
At 31 December 2006	2,897	23,932	217	463	—	27,509
Additions	—	582	141	128	9,759	10,610
Transfers	5,377	151	—	—	(5,528)	—
Disposals	—	—	(48)	(72)	—	(120)
At 31 December 2007	<u>8,274</u>	<u>24,665</u>	<u>310</u>	<u>519</u>	<u>4,231</u>	<u>37,999</u>
Accumulated depreciation						
At 1 January 2005	(539)	(5,659)	(162)	(706)	—	(7,066)
Depreciation charge for the year	(48)	(806)	(18)	(105)	—	(977)
At 31 December 2005	(587)	(6,465)	(180)	(811)	—	(8,043)
Depreciation charge for the year	(116)	(932)	(15)	(36)	—	(1,099)
Disposals	—	—	—	636	—	636
At 31 December 2006	(703)	(7,397)	(195)	(211)	—	(8,506)
Depreciation charge for the year	(254)	(1,839)	(15)	(39)	—	(2,147)
Disposals	—	—	45	68	—	113
At 31 December 2007	<u>(957)</u>	<u>(9,236)</u>	<u>(165)</u>	<u>(182)</u>	<u>—</u>	<u>(10,540)</u>
Net book value						
At 31 December 2005	<u>1,162</u>	<u>6,909</u>	<u>37</u>	<u>352</u>	<u>624</u>	<u>9,084</u>
At 31 December 2006	<u>2,194</u>	<u>16,535</u>	<u>22</u>	<u>252</u>	<u>—</u>	<u>19,003</u>
At 31 December 2007	<u>7,317</u>	<u>15,429</u>	<u>145</u>	<u>337</u>	<u>4,231</u>	<u>27,459</u>

Certain property, plant and equipment with net book value of RMB8,072,000, RMB11,910,000 and RMB1,068,000 were pledged to banks and local government for loans granted to the Group as at 31 December 2005, 2006 and 2007, respectively, as disclosed in note 18.

All of the property, plant and equipment owned by the Group are located in the PRC.

12. LAND USE RIGHTS

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
At 1 January	2,731	2,661	2,591
Less: amortisation	(70)	(70)	(70)
At 31 December	<u>2,661</u>	<u>2,591</u>	<u>2,521</u>

The land use rights as at 31 December 2005, 2006 and 2007 were pledged to banks and local government for loans granted to the Group as disclosed in note 18.

All the Group's land use rights are for lands located in the PRC.

13. RENTAL PREPAYMENTS

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
At 1 January	20,506	36,730	27,529
Additions	22,264	—	—
Less: amortisation	(6,040)	(9,201)	(9,201)
At 31 December	<u>36,730</u>	<u>27,529</u>	<u>18,328</u>
Representing:			
Current portion	9,201	9,201	8,971
Non-current portion	<u>27,529</u>	<u>18,328</u>	<u>9,357</u>
	<u>36,730</u>	<u>27,529</u>	<u>18,328</u>

This represents prepayments of long-term rentals of orange farms as at the balance sheet dates under operating leases.

All of the orange farms leased by the Group are located in the PRC.

14. INVENTORIES

(a) Inventories in the combined balance sheets comprise:

	At 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Oranges	36,427	53,614	31,745
Frozen concentrated juice	1,041	5,129	1,113
Consumables and packing materials	<u>526</u>	<u>464</u>	<u>202</u>
	<u>37,994</u>	<u>59,207</u>	<u>33,060</u>

- (b) Provisions of RMB254,000, RMB312,000 and RMB410,000 were made against those inventories with net realisable value lower than the carrying value as at 31 December 2005, 2006 and 2007, respectively. Except for the above, none of the inventories as at 31 December 2005, 2006 and 2007 was carried at net realisable value.

(c) The analysis of the amount of inventories recognised as an expense is as follows:

	Year ended 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of inventories sold	75,784	141,766	201,315
Write-down of inventories	254	312	1,165
	<u>76,038</u>	<u>142,078</u>	<u>202,480</u>

(d) Production quantities of agricultural produce

	Year ended 31 December		
	2005	2006	2007
	<i>tonnes</i>	<i>tonnes</i>	<i>tonnes</i>
Oranges	<u>59,952</u>	<u>98,483</u>	<u>98,033</u>

15. BIOLOGICAL ASSETS

Movements in biological assets, representing immature oranges before harvest, are summarised as follows:

	Year ended 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	3,301	5,439	5,777
Increase due to cultivation	40,776	63,252	80,224
Gain from changes in fair value less estimated point-of-sale costs (i)	32,563	60,536	44,001
Harvested oranges transferred to inventories	<u>(71,201)</u>	<u>(123,450)</u>	<u>(124,203)</u>
At 31 December (ii)	<u>5,439</u>	<u>5,777</u>	<u>5,799</u>

(i) During the Relevant Period, the directors measured the fair value of oranges at harvest based on market prices as at or close to the harvest dates.

(ii) All oranges are harvested annually and are harvested shortly before the year end. At each year end date, little biological transformation for the following year's harvest has taken place and therefore biological assets are stated at cost as the directors consider that their fair value cannot be measured reliably and no reliable alternative estimates exist to determine fair value. The carrying value of biological assets as at each year end represents cultivation costs incurred including fertilisers, pesticides, labour costs and orange farm rental costs.

16. TRADE AND OTHER RECEIVABLES

	At 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Trade receivables	9,575	38,687	113,784
Amounts due from related parties (<i>note 25(d)</i>)	—	3,983	—
Prepayments	289	867	8,060
Other receivables	190	190	669
	<u>10,054</u>	<u>43,727</u>	<u>122,513</u>

(a) Ageing analysis

The Group's credit policy is set out in note 23(a). The Group generally grants credit terms ranging from 30 days to 90 days to its customers. An ageing analysis of the trade receivables as of the balance sheet dates is as follows:

	At 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Within three months	9,511	38,445	113,455
More than three months but within one year	64	242	329
	<u>9,575</u>	<u>38,687</u>	<u>113,784</u>

All of the trade and other receivables are expected to be recovered within one year.

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	8,467	32,985	113,455
Less than three months past due	1,044	5,460	5
Three months to one year past due	64	242	324
	<u>1,108</u>	<u>5,702</u>	<u>329</u>
	<u>9,575</u>	<u>38,687</u>	<u>113,784</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on the past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

17. CASH AND CASH EQUIVALENTS

	At 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Denominated in RMB	1,090	16,451	55,658
Denominated in Hong Kong dollars	—	—	12,125
Total cash and cash equivalents	<u>1,090</u>	<u>16,451</u>	<u>67,783</u>

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

18. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost. Information about the Group's exposure to liquidity and interest rate risk is disclosed in note 23.

(a) Loans and borrowings were repayable as follows:

	At 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Within 1 year	11,716	14,975	17,000
After 1 year but within 2 years	719	—	—
After 2 years but within 3 years	—	—	35,000
	<u>12,435</u>	<u>14,975</u>	<u>52,000</u>
Representing:			
Secured bank loans	11,000	14,200	12,000
Unsecured bank loan	—	—	5,000
Secured government loans	1,435	775	—
Unsecured equity holder's loan	—	—	35,000
	<u>12,435</u>	<u>14,975</u>	<u>52,000</u>

The above loans and borrowings were all denominated in RMB.

Interest rates per annum on the loans and borrowings were:

	At 31 December		
	2005	2006	2007
Secured bank loans	6.70% ~ 7.25%	6.70% ~ 7.96%	8.31%
Unsecured bank loans	—	—	8.44%
Secured government loans	2.70% ~ 2.94%	2.94%	—
Unsecured equity holder's loan	—	—	6.50%

- (b) The above secured borrowings were secured by certain assets of the Group. An analysis of the carrying value of these assets is as follows:

	At 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Property, plant and equipment (note 11)	8,072	11,910	1,068
Land use rights (note 12)	2,661	2,591	2,521
	<u>10,733</u>	<u>14,501</u>	<u>3,589</u>

In addition, two directors of the Company, Messrs. Sin Ke and San Kwan, collectively provided personal guarantees in favour of a bank to guarantee the Group's bank loans amounting to RMB1,000,000 and RMB17,000,000 as at 31 December 2006 and 2007, respectively. The personal guarantees provided by Messrs. Sin Ke and San Kwan have been fully released subsequent to 31 December 2007.

Unsecured bank loan as at 31 December 2007 was guaranteed by Quanzhou Zhongding Investment & Guaranty Co., Ltd. (泉州市中鼎担保投资有限公司)*, an unrelated third party. The guarantee has been fully released subsequent to 31 December 2007.

* The English translation of the above company's name is for reference only. The official name of this company is in Chinese.

19. TRADE AND OTHER PAYABLES

	At 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Trade payables (note 19(a))	132	231	202
Amounts due to related parties (note 25(e))	5,610	—	—
Other payables and accruals (note 19(b))	3,697	7,650	5,425
	<u>9,439</u>	<u>7,881</u>	<u>5,627</u>

All of the trade and other payables are expected to be settled within one year.

- (a) An ageing analysis of the trade payables of the Group is analysed as follows:

	At 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Not past due	<u>132</u>	<u>231</u>	<u>202</u>

(b) As at 31 December 2005, 2006 and 2007, other payables and accruals comprise the following items:

	<u>At 31 December</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other tax payables	1,732	2,828	3,908
Salaries and bonuses payable	1,005	3,091	388
Accrued expenses	147	251	613
Payable related to the purchase of property, plant and equipment	427	1,020	—
Other payables	386	460	516
	<u>3,697</u>	<u>7,650</u>	<u>5,425</u>

20. DEFERRED TAX LIABILITIES

(a) Recognised deferred tax liabilities

Deferred tax liabilities as at 31 December 2005, 2006 and 2007 are attributable to the following:

	<u>At 31 December</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fair value gain included in year end inventories	4,401	6,913	2,459

(b) Movements in temporary differences

Movements in temporary differences during the Relevant Period are as follows:

	Recognised		Recognised		Recognised		At 31 December 2007 <i>RMB'000</i>
	At 1 January 2005 <i>RMB'000</i>	in combined income statements <i>RMB'000</i> <i>(note 7(a))</i>	At 31 December 2005 <i>RMB'000</i>	in combined income statements <i>RMB'000</i> <i>(note 7(a))</i>	At 31 December 2006 <i>RMB'000</i>	in combined income statements <i>RMB'000</i> <i>(note 7(a))</i>	
Fair value gain included in year end inventories	1,658	2,743	4,401	2,512	6,913	(4,454)	2,459

21. SHARE CAPITAL

As disclosed in Section A above, the Financial Information has been prepared under the merger accounting method and accordingly, financial statements of companies comprising the Group during the Relevant Period were combined as if the Group existed on 1 January 2005.

For the purpose of the Financial Information, share capital in the combined balance sheets as at 31 December 2005 and 2006 represented the paid-in capital of Summi Fujian. Share capital in the combined balance sheet as at 31 December 2007 represented the aggregate amount of paid-in capital of the companies comprising the Group during the Relevant Period, after elimination of investments in subsidiaries.

(a) Capital injection

On 17 July 2007, Sunshine Vocal Limited was incorporated with limited liability. On 12 October 2007, 1 share of US\$1.00 in Sunshine Vocal Limited, credited as fully paid, was allotted and issued to Mr. Hong Hong U.

(b) Settlement of amount owing to Macau Dehong

Pursuant to the written resolution of the director of Sunshine Vocal Limited, passed on 22 October 2007, the amount due to Macau Dehong of RMB18,000,000 was settled by the allotment of 99,999 shares of Sunshine Vocal Limited of US\$1.00 each, credited as fully paid to Mr. Hong Hong U.

22. RESERVES**(a) Share premium**

The share premium at 31 December 2007 represents the share premium of Sunshine Vocal Limited (see note 21 (b)).

(b) Capital reserve

For the purpose of the Financial Information, the capital reserve at 31 December 2005, 2006 and 2007 represents the excess of paid-in capital of the companies comprising the Group during the Relevant Period.

(c) Statutory reserves

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the Group's PRC subsidiaries. Transfers to the reserves were approved by the boards of directors of these companies.

(i) Statutory surplus reserve

The Group's PRC subsidiaries are required to transfer no less than 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capitals. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(ii) Discretionary surplus reserve

The Group's PRC subsidiaries made appropriations to discretionary surplus reserve in accordance with their board of directors' resolutions during the Relevant Period.

(d) Distributable reserves

The Company was incorporated on 5 February 2008 and has not carried on any business since its date of incorporation save for the Reorganisation. Accordingly, there was no reserve available for distribution to equity holders as at 31 December 2007.

The aggregate amounts of distributable reserves of the companies comprising the Group during the Relevant Period at 31 December 2005, 2006 and 2007 are RMB41,873,000, RMB96,875,000 and RMB150,733,000, respectively.

23. FINANCIAL INSTRUMENTS

The Group's business strategies, tolerance of risk and general risk management philosophy are determined by management in accordance with prevailing economic and operating conditions. In the opinion of the directors, the Group has taken appropriate quality control measures to mitigate the effect from any claims caused by products, which may affect adversely its financial results.

The Group's financial assets comprise mainly cash and cash equivalents, and trade and other receivables. The Group's financial liabilities include loans and borrowings, and trade and other payables.

The Group has no derivative instruments that are designated and qualified as hedging instruments during the Relevant Period. Exposure to credit, liquidity, interest rate, currency and business risks arises in the normal course of the Group's business.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's receivables from customers.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The board has established a credit policy under which credit evaluations are performed on all customers requiring credit. These receivables are due within 30 days to 90 days from the date of billing during the Relevant Period. The Group does not collect collateral in respect of trade and other receivables.

At the balance sheet dates, the Group has a certain concentration of credit risk. 16%, 14% and 9%, and 60%, 35% and 34% of the total trade receivables were due from the Group's largest trade debtor and the five largest trade debtors as at 31 December 2005, 2006 and 2007, respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined balance sheets.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

(ii) Deposits with bank

All the bank deposits are deposited with financial institutions with no significant credit risk. The management does not expect any losses arising from non-performance of these financial institutions.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's net current assets amounted to RMB36,457,000, RMB99,382,000 and RMB200,362,000 as at 31 December 2005, 2006 and 2007, respectively. The Group recorded a net cash outflow from operating activities of approximately RMB564,000 for the year ended 31 December 2005 and a net cash inflow from operating activities of approximately RMB23,269,000 and RMB25,616,000 for the years ended 31 December 2006 and 2007, respectively. For the same period, the Group had an increase in cash and cash equivalents of RMB61,000, RMB15,361,000 and RMB51,332,000, respectively.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the 18 months ending 30 June 2009. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

The following table shows the time periods after the balance sheet dates during which contractual payments, presented on an undiscounted basis, are due to be made. These payments include, among others, interest payments computed using contractual rates (for fixed rate instruments) under the Group's non-derivative financial liabilities which are due to be paid.

At 31 December 2005					
	Carrying amount	Total contracted undiscounted cash flow	Within 1 year or on demand	More than 1 year within 2 years	More than 2 years within 3 years
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other payables	9,439	(9,439)	(9,439)	—	—
Loans and borrowings	12,435	(12,842)	(12,097)	(745)	—
	<u>21,874</u>	<u>(22,281)</u>	<u>(21,536)</u>	<u>(745)</u>	<u>—</u>
At 31 December 2006					
	Carrying amount	Total contracted undiscounted cash flow	Within 1 year or on demand	More than 1 year within 2 years	More than 2 years within 3 years
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other payables	7,881	(7,881)	(7,881)	—	—
Loans and borrowings	14,975	(15,394)	(15,394)	—	—
	<u>22,856</u>	<u>(23,275)</u>	<u>(23,275)</u>	<u>—</u>	<u>—</u>
At 31 December 2007					
	Carrying amount	Total contracted undiscounted cash flow	Within 1 year or on demand	More than 1 year within 2 years	More than 2 years within 3 years
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other payables	5,627	(5,627)	(5,627)	—	—
Loans and borrowings	52,000	(59,197)	(19,647)	(2,275)	(37,275)
	<u>57,627</u>	<u>(64,824)</u>	<u>(25,274)</u>	<u>(2,275)</u>	<u>(37,275)</u>

(c) Interest rate risk

The interest rates and maturity information of the Group's loans and borrowings are disclosed in note 18. The Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements and rates are approximately fixed. The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not use derivative financial instruments to hedge its debt obligations. Therefore, a change in interest rates at the balance sheet date would not affect profit or loss.

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing liabilities, the following table indicates their effective interest rates at the balance sheet dates and the periods in which they reprice or the maturity dates, if earlier:

At 31 December 2005				
	Effective interest rate	1 year or less RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000
Repricing dates for assets which reprice before maturity				
Cash at bank	0.72%	1,049	—	—
Maturity dates for liabilities which do not reprice before maturity				
Loans and borrowings	6.42%	11,716	719	—
At 31 December 2006				
	Effective interest rate	1 year or less RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000
Repricing dates for assets which reprice before maturity				
Cash at bank	0.72%	15,781	—	—
Maturity dates for liabilities which do not reprice before maturity				
Loans and borrowings	6.51%	14,975	—	—
At 31 December 2007				
	Effective interest rate	1 year or less RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000
Repricing dates for assets which reprice before maturity				
Cash at bank	0.77%	67,737	—	—
Maturity dates for liabilities which do not reprice before maturity				
Loans and borrowings	7.39%	17,000	—	35,000

(d) Foreign currency risk

As most of the Group's monetary assets and liabilities are denominated in RMB and the Group conducts its business transactions principally in RMB, the exchange rate risk of the Group is not significant and the Group does not employ any financial instruments for hedging purposes.

(e) Business risk

The Group's revenue depends significantly on the ability to harvest oranges at adequate levels. The ability to harvest oranges in the Group's leased orange farms and the growth of the oranges may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of oranges available for harvesting in the Group's leased orange farms, which in turn may have a material adverse effect on the Group's ability to produce the products in sufficient quantities and quality. The Group has procedures in place aimed at monitoring and mitigating exposures to diseases, including regular farms inspections and pesticide prevention.

The Group has certain concentration risk of sales to its current major customers. The Group's revenue from five largest customers amounted to approximately RMB29,562,000, RMB46,094,000 and RMB89,952,000 which accounted for approximately 31%, 26% and 34% of the Group's total revenue for the years ended 31 December 2005, 2006 and 2007, respectively. The Group has no long-term contractual arrangement with these customers and there is no assurance that these major customers will continue their business dealings with the Group or that the revenue generated from dealing with these customers will increase or be maintained in the future. In the event that these customers cease to purchase products from the Group and the Group could not secure orders from other customers, the Group's turnover and profitability would be adversely affected.

The Group is exposed to financial risks arising from changes in prices of oranges, concentrated orange juice and the change in cost and supply of fertilizer and pesticides, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and diseases. The Group has little or no control over these conditions and factors.

(f) Fair values

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2005, 2006 and 2007 respectively. The following methods and assumptions were used to estimate the fair value for each class of financial instruments:

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables

The carrying amounts approximate their respective fair values due to the short-term maturity of these instruments.

(ii) Loans and borrowings

The carrying amount of loans and borrowings approximate their fair value based on the borrowing rates currently available for bank loans with similar terms and maturities.

(g) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of business. The directors define the capital of the Group as the total shareholders' equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure closely, and adjusts its level of loans and borrowings, trade and other payables and dividend payments to safeguard the Group's ability to continue as a going concern.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24. COMMITMENTS

- (a) Capital commitments at 31 December 2005, 2006 and 2007 not provided for in the Financial Information were as follows:

	At 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Contracted for	210	—	1,002

- (b) At 31 December 2005, 2006 and 2007, the total future minimum rental payments under non-cancellable operating leases are payable as follows:

	At 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Within 1 year	—	—	150
After 1 year but within 5 years	—	—	497
	—	—	647

25. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions.

(a) Name and relationship with related parties

During the Relevant Period, transactions with the following parties are considered as related party transactions:

Name of party	Relationships
Mr. Hong Hong U	Controlling shareholder of the Company
Macau Dehong	A company wholly owned by the controlling shareholder of the Company, Mr. Hong Hong U
Riri (Quanzhou) Drink Co., Ltd.* 日日(泉州)飲料有限公司	A company owned by Ms. Hong Manna, who is the spouse of Mr. Sin Ke and the sister of the controlling shareholder of the Company, Mr. Hong Hong U
Mr. Sin Ke	Member of key management personnel and brother-in-law of the controlling shareholder of the Company, Mr. Hong Hong U
Mr. San Kwan	Brother of Mr. Sin Ke, a member of key management personnel
Mr. Hu Xu	Member of key management personnel
Mr. Hong Wenwei	Brother of the controlling shareholder of the Company, Mr. Hong Hong U
Mr. Hong Yushu	Brother of the controlling shareholder of the Company, Mr. Hong Hong U

* The English translation of the company name of this entity is for reference only. The official name of this entity is in Chinese. Ms. Hong Manna transferred her 100% equity interest in Riri (Quanzhou) Drink Co., Ltd. to an independent third party on 13 December 2007.

(b) Significant related party transactions

Particulars of significant related party transactions during the Relevant Period are as follows:

(i) Sales of concentrated orange juice

	Year ended 31 December		From 1 January
	2005	2006	2007 to
	RMB'000	RMB'000	12 December 2007
			RMB'000
Riri (Quanzhou) Drink Co., Ltd.	371	7,115	3,241

The directors of the Company are of the opinion that the above transactions with related party, were conducted on normal commercial terms with reference to comparable market prices and in the ordinary course of business.

(ii) Acquisition of Summi Fujian's 90% equity interest

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Macau Dehong	—	—	18,000

As part of the Reorganisation of the Group, on 22 October 2007, Potel Limited acquired 90% equity interest of Summi Fujian from Tak Vang, which was wholly-owned by Mr. Hong Hong U, for cash consideration of RMB18,000,000, which equaled to 90% of Summi Fujian's paid-in capital as at 22 October 2007.

(iii) Net cash advances from/(to)[#]

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Mr. Sin Ke	660	(3,660)	—
Mr. San Kwan	—	(1,000)	—
Mr. Hu Xu	—	(300)	—
Mr. Hong Wenwei	—	(550)	—
Mr. Hong Yushu	—	(100)	—
	660	(5,610)	—

(iv) Bank loans guarantee collectively provided by^{#}*

	At 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Messrs. Sin Ke and San Kwan	—	1,000	17,000

* The personal guarantees provided by Messrs. Sin Ke and San Kwan have been fully released subsequent to 31 December 2007.

[#] The directors have confirmed that the transactions will discontinue after the listing.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in note 8 and the highest paid employees as disclosed in note 9, are as follows:

	Year ended 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short term employee benefits	958	1,495	1,092
Contribution to defined contribution plans	54	57	92
	<u>1,012</u>	<u>1,552</u>	<u>1,184</u>

(d) Amounts due from related parties

	At 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables			
Riri (Quanzhou) Drink Co., Ltd.	—	3,983	—
	<u>—</u>	<u>3,983</u>	<u>—</u>

Trade and other receivables due from related parties are unsecured, interest-free and are expected to be recovered within one year. There was no impairment loss made against the amount due from related parties at 31 December 2006.

(e) Amounts due to related parties

	At 31 December		
	2005	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables due to			
Mr. Sin Ke	3,660	—	—
Mr. San Kwan	1,000	—	—
Mr. Hu Xu	300	—	—
Mr. Hong Wenwei	550	—	—
Mr. Hong Yushu	100	—	—
	<u>5,610</u>	<u>—</u>	<u>—</u>

All payables due to related parties are unsecured, interest-free and repayable on demand.

26. ACCOUNTING ESTIMATES AND JUDGEMENTS**(a) Useful lives of property, plant and equipment**

The directors determine the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on historical experience of the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. The directors will increase the depreciation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of similar nature. They could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market conditions. The directors will reassess the estimations at each balance sheet date.

(c) Income tax

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The directors carefully evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, the directors' judgement is required to assess the probability of future taxable profits. The directors' assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Impairment for bad and doubtful debts

The directors estimate impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The directors base the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(e) Fair value of biological assets and agricultural produce

All oranges are harvested shortly before the year end. At each year end date, little biological transformation for the following year's harvest has taken place and therefore biological assets are stated at cost as the directors consider that their fair value cannot be measured reliably and no reliable alternative estimates exist to determine fair value. Once the fair value of the Group's biological assets becomes reliably measurable, they are then measured at their fair value less estimated point-of-sale costs.

The Group's agricultural produce are measured at fair value less estimated point-of-sale costs at the point of harvest. The directors are of the view that there is no quoted price in the market and the fair value is therefore determined based on the most recent market transaction price as at or close to the harvest dates in the local area.

27. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company of the Company as at 31 December 2007 to be Key Wise Group Limited, which is incorporated in the BVI. The entity does not produce financial statements available for public use.

D SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 December 2007:

i. Corporate reorganisation

The Company was incorporated in the Cayman Islands on 5 February 2008. The companies comprising the Group underwent and completed a reorganisation in preparation for the listing of the Company's shares on the Stock Exchange on 22 May 2008. Further details of the reorganisation are set out in the Section headed "Corporate reorganisation" in Appendix VI to the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group.

ii. Valuation of properties

For the purpose of the listing of the Company's shares on the Stock Exchange, the properties of the Group were revalued as at 31 March 2008 by Jones Lang LaSalle Sallmanns Limited in Appendix IV to the Prospectus.

iii. Share option scheme

Pursuant to the written resolution of the equity holders of the Company passed on 7 June 2008, the Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out in Section headed "Share Option Scheme" in Appendix VI to the Prospectus.

iv. Unsecured equity holder's loan

On 2 June 2008, the unsecured equity holder's loan of RMB35,000,000 together with the accrued interest of RMB1,396,000 was waived by Mr. Hong Hong U and credited to the capital reserve of the Group.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group during the Relevant Period in respect of any period subsequent to 31 December 2007.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with rule 4.29 of the Listing Rules is set forth here to illustrate the effect of the International Offering on the unaudited pro forma adjusted net tangible assets of the Group as if it had taken place on 31 December 2007.

The information set forth in this appendix does not form part of the accountants' report prepared by KPMG, the reporting accountants of the Company, as set out in appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of the Group which has been prepared in the basis of the notes set out below for the purpose of illustrating the effect of the International Offering as if it has taken place on 31 December 2007. This unaudited pro forma financial information has been prepared for illustrative proposed only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 December 2007 or any future date.

	Audited combined net tangible assets of the Group as at 31 December 2007	Estimated net proceeds from the International Offering	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>
Based on an Offer Price of HK\$0.63 per Share	<u>202,240</u>	<u>115,144</u>	<u>317,384</u>	<u>0.32</u>
Based on an Offer Price of HK\$0.73 per Share	<u>202,240</u>	<u>135,914</u>	<u>338,154</u>	<u>0.34</u>

Notes:

1. The audited combined net tangible assets of the Group as at 31 December 2007 is extracted from the accountants' report set out in appendix I to this prospectus, which is based on the audited combined net assets of the Group as at 31 December 2007 of RMB202.24 million.
2. The estimated net proceeds from the International Offering are based on the Offer Price of HK\$0.63 and HK\$0.73 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option or any option which may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares in issue immediately after completion of the the International Offering and the Capitalisation Issue, taking no account for the Share which may be issued pursuant to any exercise of Over-allotment Option or any option which may be granted under the Share Option Scheme.

4. The Group's property interests were valued by Jones Lang LaSalle Sallmanns Limited, the valuation in respect of which is set out in Appendix IV to this prospectus. The Group will not incorporate the revaluation surplus in its first annual financial statements after the listing. It is the Group's accounting policy to state its property, plant and equipment at cost less accumulated depreciation and any impairment loss and land use rights at cost less accumulated amortisation and any impairment loss in accordance with International Accounting Standard 16 and 17, respectively, rather than at revalued amounts. Pursuant to the valuation performed by Jones Lang LaSalle Sallmanns Limited, the Group's property interests as at 31 March 2008 amounted to approximately RMB26.2 million. Comparing the valuation amount as at 31 March 2008 to the unaudited net book value of the property interests as at 31 March 2008, there was a difference of approximately RMB11.6 million which will not be included in the financial statements for the year end 31 December 2007. If the revaluation surplus was recorded in the financial statements, the depreciation expenses would increase by approximately RMB0.4 million per annum.

5. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2007.

**B. COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
RELATING TO THE ADJUSTED COMBINED NET TANGIBLE ASSETS**

The following is the text of a report received from our reporting accountants, KPMG, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the additional unaudited pro forma financial information of our Group.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 June 2008

The Directors
Tianyi Fruit Holdings Limited
Evolution Watterson Securities Limited

Dear Sirs,

We report on the unaudited pro forma statement of adjusted net tangible assets (“the Unaudited Pro Forma Financial Information”) of Tianyi Fruit Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as set out in part A of Appendix II to the Prospectus dated 30 June 2008 (the “Prospectus”), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the International Offering might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in part A of Appendix II to the Prospectus.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29 (7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of

comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Additional Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29 (1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2007 or any future date.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described under "Use of Proceeds" in the section headed "Future Plans and Use of Proceeds" set out in the Prospectus.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29 (1) of the Listing Rules.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

The forecast combined profit attributable to equity holders of the Group for the six-month period ending 30 June 2008 is set out in the section headed “Financial information — Profit forecast” in this prospectus.

1. BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of the combined profit attributable to equity holders of the Group for the six-month period ending 30 June 2008 based on the unaudited management accounts for the four-month period ended 30 April 2008 and a forecast of our results for the remaining two-month period ending 30 June 2008. We have undertaken to the Stock Exchange that our interim financial report for the six-month period ending 30 June 2008 will be audited pursuant to Rule 11.18 of the Listing Rules. The profit forecast has been presented on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarized in the accountants’ report, the text of which is set out in Appendix I to this prospectus and on the following principal assumptions:

- (a) there will be no material change in existing political, legal or regulatory (including changes in legislation, laws or regulations, government policies or rules), fiscal, market or economic conditions in the PRC;
- (b) there will be no material change in inflation, interest rates or exchange rates from those prevailing as at the date of the prospectus;
- (c) there will be no material change in the bases or rates of taxation or duties in the PRC; and
- (d) the Group’s operations and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters or catastrophes, epidemics or serious accidents.

2. LETTERS

Set forth below are the texts of the letters received by the Directors from KPMG, the reporting accountants of the Company, and from the Sponsor, Evolution Watterson, prepared for the purpose of incorporation in this prospectus in connection with the profit forecast.

(i) Letter from KPMG



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 June 2008

The Directors
Tianyi Fruit Holdings Limited
Evolution Watterson Securities Limited

Dear Sirs

We have reviewed the accounting policies and calculations adopted in arriving at the forecast of the combined profit attributable to the equity holders of Tianyi Fruit Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the six-month period ending 30 June 2008 (the "Forecast"), for which the Directors of the Company (the "Directors") are solely responsible, as set out in the section headed "Profit Forecast" in the section headed "Financial Information" of the prospectus of the Company dated 30 June 2008 (the "Prospectus").

The Forecast has been prepared by the Directors based on the unaudited management accounts of the Group for the four months ended 30 April 2008 and a forecast of the combined results of the Group for the remaining two months ending 30 June 2008.

In our opinion, so far as the accounting policies and calculations are concerned, the Forecast has been properly compiled on the bases and assumptions adopted by the Directors as set out in Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in our Accountants' Report dated 30 June 2008, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

(ii) Letter from Evolution Watterson



30 June 2008

The Directors
Tianyi Fruit Holdings Limited

Dear Sirs,

We refer to the forecast of the combined profit attributable to equity holders of Tianyi Fruit Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the six-month period ending 30 June 2008 (the “Profit Forecast”) as set forth under “Profit forecast” in the section headed “Financial information” in the prospectus of the Company dated 30 June 2008.

The Profit Forecast, for which the directors of the Company (the “Directors”) are solely responsible, has been prepared by them based on the unaudited management accounts of the Group for the four months ended 30 April 2008 and a forecast of the combined results of the Group for the remaining two months ending 30 June 2008.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 30 June 2008 addressed to you and us from KPMG regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the foregoing and on the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by KPMG, we have formed the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Evolution Watterson Securities Limited
Edward Wu
Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 March 2008 of the property interests of the Group.



Jones Lang LaSalle Sallmanns Limited
22nd Floor Siu On Centre
188 Lockhart Road
Wanchai Hong Kong
tel +852 2169 6000 fax +852 2169 6001

30 June 2008

The Board of Directors
Tianyi Fruit Holdings Limited
Suites 2201–2203
22nd Floor
Jardine House
1 Connaught Place
Central, Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which Tianyi Fruit Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 March 2008 (the “date of valuation”).

Our valuations of the property interests represent the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

Where, due to the nature of the buildings and structures of the property in the PRC, there are no market sales comparables readily available, portion of the property interest in Property no. 1 has been valued on the basis of its depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement costs of the property interest is subject to adequate potential profitability of the concerned business.

In valuing the remaining portion of property interest in Property no. 1 which is currently under construction, we have assumed that it will be developed and completed in accordance with the Group’s latest development proposals provided to us. In arriving at our opinion of value, we have taken into account the construction costs and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the costs and fees to be expended to complete the development.

We have attributed no commercial value to the property interests in Group II, which are leased by the Group in the PRC, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interest located in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interest in the PRC and any material encumbrances that might be attached to the property interest or any lease amendments. We have relied considerably on the advice given by the Company's PRC legal advisers — Shu Jin Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigations to determine the suitability of the ground conditions and the services etc for any development. Our valuations have been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 25 years' experience in the valuation of properties in the PRC and 28 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interest owned and occupied by the Group in the PRC

No. Property	Capital value in existing state as at 31 March 2008 <i>RMB</i>
1. A parcel of land, various buildings and structures located at Zhenbei Industrial Zone Luoyang Town Quanzhou City Fujian Province The PRC	26,189,000
Sub-total:	<u>26,189,000</u>

Group II — Property interests rented and occupied by the Group in the PRC

No. Property	Capital value in existing state as at 31 March 2008 <i>RMB</i>
2. 2 parcels of land and 2 buildings located at Guanxiangpingbu Industrial Zone Mingxi County Sanming City Fujian Province The PRC	No commercial value
3. A fruit farm and 3 temporary buildings located at Xiji Village Xinkou Town Sanyuan District Sanming City Fujian Province The PRC	No commercial value

No.	Property	Capital value in existing state as at 31 March 2008 <i>RMB</i>
4.	A fruit farm and a temporary building located at Oukeng Village Yanqian Town Sanyuan District Sanming City Fujian Province The PRC	No commercial value
5.	A fruit farm and 4 temporary buildings located at Bixi Village Chenda Town Meilie District Sanming City Fujian Province The PRC	No commercial value
6.	A fruit farm and 2 temporary buildings located at Nankeng Village Sanyuan District Sanming City Fujian Province The PRC	No commercial value
7.	A fruit farm and a temporary building located at Liukeng Village Fukou Town Sha County Fujian Province The PRC	No commercial value

No.	Property	Capital value in existing state as at 31 March 2008 <i>RMB</i>
8.	A fruit farm and 2 temporary buildings located at Xiaosang Village Hongtian Town Yongan City Fujian Province The PRC	No commercial value
9.	A fruit farm and a temporary building No. 93 Xinjian Road Shixi Village Yangkou Town Shunchang County Fujian Province The PRC	No commercial value
10.	A fruit farm and 2 temporary buildings No. 64 Dageng Village Xiayang Town Yanping District Nanping City Fujian Province The PRC	No commercial value
11.	A fruit farm and a temporary building located at Yuxi Village Chenda Town Meilie District Sanming City Fujian Province The PRC	No commercial value
12.	A fruit farm and 3 temporary buildings located at Liaoyuan Village Sanming City Fujian Province The PRC	No commercial value

No.	Property	Capital value in existing state as at 31 March 2008 <i>RMB</i>
13.	A fruit farm and a temporary building located at Miyang Village Sanyuan District Sanming City Fujian Province The PRC	No commercial value
14.	A fruit farm and a temporary building located at Dingtai Village Sanyuan District Sanming City Fujian Province The PRC	No commercial value
15.	A fruit farm and a temporary building located at Jifeng Village Sanyuan District Sanming City Fujian Province The PRC	No commercial value
16.	A fruit farm and a temporary building located at Zhong Village Sanyuan District Sanming City Fujian Province The PRC	No commercial value
17.	A fruit farm and 2 temporary buildings located at Dushui Village Sanyuan District Sanming City Fujian Province The PRC	No commercial value

No.	Property	Capital value in existing state as at 31 March 2008 <i>RMB</i>
18.	A fruit farm and a temporary building located at Kengyuan Village Sanyuan District Sanming City Fujian Province The PRC	No commercial value
19.	A fruit farm and 2 temporary buildings located at Daowu Village Yangkou Town Shunchang County Fujian Province The PRC	No commercial value
20.	A fruit farm and 2 temporary buildings located at Shajiao Village Chenda Town Meilie District Sanming City Fujian Province The PRC	No commercial value
21.	A fruit farm and a temporary building located at Changxi Village Chenda Town Meilie District Sanming City Fujian Province The PRC	No commercial value

No. Property	Capital value in existing state as at 31 March 2008 <i>RMB</i>
22. A fruit farm and a temporary building located at Chendun Village Chenda Town Meilie District Sanming City Fujian Province The PRC	No commercial value
23. A fruit farm and a temporary building located at Taixi Village Chenda Town Meilie District Sanming City Fujian Province The PRC	No commercial value
24. A fruit farm and a temporary building located at Zongnan Village Chenda Town Meilie District Sanming City Fujian Province The PRC	No commercial value
25. A fruit farm and 3 temporary buildings No. 48 Yuanyu Street Nanxi Village Taiping Town Yanping District Nanping City Fujian Province The PRC	No commercial value

	Sub-total: _____ Nil
	Grand-total: _____ 26,189,000

VALUATION CERTIFICATE

Group I — Property interest owned and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
1. A parcel of land, various buildings and structures located at Zhenbei Industrial Zone Luoyang Town Quanzhou City Fujian Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 38,980 sq.m. and 10 buildings and various structures (the “Completed Property”) erected thereon completed in various stages between 1993 and 2007.</p> <p>The buildings have a total gross floor area of approximately 6,716.26 sq.m.</p> <p>The buildings mainly include industrial buildings, warehouses and an office building.</p> <p>The major structures include roads, walls and gates.</p> <p>In addition to the Completed Property on the land parcel, there are 3 buildings still under construction as at the date of valuation (the “CIP Property”). The estimated total construction cost is approximately RMB10,298,757, of which approximately RMB10,258,000 had been paid up to the date of valuation. The total gross floor area of the CIP Property is approximately 5,887.4 sq.m. The CIP Property is scheduled to be completed in July 2008.</p> <p>The land use rights of the property have been granted for a term expiring on 15 March 2043 for industrial use.</p>	The property is currently occupied by the Group for production, storage and ancillary office purposes.	26,189,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Hui Guo Yong (2005) Chu Zi Di No. 160043, the land use rights of a parcel of land with a site area of approximately 38,980 sq.m. have been granted to Summi Fujian Food Co., Ltd., a wholly-owned subsidiary of the Company, for a term expiring on 15 March 2043 for industrial use.
2. Pursuant to 3 Building Ownership Certificates — Hui Luo Zi Di Nos. 0662, 0663 and 2729, the building ownership rights of 10 buildings of the Completed Property with a total gross floor area of approximately 6,716.26 sq.m. are held by Summi Fujian Food Co., Ltd.
3. Pursuant to a Construction Work Planning Permit — Hui Gui Jian Cun Xu No. (2007) 1-60, construction of the CIP Property with a total gross floor area of approximately 5,887.4 sq.m. has been approved.
4. Pursuant to a Construction Work Commencement Permit — Hui Shi Jian Cun Xu (2008) No. 1-12 dated 20 February 2008, permissions have been given to commence the construction of the CIP Property.
5. Pursuant to a Maximum Amount Mortgage Contract dated 24 April 2007, the property (except 2 buildings with a total gross floor area of approximately 329.92 sq.m.) is subject to a mortgage in favour of Quanzhou City Commercial Bank as security for a loan with an amount of RMB12,000,000 granted to Summi Fujian Food Co., Ltd. for a loan period from 24 April 2007 to 24 April 2009.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) Summi Fujian Food Co., Ltd. has legally obtained both the land use rights of the property and the building ownership rights of the 10 buildings stated in note 2;
 - (ii) Summi Fujian Food Co., Ltd. has the rights to use, transfer, lease, mortgage or otherwise dispose of the land use rights of the property and the building ownership rights of the 10 buildings stated in note 2; and
 - (iii) Regarding the CIP Property, Summi Fujian Food Co., Ltd. can legally apply for title certificates after completion certification.

VALUATION CERTIFICATE

Group II — Property interests rented and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
2. 2 parcels of land and 2 buildings located at Guanxiangpingbu Industrial Zone Mingxi County Sanming City Fujian Province The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 5,578.03 sq.m. and 2 buildings erected thereon completed in 2002.</p> <p>The buildings have a total gross floor area of approximately 1,127.13 sq.m.</p> <p>The buildings include an industrial building and an office building.</p> <p>Pursuant to a Tenancy Agreement and a Supplemental Agreement, the property is rented to Summi Fujian Food Co., Ltd. from an independent third party for a term commencing from 11 August 2007 and expiring on 10 August 2012, at an annual rent of RMB163,500 exclusive of electricity charges and other outgoings.</p>	The property is currently occupied by the Group for production purpose.	No commercial value

Notes:

1. Summi Fujian Food Co., Ltd. is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreements to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained 2 State-owned Land Use Rights Certificates and a Building Ownership Certificate for the property;
 - (ii) The tenancy agreements are legally binding and enforceable; and
 - (iii) The lessor has legally obtained the ownership of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
3. A fruit farm and 3 temporary buildings located at Xiji Village Xinkou Town Sanyuan District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,760 mu (1,173,339.2 sq.m.) and 3 temporary buildings erected thereon completed in various stages between 1993 and 1994.</p> <p>The buildings have a total gross floor area of approximately 258 sq.m.</p> <p>The buildings include a staff quarter hut and 2 warehouses.</p> <p>Pursuant to a Lease Contract, the property is rented to Quanzhou Summi Natural Food & Drink Co., Ltd. from an independent third party for a term commencing from 1 January 2004 and expiring on 31 December 2008, at an annual rent of RMB510,400 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Quanzhou Summi Natural Food & Drink Co., Ltd. (now known as Summi Fujian Food Co., Ltd.) is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
4. A fruit farm and a temporary building located at Oukeng Village Yanqian Town Sanyuan District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,650 mu (1,100,005.5 sq.m.) and a temporary building erected thereon completed in 1992.</p> <p>The building has a gross floor area of approximately 162 sq.m.</p> <p>The building includes a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Quanzhou Summi Natural Food & Drink Co., Ltd. from an independent third party for a term commencing from 1 January 2004 and expiring on 31 December 2008, at an annual rent of RMB478,500 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Quanzhou Summi Natural Food & Drink Co., Ltd. (now known as Summi Fujian Food Co., Ltd.) is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
5. A fruit farm and 4 temporary buildings located at Bixi Village Chenda Town Meilie District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 2,020 mu (1,346,673.4 sq.m.) and 4 temporary buildings erected thereon completed in various stages between 1989 and 1991.</p> <p>The buildings have a total gross floor area of approximately 398 sq.m.</p> <p>The buildings include a staff quarter hut and 3 warehouses.</p> <p>Pursuant to a Lease Contract, the property is rented to Quanzhou Summi Natural Food & Drink Co., Ltd. from an independent third party for a term commencing from 1 January 2004 and expiring on 31 December 2008, at an annual rent of RMB585,800 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Quanzhou Summi Natural Food & Drink Co., Ltd. (now known as Summi Fujian Food Co., Ltd.) is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
6. A fruit farm and 2 temporary buildings located at Nankeng Village Sanyuan District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,480 mu (986,671.6 sq.m.) and 2 temporary buildings erected thereon completed in various stages between 1993 and 1995.</p> <p>The buildings have a total gross floor area of approximately 237 sq.m.</p> <p>The buildings include a staff quarter hut and a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Quanzhou Summi Natural Food & Drink Co., Ltd. from an independent third party for a term commencing from 1 January 2004 and expiring on 31 December 2008, at an annual rent of RMB429,200 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Quanzhou Summi Natural Food & Drink Co., Ltd. (now known as Summi Fujian Food Co., Ltd.) is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
7. A fruit farm and a temporary building located at Liukeng Village Fukou Town Sha County Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,390 mu (926,671.3 sq.m.) and a temporary building erected thereon completed in 1994.</p> <p>The building has a gross floor area of approximately 176 sq.m.</p> <p>The building includes a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Quanzhou Summi Natural Food & Drink Co., Ltd. from an independent third party for a term commencing from 1 January 2004 and expiring on 31 December 2008, at an annual rent of RMB403,100 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Quanzhou Summi Natural Food & Drink Co., Ltd. (now known as Summi Fujian Food Co., Ltd.) is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
8. A fruit farm and 2 temporary buildings located at Xiaosang Village Hongtian Town Yongan City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,200 mu (800,004 sq.m.) and 2 temporary buildings erected thereon completed in various stages between 1997 and 1998.</p> <p>The buildings have a total gross floor area of approximately 169 sq.m.</p> <p>The buildings include a staff quarter hut and a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Quanzhou Summi Natural Food & Drink Co., Ltd. from an independent third party for a term commencing from 1 January 2004 and expiring on 31 December 2008, at an annual rent of RMB348,000 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Quanzhou Summi Natural Food & Drink Co., Ltd. (now known as Summi Fujian Food Co., Ltd.) is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
9. A fruit farm and a temporary building No. 93 Xinjian Road Shixi Village Yangkou Town Shunchang County Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,603 mu (1,068,672.01 sq.m.) and a temporary building erected thereon completed in 2000.</p> <p>The building has a gross floor area of approximately 203 sq.m.</p> <p>The building includes a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Quanzhou Summi Natural Food & Drink Co., Ltd. from an independent third party for a term commencing from 1 January 2005 and expiring on 31 December 2009, at an annual rent of RMB480,900 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Quanzhou Summi Natural Food & Drink Co., Ltd. (now known as Summi Fujian Food Co., Ltd.) is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
10. A fruit farm and 2 temporary buildings No. 64 Dageng Village Xiayang Town Yanping District Nanping City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,426 mu (950,671.42 sq.m.) and 2 temporary buildings erected thereon completed in various stages between 1998 and 1999.</p> <p>The buildings have a total gross floor area of approximately 192 sq.m.</p> <p>The buildings include a staff quarter hut and a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Quanzhou Summi Natural Food & Drink Co., Ltd. from an independent third party for a term commencing from 1 January 2005 and expiring on 31 December 2009, at an annual rent of RMB427,800 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Quanzhou Summi Natural Food & Drink Co., Ltd. (now known as Summi Fujian Food Co., Ltd.) is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
11. A fruit farm and a temporary building located at Yuxi Village Chenda Town Meilie District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,812 mu (1,208,006.04 sq.m.) and a temporary building erected thereon completed in 1997.</p> <p>The building has a gross floor area of approximately 132 sq.m.</p> <p>The building includes a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Quanzhou Summi Natural Food & Drink Co., Ltd. from an independent third party for a term commencing from 1 January 2005 and expiring on 31 December 2009, at an annual rent of RMB543,600 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Quanzhou Summi Natural Food & Drink Co., Ltd. (now known as Summi Fujian Food Co., Ltd.) is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
12. A fruit farm and 3 temporary buildings located at Liaoyuan Village Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,033 mu (688,670.11 sq.m.) and 3 temporary buildings erected thereon completed in various stages between 1995 and 1996.</p> <p>The buildings have a total gross floor area of approximately 173 sq.m.</p> <p>The buildings include a staff quarter hut and 2 warehouses.</p> <p>Pursuant to a Lease Contract, the property is rented to Quanzhou Summi Natural Food & Drink Co., Ltd. from an independent third party for a term commencing from 1 January 2005 and expiring on 31 December 2009, at an annual rent of RMB309,900 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Quanzhou Summi Natural Food & Drink Co., Ltd. (now known as Summi Fujian Food Co., Ltd.) is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
13. A fruit farm and a temporary building located at Miyang Village Sanyuan District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,636 mu (1,090,672.12 sq.m.) and a temporary building erected thereon completed in 1993.</p> <p>The building has a gross floor area of approximately 149 sq.m.</p> <p>The building includes a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Quanzhou Summi Natural Food & Drink Co., Ltd. from an independent third party for a term commencing from 1 January 2005 and expiring on 31 December 2009, at an annual rent of RMB490,800 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Quanzhou Summi Natural Food & Drink Co., Ltd. (now known as Summi Fujian Food Co., Ltd.) is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
14. A fruit farm and a temporary building located at Dingtai Village Sanyuan District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,451 mu (967,338.17 sq.m.) and a temporary building erected thereon completed in 1991.</p> <p>The building has a gross floor area of approximately 154 sq.m.</p> <p>The building includes a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Quanzhou Summi Natural Food & Drink Co., Ltd. from an independent third party for a term commencing from 1 January 2005 and expiring on 31 December 2009, at an annual rent of RMB435,300 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Quanzhou Summi Natural Food & Drink Co., Ltd. (now known as Summi Fujian Food Co., Ltd.) is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
15. A fruit farm and a temporary building located at Jifeng Village Sanyuan District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,031 mu (687,336.77 sq.m.) and a temporary building erected thereon completed in 1996.</p> <p>The building has a gross floor area of approximately 136 sq.m.</p> <p>The building includes a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Quanzhou Summi Natural Food & Drink Co., Ltd. from an independent third party for a term commencing from 1 January 2005 and expiring on 31 December 2009, at an annual rent of RMB309,300 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Quanzhou Summi Natural Food & Drink Co., Ltd. (now known as Summi Fujian Food Co., Ltd.) is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
16. A fruit farm and a temporary building located at Zhong Village Sanyuan District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,068 mu (712,003.56 sq.m.) and a temporary building erected thereon completed in 1992.</p> <p>The building has a gross floor area of approximately 162 sq.m.</p> <p>The building includes a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Summi Fujian Food Co., Ltd. from an independent third party for a term commencing from 1 January 2006 and expiring on 31 December 2010, at an annual rent of RMB325,740 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Summi Fujian Food Co., Ltd. is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
17. A fruit farm and 2 temporary buildings located at Dushui Village Sanyuan District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 944 mu (629,336.48 sq.m.) and 2 temporary buildings erected thereon completed in 1994.</p> <p>The buildings have a total gross floor area of approximately 190 sq.m.</p> <p>The buildings include a staff quarter hut and a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Summi Fujian Food Co., Ltd. from an independent third party for a term commencing from 1 January 2006 and expiring on 31 December 2010, at an annual rent of RMB287,920 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Summi Fujian Food Co., Ltd. is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
18. A fruit farm and a temporary building located at Kengyuan Village Sanyuan District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,313 mu (875,337.71 sq.m.) and a temporary building erected thereon completed in 1996.</p> <p>The building has a gross floor area of approximately 203 sq.m.</p> <p>The building includes a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Summi Fujian Food Co., Ltd. from an independent third party for a term commencing from 1 January 2006 and expiring on 31 December 2010, at an annual rent of RMB400,465 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Summi Fujian Food Co., Ltd. is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
19. A fruit farm and 2 temporary buildings located at Daowu Village Yangkou Town Shunchang County Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,475 mu (983,338.25 sq.m.) and 2 temporary buildings erected thereon completed in various stages between 1989 and 1990.</p> <p>The buildings have a total gross floor area of approximately 287 sq.m.</p> <p>The buildings include a staff quarter hut and a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Summi Fujian Food Co., Ltd. from an independent third party for a term commencing from 1 January 2006 and expiring on 31 December 2010, at an annual rent of RMB449,875 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Summi Fujian Food Co., Ltd. is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
20. A fruit farm and 2 temporary buildings located at Shajiao Village Chenda Town Meilie District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,026 mu (684,003.42 sq.m.) and 2 temporary buildings erected thereon completed in various stages between 1993 and 1995.</p> <p>The buildings have a total gross floor area of approximately 343 sq.m.</p> <p>The buildings include a staff quarter hut and a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Summi Fujian Food Co., Ltd. from an independent third party for a term commencing from 1 January 2006 and expiring on 31 December 2010, at an annual rent of RMB312,930 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Summi Fujian Food Co., Ltd. is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
21. A fruit farm and a temporary building located at Changxi Village Chenda Town Meilie District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 963 mu (642,003.21 sq.m.) and a temporary building erected thereon completed in 1997.</p> <p>The building has a gross floor area of approximately 182 sq.m.</p> <p>The building includes a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Summi Fujian Food Co., Ltd. from an independent third party for a term commencing from 1 January 2006 and expiring on 31 December 2010, at an annual rent of RMB293,715 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Summi Fujian Food Co., Ltd. is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
22. A fruit farm and a temporary building located at Chendun Village Chenda Town Meilie District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,075 mu (716,670.25 sq.m.) and a temporary building erected thereon completed in 1996.</p> <p>The building has a gross floor area of approximately 146 sq.m.</p> <p>The building includes a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Summi Fujian Food Co., Ltd. from an independent third party for a term commencing from 1 January 2006 and expiring on 31 December 2010, at an annual rent of RMB327,875 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Summi Fujian Food Co., Ltd. is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
23. A fruit farm and a temporary building located at Taixi Village Chenda Town Meilie District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,042 mu (694,670.14 sq.m.) and a temporary building erected thereon completed in 1999.</p> <p>The building has a gross floor area of approximately 173 sq.m.</p> <p>The building includes a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Summi Fujian Food Co., Ltd. from an independent third party for a term commencing from 1 January 2006 and expiring on 31 December 2010, at an annual rent of RMB317,810 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Summi Fujian Food Co., Ltd. is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
24. A fruit farm and a temporary building located at Zongnan Village Chenda Town Meilie District Sanming City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 904 mu (602,669.58 sq.m.) and a temporary building erected thereon completed in 1994.</p> <p>The building has a gross floor area of approximately 183 sq.m.</p> <p>The building includes a warehouse.</p> <p>Pursuant to a Lease Contract, the property is rented to Summi Fujian Food Co., Ltd. from an independent third party for a term commencing from 1 January 2006 and expiring on 31 December 2010, at an annual rent of RMB275,720 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Summi Fujian Food Co., Ltd. is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
25. A fruit farm and 3 temporary buildings No. 48 Yuanyu Street Nanxi Village Taiping Town Yanping District Nanping City Fujian Province The PRC	<p>The property comprises a fruit farm with a site area of approximately 1,496 mu (997,338.32 sq.m.) and 3 temporary buildings erected thereon completed in various stages between 1993 and 1994.</p> <p>The buildings have a total gross floor area of approximately 298 sq.m.</p> <p>The buildings include a staff quarter hut and 2 warehouses.</p> <p>Pursuant to a Lease Contract, the property is rented to Summi Fujian Food Co., Ltd. from an independent third party for a term commencing from 1 January 2006 and expiring on 31 December 2010, at an annual rent of RMB456,280 exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for fruit farming purpose.	No commercial value

Notes:

1. Summi Fujian Food Co., Ltd. is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (i) The lessor has obtained the ownership of the fruit farm; and
 - (ii) The Lease Contract is legal, valid and enforceable under the PRC laws.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 February 2008 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 7 June 2008. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Companies Law prohibits the issue of bearer shares to any person other than an authorised or recognised custodian defined in the Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to "know your client" as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or

"non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that

the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;

- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or
- (ff) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election. There is no shareholding qualification for Directors.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee (s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than twenty-one days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;

- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a newspaper circulating generally in Hong Kong or, where applicable, any other newspapers in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in subparagraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 5 February 2008 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) in the redemption and repurchase of shares (in accordance with the detailed provisions of section 37 of the Companies Law);
- (iv) writing-off the preliminary expenses of the company;
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (vi) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner of purchase, a company cannot purchase any of its own shares without the manner of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details).

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is ultra vires the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 22 April 2008.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments. The Cayman Islands are not a party to any double tax treaties.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as the directors may, from time to time, think fit. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court or (ii) voluntarily by a special resolution of its members. The court also has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or where the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no further executive action may be carried out without his approval.

A company is placed in liquidation either by an order of the court or by a special resolution of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and settle the list of contributories ("members") and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

When the affairs of a company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This general meeting shall be called by public notice or such other means as the Registrar of Companies may direct.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on 5 February 2008. Our Company has established its principal place of business in Hong Kong at Suites 2201–03, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part XI of the Hong Kong Companies Ordinance on 1 April 2008. In connection with such registration, Loong & Yeung, Solicitors of Suites 2201–03, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong has been appointed as our agent for the acceptance of service of process and any notices served on our Company in Hong Kong.

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

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, our authorized share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, one of which was allotted and issued nil paid to the subscriber to the memorandum and articles of association of our Company and the one nil paid Share was subsequently transferred from the subscriber to Key Wise on 5 February 2008. On 5 February 2008, 77,846, 12,153 and 10,000 Shares were allotted and issued nil paid to Key Wise, Kingdom Glory and First Trading respectively.
- (b) On 22 May 2008, by a written resolution of all the shareholders of our Company, the authorized share capital of our Company was increased from HK\$380,000 to HK\$30,000,000 by the creation of an additional of 2,962,000,000 Shares of HK\$0.01 each, each ranking *pari passu* with the Shares then in issue.
- (c) Pursuant to the Reorganisation and as consideration for the acquisition by our Company in total 100,000 ordinary shares of US\$1 each in the issued share capital of Sunshine Vocal, on 22 May 2008, (i) 77,847 Shares, 12,153 Shares and 10,000 Shares, all credited as fully paid, were allotted and issued to Key Wise, Kingdom Glory and First Trading respectively; (ii) the 77,847, 12,153 and 10,000 nil paid Shares then held by Key Wise, Kingdom Glory and First Trading respectively were credited as fully paid at par.
- (d) Pursuant to the Reorganisation and as consideration for the acquisition by our Company 1 share of US\$1 in the issued capital of Rich Anges, on 22 May 2008, 10,000,000 Shares, all credited as fully paid, were allotted and issued to Cheer Sky.
- (e) To adjust the agreed shareholdings of our Company prior to the International Offering and the Capitalisation Issue, on 22 May 2008, 67,691,306 Shares, 12,128,694 Shares and 9,980,000 Shares, all credited as fully paid, were allotted and issued to Key Wise, Kingdom Glory and First Trading respectively.

- (f) Immediately upon completion of Capitalisation Issue and the International Offering but taking no account of any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and the Over-allotment Option, 1,000,000,000 Shares will be issued fully paid or credited as fully paid and 2,000,000,000 Shares will remain unissued. Other than pursuant to the exercise of the options to be granted under the Share Option Scheme, there is no present intention to issue any of the authorized but unissued share capital of our Company and without the prior approval of the members of our Company in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (g) Save as mentioned above, there has been no alteration in the share capital of our Company.

3. Written resolutions of all the shareholders of our Company passed on 7 June 2008

By written resolutions of all the shareholders of our Company passed on 7 June 2008:

- (a) the Company approved and adopted the Memorandum and the Articles;
- (b) conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and (ii) on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the International Offering was approved and the Directors were authorized to allot and issue the Offer Shares pursuant to the International Offering to rank pari passu with the then existing Shares in all respect;
 - (ii) conditional further upon the Listing Committee granting the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of the options granted under the Share Option Scheme, the rules of the Share Option Scheme were approved and adopted and the Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and
 - (iii) the Capitalisation Issue was approved and conditional further on the share premium account of the Company being credited as a result of the International Offering, the Directors were authorized to capitalize an amount of HK\$6,500,000 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 650,000,000 Shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 7 June 2008 on proportion (as nearly as possible without involving fractions) to their

then existing shareholdings in the Company, each ranking pari passu in all respect with the then existing issued Shares, and the Directors were authorized to give effect to such capitalization and distributions.

- (c) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share scheme of our Company or any shares of our Company allotted in lieu of the whole or part of a dividend on shares of our Company in accordance with the Articles or pursuant to a specific authority granted by the shareholders of our Company or pursuant to the International Offering, Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the International Offering, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the shareholders of our Company in general meeting;
- (d) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the Securities and Futures Commission in Hong Kong and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the International Offering, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the shareholders of our Company in general meeting;
- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the International Offering.

4. Corporate reorganisation

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

Our Group underwent the following restructuring:

- (a) Our Company was incorporated on 5 February 2008.
- (b) On 5 February 2008, 1 Share was allotted and issued nil paid to subscriber to the memorandum and articles of association of our Company and such 1 Share was transferred to Key Wise on the same date. On 5 February 2008, 77,846, 12,153 and 10,000 Shares were allotted and issued nil paid to Key Wise, Kingdom Glory and First Trading respectively.
- (c) On 17 July 2007, Sunshine Vocal was incorporated in the BVI with limited liability and authorised to issue a maximum of 50,000 shares.
- (d) On 12 October 2007, 1 share of US\$1 in Sunshine Vocal, credited as fully paid, was allotted and issued by Sunshine Vocal to Mr. Hong.
- (e) On 22 October 2007, the Company was authorised to issue a maximum of 100,000 shares. On the same date, as payment of the RMB18 million referred to in paragraph (l) below, an additional of 99,999 shares of US\$1 each in Sunshine Vocal, credited as fully paid, were allotted and issued by Sunshine Vocal to Mr. Hong.
- (f) On 3 September 2007, Hong Kong Potel was incorporated in Hong Kong with limited liability with an authorized capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, one of which was allotted and issued at par to Cartech Limited as sole subscriber.
- (g) On 12 October 2007, Cartech Limited transferred one (1) share in Hong Kong Potel, representing the entire issued capital, to Sunshine Vocal at a consideration of HK\$1.
- (h) On 10 October 2007, Rich Anges was incorporated in the BVI with limited liability.
- (i) On 7 December 2007, 1 share of US\$1 in Rich Anges, credited as fully paid, was allotted and issued by Rich Anges to Mr. Sin.
- (j) On 22 November 2007, Manwell Limited was incorporated in Hong Kong with limited liability with an authorized capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, one of which was allotted and issued at par to Cartech Limited as sole subscriber.
- (k) On 7 December 2007, Cartech Limited transferred one (1) share in Manwell Limited, representing the entire issued capital, to Rich Anges at a consideration of HK\$1.

- (l) On 14 November 2007, pursuant to the agreement referred to in item (a) of the paragraph headed “Summary of material contracts” in this Appendix, Macau Dehong transferred all its 90% equity interests in Summi Fujian to Hong Kong Potel for a consideration of RMB18 million.
- (m) On 20 December 2007, pursuant to an equity transfer agreement dated 8 December 2007, Jinjiang Fuli Zipper and Clothing Limited transferred its 10% equity interests in Summi Fujian to Quanzhou Yuansen Trading Limited for a consideration of RMB12 million determined by reference to the net asset value of Summi Fujian in accordance with a PRC valuation report dated 20 May 2007.
- (n) On 29 December 2007, pursuant to the agreement referred to in item (b) of the paragraph headed “Summary of material contracts” in this Appendix, Quanzhou Yuansen Trading Limited transferred its 10% equity interests in Summi Fujian to Manwell Limited for a consideration of RMB12 million determined by reference to the net asset value of Summi Fujian in accordance with a PRC valuation report dated 20 May 2007. Summi Fujian was then converted into a wholly foreign-owned enterprise on 29 December 2007.
- (o) On 6 September 2007, Kingdom Glory was incorporated in the BVI with limited liability.
- (p) On 22 October 2007, 1 share of US\$1 in Kingdom Glory, credited as fully paid, was allotted and issued by Kingdom Glory to Sunshine Asset Management (HK) Limited.
- (q) On 26 October 2007, 299 shares, 600 shares and 900 shares of US\$1 each in Kingdom Glory, credited as fully paid, were allotted and issued to Sunshine Asset Management (HK) Limited, Mobile Consultants Limited and Perfect Landmarks Limited respectively.
- (r) On 8 November 2007, 200 shares, 400 shares, 600 shares and 500 shares of US\$1 each in Kingdom Glory, credited as fully paid, were allotted and issued by Kingdom Glory to Sunshine Asset Management (HK) Limited, Mobile Consultants Limited, Perfect Landmarks Limited and Sunshine Greater China Master Fund respectively.
- (s) On 29 October 2007 and 8 November 2007, pursuant to a share transfer agreement dated 22 October 2007 (as supplemented by a supplemental agreement dated 22 May 2008) entered into between Mr. Hong as transferor, Kingdom Glory as transferee and Mr. Sin as guarantor, Mr. Hong transferred in aggregate 12.153% shareholdings in Sunshine Vocal to Kingdom Glory for a consideration of RMB35,000,000.
- (t) On 19 September 2007, First Trading was incorporated in the BVI with limited liability.
- (u) On 8 January 2008, 1 share of US\$1 in First Trading, credited as fully paid, was allotted and issued by First Trading to Mr. Ye Jinxing.

- (v) On 5 February 2008, pursuant to a share transfer agreement dated 9 January 2008 entered into between Mr. Hong as transferor, First Trading as transferee and Mr. Sin as guarantor, Mr. Hong transferred in aggregate 10% shareholdings in Sunshine Vocal to First Trading for a consideration of RMB28,799,473.
- (w) On 22 May 2008, pursuant to a share transfer agreement referred to in item (c) of the paragraph headed “Summary of material contracts” in this Appendix, our Company acquired 77,847 shares in Sunshine Vocal from Mr. Hong in consideration of which our Company (i) allotted and issued 77,847 Shares to Key Wise credited as fully paid; and (ii) credited as fully paid at par the 77,847 nil paid Shares which were held by Key Wise.
- (x) On 22 May 2008, pursuant to a share transfer agreement referred to in item (e) of the paragraph headed “Summary of material contracts” in this Appendix, our Company acquired 12,153 shares in Sunshine Vocal from Kingdom Glory in consideration of which our Company (i) allotted and issued 12,153 Shares to Kingdom Glory credited as fully paid; and (ii) credited as fully paid at par the 12,153 nil paid Shares which were held by Kingdom Glory.
- (y) On 22 May 2008, pursuant to a share transfer agreement referred to in item (g) of the paragraph headed “Summary of material contracts” in this Appendix, our Company acquired 10,000 shares in Sunshine Vocal from First Trading in consideration of which our Company (i) allotted and issued 10,000 Shares to First Trading credited as fully paid; and (ii) credited as fully paid at par the 10,000 nil paid Shares which were held by First Trading.
- (z) On 22 May 2008, pursuant to a share transfer agreement referred in item (i) of the paragraph headed “Summary of material contracts” in this Appendix, our Company acquired the entire issued capital of Rich Anges from Mr. Sin in consideration of which our Company allotted and issued 10,000,000 Shares to Mr. Sin credit as fully paid.
- (aa) To adjust the agreed shareholdings in our Company before the International Offering and the Capitalisation Issue, on 22 May 2008, our Company allotted and issued 67,691,306 Shares, 12,128,694 Shares and 9,980,000 Shares, credited as fully paid, to Key Wise, Kingdom Glory and First Trading respectively.
- (bb) To adjust the agreed shareholdings in our Company pursuant to the share transfer agreement referred to in (s) above, on 22 May 2008, Key Wise transferred 1,765,914 Shares to Kingdom Glory at a nominal consideration.
- (cc) On 22 May 2008, Kingdom Glory transferred 5,964,254 Shares, 3,976,634 Shares, 1,989,013 Shares and 1,989,013 Shares to Perfect Landmarks Limited, Mobile Consultants Limited, Sunshine Asset Management (HK) Limited and Sunshine Greater China Master Fund respectively at nominal considerations.
- (dd) On 22 May 2008, Cheer Sky transferred 10,000,000 Shares (representing all the shares held by Cheer Sky) to Key Wise. In consideration of the aforesaid share transfer, Key Wise allotted 13,144 fully paid-up shares to Cheer Sky. At the same time, Key Wise allotted 86,855 fully paid-up shares to Mr. Hong.

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

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the accountants' report set out in appendix I to this prospectus. Save as mentioned in the mentioned in the paragraph headed "Corporate Reorganisation" in this Appendix and disclosed below in this paragraph, there has been no alteration in the share capital of the subsidiaries of our Company which took place within the two years immediately preceding the date of this prospectus.

On 29 December 2007, the registered capital of Summi Fujian was increased from RMB20 million to RMB30 million. The additional registered capital had been fully contributed by the shareholders of Summi Fujian in proportion to their shareholdings by 2 January 2008.

6. Repurchase by our Company of our Shares

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

(a) Provisions of the Listing Rules

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

(i) Shareholders' approval

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

Note Pursuant to written resolutions of all the Shareholders passed on 7 June 2008, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorizing our Directors to exercise all powers of our Company to purchase on the Stock Exchange, or any other stock exchange on which the Shares of our Company may be listed and recognized by the Securities and Futures Commission in Hong Kong and the Stock Exchange for this purpose, Shares representing up to 10% of the total nominal amount of the Shares in issue immediately following completion of the International Offering and the Capitalisation Issue, and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by law or the Articles to be held, or when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting of our Company.

(ii) Shares to be repurchased

Under the Listing Rules, the Shares which are proposed to be repurchased by our Company must be full paid up.

(iii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

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

(iv) Connected parties

The Listing Rules prohibit a company from knowingly repurchasing its shares on the Stock Exchange from a "connected person" (as defined in the Listing Rules), which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or an associate of any of them and a connected person shall not knowingly sell shares to our Company.

(b) Reasons for repurchases

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

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue after completion of the International Offering and the Capitalisation Issue could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

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

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or our Company's gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(e) General

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

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

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

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

No connected person (as defined in the Listing Rules) of our Company has notified us that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement dated 22 October 2007 made between Hong Kong Potel and Macau Dehong, pursuant to which Hong Kong Potel acquired from Macau Dehong its 90% equity interests in Summi Fujian for a consideration of RMB18 million;
- (b) an equity transfer agreement dated 21 December 2007 made between Quanzhou Yuansen Trading Limited and Manwell Limited, pursuant to which Manwell Limited acquired 10% equity interests in Summi Fujian from Quanzhou Yuansen Trading Limited for a consideration of RMB12 million;
- (c) a share transfer agreement dated 22 May 2008 and entered into between Mr. Hong as vendor and our Company as purchaser, pursuant to which Mr. Hong transferred his 77,847 ordinary shares of US\$1 each in the issued capital of Sunshine Vocal

- (representing 77.847% of the issued share capital of Sunshine Vocal) to our Company in consideration of which our Company (i) allotted and issued 77,847 Shares to Key Wise credited as fully paid; and (ii) credited as fully paid at par the 77,847 nil paid Shares which were held by Key Wise;
- (d) an instrument of transfer dated 22 May 2008 made between Mr. Hong and our Company pursuant to which Mr. Hong transferred his 77,847 ordinary shares of US\$1 each in the issued capital of Sunshine Vocal to our Company in consideration of which our Company (i) allotted and issued 77,847 Shares to Key Wise credited as fully paid; and (ii) credited as fully paid at par the 77,847 nil paid Shares which were held by Key Wise;
 - (e) a share transfer agreement dated 22 May 2008 and entered into between Kingdom Glory as vendor, Perfect Landmarks Limited, Mobile Consultants Limited, Sunshine Asset Management (HK) Limited and Sunshine Greater China Master Fund altogether as warrantors and our Company as purchaser, pursuant to which Kingdom Glory transferred its 12,153 ordinary shares of US\$1 each in the issued capital of Sunshine Vocal (representing 12.153% of the issued share capital of Sunshine Vocal) to our Company in consideration of which our Company (i) allotted and issued 12,153 Shares to Kingdom Glory credited as fully paid; and (ii) credited as fully paid at par the 12,153 nil paid Shares which were held by Kingdom Glory;
 - (f) an instrument of transfer dated 22 May 2008 made between Kingdom Glory and our Company pursuant to which Kingdom Glory transferred its 12,153 ordinary shares of US\$1 each in the issued capital of Sunshine Vocal to our Company in consideration of which the Company (i) allotted and issued 12,153 Shares to Kingdom Glory credited as fully paid; and (ii) credited as fully paid at par the 12,153 nil paid Shares which were held by Kingdom Glory;
 - (g) a share transfer agreement dated 22 May 2008 and entered into between First Trading as vendor, Mr. Ye Jinxing as warrantor and our Company as purchaser, pursuant to which First Trading transferred its 10,000 ordinary shares of US\$1 each in the issued capital of Sunshine Vocal (representing 10% of the issued share capital of Sunshine Vocal) to our Company in consideration of which our Company (i) allotted and issued 10,000 Shares to First Trading credited as fully paid; and (ii) credited as fully paid at par the 10,000 nil paid Shares which were held by First Trading;
 - (h) an instrument of transfer dated 22 May 2008 made between First Trading and our Company pursuant to which First Trading transferred its 10,000 ordinary shares of US\$1 each in the issued capital of Sunshine Vocal to our Company in consideration of which the Company (i) allotted and issued 10,000 Shares to First Trading credited as fully paid; and (ii) credited as fully paid at par the 10,000 nil paid Shares which were held by First Trading;
 - (i) a share transfer agreement dated 22 May 2008 made between Mr. Sin and our Company, pursuant to which Mr. Sin transferred 1 share of US\$1 in Rich Anges (representing the entire issued share capital of Rich Anges) to our Company in consideration of which our Company allotted and issued 10,000,000 Shares to Cheer Sky credited as fully paid;

- (j) an instrument of transfer dated 22 May 2008 made between Mr. Sin and the Company pursuant to which Mr. Sin transferred 1 share of US\$1 in Rich Anges in consideration of which our Company allotted and issued 10,000,000 Shares to Cheer Sky credited as fully paid;
- (k) a shareholder's loan agreement dated 22 October 2007 between Mr. Hong and Sunshine Vocal, pursuant to which Mr. Hong as a shareholder of Sunshine Vocal has agreed to advance an interest-free loan in the principal amount of RMB35,000,000, equivalent to approximately HK\$39.33 million, to Sunshine Vocal;
- (l) a supplemental agreement to the agreement mentioned in (k) above dated 15 January 2008 between Mr. Hong and Sunshine Vocal pursuant to which the terms of the loan were modified so that it would carry an interest of 6.5% per annum commencing from 22 October 2007;
- (m) an investor rights agreement dated 22 October 2007 among Sunshine Vocal, Mr. Hong, Kingdom Glory and Mr. Sin;
- (n) an investor rights agreement dated 9 January 2008 among Sunshine Vocal, Mr. Hong, First Trading and Mr. Sin;
- (o) a deed of non-competition dated 7 June 2008 executed by Mr. Hong in favour of the Company, the particulars of which are set out in the paragraphs headed "Non-compete Undertakings" in the section headed "Substantial Shareholders" in this prospectus;
- (p) a deed of non-competition dated 7 June 2008 executed by Mr. Sin in favour of the Company, the particulars of which are set out in the paragraphs headed "Non-compete Undertakings" in the section headed "Substantial Shareholders" in this prospectus;
- (q) a deed of non-competition dated 7 June 2008 executed by Cheer Sky in favour of the Company, the particulars of which are set out in the paragraphs headed "Non-compete Undertakings" in the section headed "Substantial Shareholders" in this prospectus;
- (r) a deed of non-competition dated 7 June 2008 executed by Key Wise in favour of the Company, the particulars of which are set out in the paragraphs headed "Non-compete Undertakings" in the section headed "Substantial Shareholders" in this prospectus;
- (s) a deed of indemnity dated 7 June 2008, executed by Mr. Hong, Mr. Sin, Cheer Sky and Key Wise in favour of our Group containing the indemnities referred to in the paragraph headed "Tax indemnities" in this appendix;
- (t) a deed of indemnity dated 7 June 2008, executed by the Controlling Shareholders in favour of the Group containing the indemnities in respect of the loss arising from the properties in the leased orange farms constructed without prior governmental notification; and

- (u) the underwriting agreement dated 27 June 2008 relating to the Hong Kong Public Offering entered into by our Company, the executive Directors, the Covenantors, the International Co-ordinator and the Hong Kong Underwriters as further described in the section headed “Underwriting — Underwriting arrangements and expenses — (a) Hong Kong Public Offering” in this prospectus.

2. Intellectual property rights

Trademark

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

Trademark	Trademark Expiry Date	Place of Registration	Class	Registration Number	Registered Owner
	20 January 2014	PRC	32	674233	Summi Fujian
	20 September 2017	PRC	30	1108910	Summi Fujian

As at the Latest Practicable Date, the Group had applied for registration of the following trademarks:

Trademark	Trademark Application Date	Place of Registration	Class	Application Number	Applicant
	25 May 2007	PRC	31	6071216	Summi Fujian

The Group has registered the following domain name:

Domain name	Date of Registration
www.cnsummi.cn	3 February 2005
www.tianyi.hk	2 June 2008
www.tianyi.com.hk	2 June 2008

3. Information about the PRC Subsidiaries of our Group**Summi Fujian**

Name	:	森美(福建)食品有限公司 Summi (Fujian) Food Co., Ltd. (formerly known as 泉州森美天然食品飲料有限公司 Quanzhou Summi Natural Food & Drink Co., Ltd.)
Date of establishment	:	15 March 1993
Economic nature	:	Wholly foreign owned enterprise (formerly a sino-foreign equity joint venture enterprise)
Present members and percentage of shareholdings	:	90% held by Hong Kong Potel 10% held by Manwell Limited
Total investment as stated in the Certificate of Approval for establishment of Enterprises with Foreign Investment in PRC	:	RMB60,000,000
Total registered capital	:	RMB30,000,000 (fully paid up)
Attributable interest of our Company	:	100%
Term	:	50 years
Registered Address	:	惠安縣洛陽鎮北工業區 Industrial Zone, Hui'An Luoyang North
Approved Scope of business	:	cultivation of fruits and vegetables, processing of agricultural products, fruit and vegetable juice concentrate, preserved fruits and food machinery
Name of Directors	:	Mr. Sin, Mr. San Kwan, Mr. Yang Yuchuan, Mr. Hu Xu
Legal representative	:	Mr. Sin

Sanming Summi

Name	:	三明森美食品有限公司 Sanming Summi Food Co., Ltd.
Date of incorporation	:	27 September 2007
Economic nature	:	Limited liability company
Present members and percentage of shareholdings	:	100% held by Summi Fujian
Total registered capital	:	RMB2,000,000 (fully paid up)
Attributable interest of our Company	:	100%
Term	:	25 years
Registered Address	:	明溪縣城關鄉坪埠工業小區 Industrial Zone, Guan Xiang Ping Bu, Ming Xi County
Approved Scope of business	:	processing and sale of fruit and vegetable juice
Name of Director	:	Mr. Sin
Legal representative	:	Mr. Yi Xinhua

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following the completion of the International Offering and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

Long Position in the Shares of our Company

Name of Director	Capacity/Nature	No. of Shares of interest	Approximate Percentage of Shareholding
Mr. Sin (<i>Note 1</i>)	Indirect interest	75,000,734	7.50%
Mr. Hong (<i>Note 1</i>)	Interest of controlled corporation	570,608,145	57.06%

Notes:

1. Immediately following the completion of the International Offering, Key Wise will hold 570,608,145 Shares, representing approximately 57.06% of the total issued share capital of our Company. Key Wise is owned as to 86.856% by Mr. Hong and thus under the SFO, Mr. Hong is deemed to be interested in the 570,608,145 Shares held by Key Wise. Key Wise is owned as to 13.144% by Cheer Sky, which in turn is wholly owned by Mr. Sin and so Mr. Sin is regarded as interested in 13.144% of the Shares held by Key Wise.

- (b) So far as is known to the Directors and save as disclosed in this prospectus and taking no account of any Shares which may be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the International Offering and the Capitalisation Issue have interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long Position in the Shares of the Company

Name	Capacity/Nature	No. of Shares of interest	Approximate Percentage of Shareholding
Substantial Shareholder			
Key Wise	Beneficial owner	570,608,145	57.06%
Ms. Ng Sao Lang (<i>Note 1</i>)	Family	570,608,145	57.06%
Other Shareholder			
First Trading	Beneficial owner	75,000,000	7.50%
Mr. Ye Jinxing (<i>Note 2</i>)	Interest of controlled corporation	75,000,000	7.50%
Cheer Sky (<i>Note 3</i>)	Indirect interest	75,000,734	7.50%
Ms. Hong Manna (<i>Note 4</i>)	Family	75,000,734	7.50%

Notes:

- Key Wise is beneficially owned by Mr. Hong as to 86.856%. Therefore, Mr. Hong is deemed, or taken to be, interested in the 570,608,145 Shares which are beneficially owned by Key Wise for the purposes of the SFO. Ms. Ng Sao Lang is the spouse of Mr. Hong. Therefore, Ms. Ng is deemed, or taken to be, interested in the 570,608,145 Shares which Mr. Hong is interested in for the purposes of the SFO.
- First Trading is wholly owned by Mr. Ye Jinxing and thus under the SFO, Mr. Ye is deemed to be interested in the 75,000,000 Shares held by First Trading.
- Key Wise is beneficially owned by Cheer Sky as to 13.144% and Cheer Sky is regarded as interested in 13.144% of the 570,608,145 Shares (i.e. 75,000,734 Shares) owned by Key Wise.
- Ms. Hong Manna is the spouse of Mr. Sin. Therefore, Ms. Hong is deemed, or taken to be, interested in the 75,000,734 Shares held by Mr. Sin.

2. Particulars of service agreements

- (a) Each of our executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date, subject to the termination provisions therein. Each of the executive Directors or our Company may terminate the appointment by giving the other party not less than three months' prior notice in writing.
- (b) Each of our executive Directors is entitled to a basic salary which will be reviewed at the discretion of the Board after such executive Director has completed 12 months of service.
- (c) Each of our independent non-executive Directors, namely, Mr. Tu Zongcai, Mr. Zhuang Weidong and Mr. Zhuang Xueyuan, has entered into a service agreement with our Company as an independent non-executive Director for a term of two years commencing on the Listing Date. Each of our independent non-executive Directors or our Company may terminate the appointment at any time during the two-year term by giving the other party at least three month's notice in writing.

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

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to the Directors by our Group in respect of the three years ended 31 December 2007 were approximately RMB0.35 million, RMB0.50 million and RMB0.40 million respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to the Directors for the year ending 31 December 2008 will be approximately RMB0.40 million.

- (c) Under the arrangements currently proposed, conditional upon the listing of the Shares on the Stock Exchange, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Group to each of the Directors will be as follows:

RMB

Executive Directors

Mr. Sin	696,000
Mr. Hong	696,000
San Kwan	456,000

Independent non-executive Directors

Tu Zongcai	48,000
Zhuang Weidong	48,000
Zhuang Xueyuan	48,000

4. Fees or commission received

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

5. Related party transactions

Details of the related party transactions are set out under note 25 to the accountants’ reports set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus (in particular the paragraphs headed “Five largest customers” in the section “Business”):

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

- (d) taking no account of Shares which may be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the International Offering and the Capitalisation Issue, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group; and
- (e) none of our Directors or chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange;
- (f) so far as is known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or shareholders of the Company who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group.

D. SHARE OPTION SCHEME

(a) Definitions

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

“Adoption Date”	7 June 2008, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolution
“Board”	the board of Directors or a duly authorized committee of the board of Directors
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of all shareholders of our Company passed on 7 June 2008:

(i) Purpose of the Share Option Scheme

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

(ii) Who may join and basis of eligibility

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

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

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a Participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

(iv) Grant of options and acceptance of offers

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

(v) Maximum number of Shares

- (aa) Subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the

terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 100,000,000 Shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 100,000,000 Shares from time to time) to the participants under the Share Option Scheme.

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

(vi) Maximum entitlement of each participant

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

(vii) Grant of options to certain connected persons

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

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

(viii) Restrictions on the times of grant of Options

An offer for the grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (aa) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (bb) the deadline for the Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules).

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

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

(xi) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

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

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 6 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any

applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group when an Offer is made to him and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices; and/or the method of exercise of the option, as the auditors or independent financial adviser of our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalization issue), provided that any alteration shall give a grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a share to be issued at less than its nominal value.

(xvii) Rights on a general offer

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

(xviii) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 business

days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and the Shareholders or our creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or as the case may be, his legal personal representatives) on the same day as we give notice of the meeting to the Shareholders or our creditors to consider such a compromise or arrangement and the options shall become exercisable on such date until the earlier of 2 months after that date and the date on which such compromise or arrangement is sanctioned by the court of the Cayman Islands and becomes effective.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the grantee commits a breach of paragraph (xii) above;
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) and (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty; and
- (ff) where the grantee is a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of the Group.

(xxi) Cancellation of options granted but not yet exercised

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

(xxii) Period of the Share Option Scheme

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

(xxiii) Alteration to the Share Option Scheme

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

(xxiv) Termination to the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

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

(c) Present status of the Share Option Scheme

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

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

E. OTHER INFORMATION**1. Tax indemnities**

Mr. Hong, Mr. Sin, Cheer Sky and Key Wise (the “Indemnifiers”) have pursuant to the deed of indemnity referred to in item (s) of the paragraph headed “Summary of material contracts” of this Appendix given indemnities in connection with taxation (including estate duty) resulting from any income, profits or gains earned, accrued or received on or before the date on which the International Offering becomes unconditional which might be payable by any member of our Group.

The indemnities in the deed shall not apply in, among others, the following circumstances:

- (a) to the extent that provision has been made for such taxation in the audited accounts of our Company or any of its subsidiaries for each of the three years ended 31 December 2007; or
- (b) to the extent that such liability arises or is incurred as a result of a retrospective change in law and/or rates coming into force after the date of the deed of indemnity; or
- (c) falling on any member of our Group in respect of any accounting period commencing after 31 December 2007 unless such taxation or liability would not have arisen but for any act or omission or transaction entered into by any of the Indemnifiers, our Company or any of its subsidiaries (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the ordinary course of business on or before the date on which the deed of indemnity becomes unconditional; or
- (d) to the extent that any provision or reserve made for such taxation in the audited combined accounts of our Company or any of its subsidiaries up to 31 December 2007 which is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the Indemnifiers’ liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve; or
- (e) for which any member of our Group is primarily liable in respect of or in consequence of any event occurring or income, profits or gains earned, accrued or received or transactions in the ordinary course of its business after the date of the deed of indemnity.

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

2. Litigation

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

3. Sponsor

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

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

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$50,000 and are payable by our Company.

5. Promoters

The promoter of our Company is Mr. Hong. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoters in connection with the International Offering or the related transactions described in this prospectus.

6. Qualifications of experts

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

Name	Qualifications
Evolution Watterson	A licensed corporation under the SFO permitted to engage in type 1, 4 and 6 of the regulated activities (as defined under the SFO)
KPMG	Certified Public Accountants
Jones Lang LaSalle Sallmanns Limited	Property valuer
Shu Jin Law Firm	Registered law firm in the PRC
Appleby	Cayman Islands attorneys-at-law

7. Consents of experts

Each of Evolution Watterson, KPMG, Jones Lang LaSalle Sallmanns Limited, Shu Jin Law Firm and Appleby has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

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

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

(b) Cayman Islands

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

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasized that none of our Company, the Directors or other parties involved in the International Offering accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

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

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

(bb) no discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection the issue or sale of any capital of our Company or any of its subsidiaries; and

(cc) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) The Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 December 2007 (being the date to which the latest audited combined financial statements of our Group were made up).

- (c) Save as disclosed in this prospectus, neither our Company nor any of its subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (d) Save as disclosed in this prospectus, none of the persons named in the paragraph headed “Consents of experts” is interested beneficially or non-beneficially in any shares in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any share in any member of our Group.
- (e) The branch register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. All necessary arrangements have been made to ensure the Shares to be admitted into CCASS for clearing and settlement.
- (f) There has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the 12 months immediately preceding the date of this prospectus.
- (g) No company within the Group is presently listed on any stock exchange or traded on any trading system.
- (h) The Directors have been advised that, under the Companies Law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by the Company in conjunction with its English name does not contravene the Companies Law.
- (i) The English text of this prospectus shall prevail over the Chinese text.

11. Bilingual Prospectus

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

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** application forms, the written consents referred to in the paragraph headed “Consents of experts” in Appendix VI to this prospectus, copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VI to this prospectus and the statement of adjustments to the accountants’ report in Appendix I to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Loong & Yeung Solicitors at Suites 2201–03, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the memorandum and articles of association of our Company;
- (b) the accountants’ report prepared by KPMG, the text of which is set out in Appendix I to this prospectus;
- (c) the comfort letter on unaudited pro forma financial information prepared by KPMG, the text of which is set out in Appendix II to this prospectus;
- (d) the audited accounts which have been prepared for the companies comprising our Group for each of the three years ended 31 December 2007;
- (e) the statement of adjustments relating to the accountants’ report prepared by KPMG;
- (f) the PRC legal opinion issued by Shu Jin Law Firm, our legal adviser as to PRC law;
- (g) the letter, summary of valuation and valuation certificates prepared by Jones Lang LaSalle Sallmanns Limited on the property interests of our Group, the texts of which are set out in Appendix IV to this prospectus;
- (h) the letter of advice prepared by Appleby summarising certain aspects of the Companies Law referred to in the paragraph headed “Cayman Islands company law” in Appendix V to this prospectus;
- (i) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VI to this prospectus;
- (j) the written consents referred to in the paragraph headed “Consents of experts” in Appendix VI to this prospectus;
- (k) the rules of the Share Option Scheme;
- (l) the service agreements referred to in the paragraph headed “Particulars of service agreements” in Appendix VI to this prospectus; and
- (m) the Companies Law.



Tianyi Fruit Holdings Limited