

PROSPECTUS DATED 12 MARCH 2001

We have applied to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in and for quotation of all our ordinary shares of HK\$0.25 each (the "Shares") comprising both existing issued and fully paid-up Shares as well as the new Shares (the "New Shares") which are the subject of the Invitation. Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. Our acceptance of applications will be conditional upon permission being granted to deal in and for quotation of all of our existing issued and fully paid-up Shares as well as the New Shares. Moneys paid in respect of any application accepted will be returned to you, without interest or any share of revenue or other benefit arising therefrom and at your own risk, if the said permission is not granted or for any other reason. **Quotation of and dealing in the Shares will be in Singapore Dollars.**

In connection with the Invitation, we have granted to the Manager an over-allotment option (the "Over-allotment Option") exercisable by the Manager during the period commencing on the date of commencement of trading of the Shares on the SGX-ST (the "Commencement Date") and expiring on the date falling 30 days after the Commencement Date. The Manager may subscribe and/or procure subscribers for up to an aggregate of 17,050,000 New Shares, representing approximately 13% of the Invitation Shares at the Issue Price, solely for the purpose of covering over-allotments (if any) made in connection with the Invitation. The Manager may over-allot or effect transactions which stabilise or maintain the market price of the Shares, subject to compliance with the laws of Singapore. Such stabilisation, if commenced, may be discontinued by the Manager at any time at the Manager's discretion.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries or our issued Shares or our New Shares.

A copy of this Prospectus has been lodged with, and registered by, the Registrar of Companies and Businesses in Singapore who takes no responsibility for its contents.

A copy of this Prospectus, together with copies of the Application Forms, have been filed with the Registrar of Companies in Bermuda. The Bermuda Monetary Authority has given its consent to the issue of the New Shares pursuant to the Invitation on the terms referred to in this Prospectus. In granting such consent, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed herein or any of the other documents referred to in this Prospectus.

The Manager may terminate the Management and Underwriting Agreement if by 6.00 p.m. on 13 March 2001, we have not received subscriptions and payments for at least 85% of the Placement Shares. In that event, our Company reserves the right, in our absolute discretion, to cancel the Invitation, upon which all application moneys received will be refunded (without interest or any share of revenue or other benefit arising therefrom). Please refer to paragraph 28 on page 131 and paragraph 8 on page 139 of this Prospectus.



UNITED FOOD HOLDINGS LIMITED

(incorporated in Bermuda on 14 August 2000)

Invitation in respect of 130,550,000 New Shares of HK\$0.25 each comprising
(a) 9,550,000 Offer Shares at S\$0.315 for each Offer Share by way of public offer; and
(b) 121,000,000 Placement Shares at S\$0.315 for each Placement Share by way of placement,
payable in full on application

(Subject to the Over-allotment Option (as defined herein))

Manager, Underwriter and Placement Agent



OVERSEAS UNION BANK LIMITED

BUSINESS

- We are a fast growing producer and supplier of high quality meat products based in the People's Republic of China (PRC)
- Established in 1993, our integrated business has today extended to include:-

1. Production and sale of processed meat products under our "Jiangquan" brand

expanded product range includes pork sausages, fish, beef, chicken, seafood-flavoured, century egg and other nutritionally enriched sausages

2. Production of fresh/chilled and frozen pork products

operate an ISO9002-certified abattoir which slaughters approximately 3,000 pigs to produce about 250 tonnes of pork daily

3. Production of animal feed

animal feed factory produces feeds for pigs, chickens, ducks, rabbits and fish with daily factory output of 190 tonnes

4. Pig rearing

rear pure breeds imported from Denmark, and develop cross breeds in our highly hygienic indoor pig farm with an annual maximum output capacity of 150,000 pigs, also sell quality piglets to other pig farms and breeders

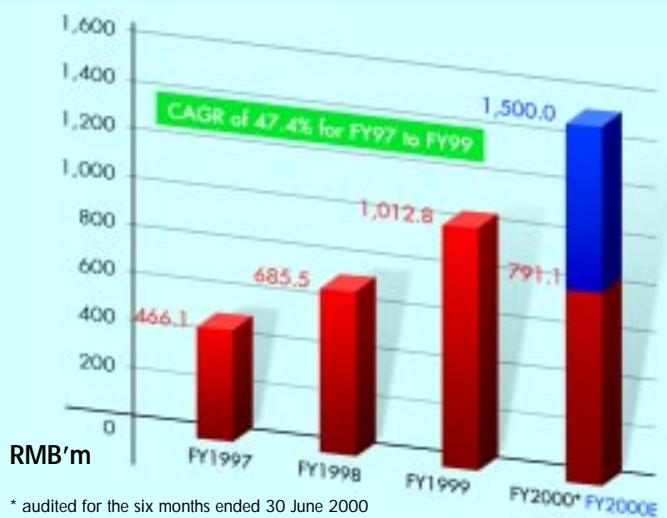
- Operations and facilities located in one location, Shandong which have enhanced our operational efficiency
- Customers include food processing companies, wholesalers and retailers, located in all the provinces and municipalities of the PRC except for Qinghai and Tibet and trading companies that export our frozen meat to overseas markets such as Russia, Ukraine and Brunei



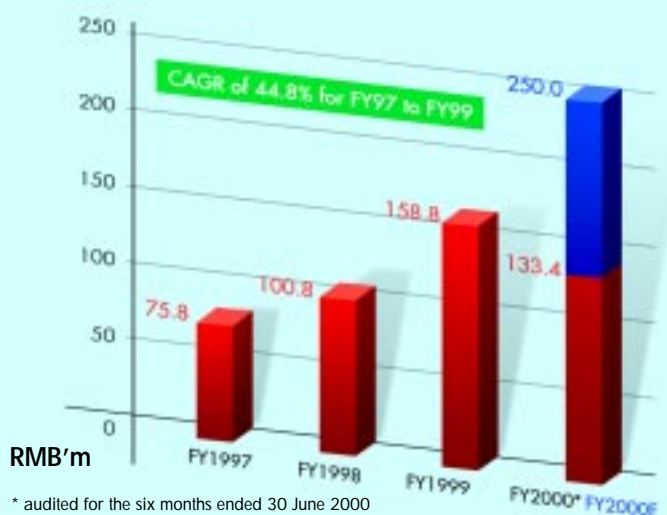
FINANCIAL HIGHLIGHTS

- no bank borrowings and zero gearing
- gross profit margins improved from 22.6% for FY1997 to 25.4% for FY1999
- return on equity (ROE) improved from 66.4% for FY1997 to 71.0% for FY1999

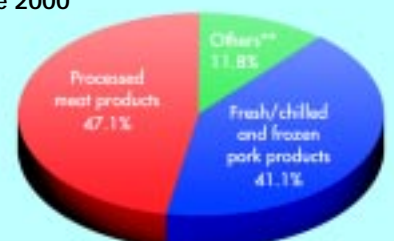
Turnover *For financial year ended 31 December*



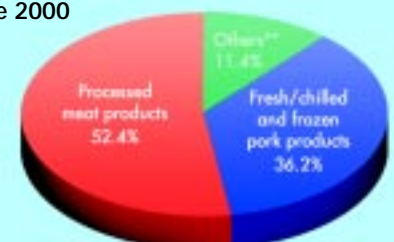
Profit After Tax *For financial year ended 31 December*



Turnover by activities - six months ended 30 June 2000



Gross profit by activities - six months ended 30 June 2000



** Others include (i) animal feed production and (ii) pig rearing and sale of piglets



COMPETITIVE STRENGTHS

Well-established quality control systems that ensure high product quality

- enforces stringent quality control checks at all stages of production process with ISO 9002 - certified abattoir and food processing operations
- our abattoir is the first in the PRC to be ISO9002-certified
- won numerous awards for our quality control systems and superior quality products
 - egs: Certificate of Reliable Quality Product, Certificate of Total Quality Control and Certificate of Recommendation

Well-recognised brand name in the PRC

- established a well-recognised brand name for our processed meat products in the PRC
- expanded dealership base from approximately 700 authorised dealers and retailers in 1997 to approximately 3,200 as at 30 June 2000

Extensive sales and distribution network in the PRC

- extensive network in the PRC enhances competitiveness and strengthened market share

Strong emphasis on research and development

- team of veterinarians, animal nutritionists, ex-university lecturers and researchers, undertake research in their specific fields to constantly improve processes and operations

PROSPECTS

- The PRC economy is forecasted to grow at a compounded annual growth rate of 6.5% per year from 2000 to 2010. Continuing rise in living standards would increase consumer spending power
- Average meat consumption per annum per person in the PRC is forecasted to grow from 45kg for year 2000 to 52.7kg in year 2010
- Currently, prices of PRC's pork, beef and mutton are lower by 57%, 84% and 54%, respectively, compared to those of international market. PRC's entry into the WTO will create opportunity to increase sales of these products
- The improving consumer spending power in the PRC would result in greater demand for
 - better quality and healthier food
 - convenient food products such as our sausages

DIVIDEND POLICY

- We expect to recommend and distribute not less than 30% of net profit as dividends
- For FY2001, we expect to recommend and distribute not less then 50% of net profit as dividends

Distribution Network



FUTURE PLANS

Products

Processed meat products

- broadening range of processed meat products to include chilled and higher nutritional value processed meat products such as sandwich ham, mushroom ham and roasted round ham
- acquiring new and different machinery and equipment to produce this new range of products
- developing more varieties of sausages, enriched with additional vitamins and minerals to capitalise on the market trend for healthy food

Pork products

- expanding production for chilled pork to meet the growing market demand for fresh, chilled meat products.
- acquiring up to three more abattoirs, to ensure the continued supply of all the pork required for expanded production

Animal feeds

- developing animal feeds with higher nutritional content and which can be produced at lower cost
- expanding feed production to penetrate the national market with initial focus on Henan and Hebei provinces

Pig farm

- developing cross-breeds of foreign pigs through good quality breeds from the United States and Canada in the first half of 2001

Sales and distribution network

- establishing a sales office in Moscow to expand into the Russian market

Further strengthening of research and development

- equipping R&D centre with advanced facilities to support the continual development of new processed meat products, pork products and animal feeds

Marketing and brand development

- engaging professional public relations firm to enhance brand image and to develop co-ordinated product promotional programmes and campaigns



Quality Production

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CORPORATE INFORMATION

Board of Directors	:	David Yip Wai Sun (<i>Chairman and Managing Director</i>) Wang Tingbao (<i>Vice Chairman</i>) Wang Wenguang (<i>Executive Director</i>) Ho Wah Onn (<i>Independent Director</i>) Sitoh Yih Pin (<i>Independent Director</i>)
Company Secretaries	:	Lee Kam Wan, BBA (Hons), ACCA, AHKSA, CMA Ira Stuart Outerbridge III*, FCIS
Registered Office	:	Clarendon House 2 Church Street Hamilton HM 11 Bermuda Tel: +441 295 1422
Registrar for the Invitation and Singapore Share Transfer Agent	:	Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building Singapore 049315
Bermuda Registrar and Share Transfer Agent	:	The Bank of Bermuda Limited Bank of Bermuda Building 6 Front Street Hamilton HM 11 Bermuda
Manager, Underwriter and Placement Agent	:	Overseas Union Bank Limited 1 Raffles Place OUB Centre Singapore 048616
Reporting Accountants	:	Ernst & Young Certified Public Accountants 10 Collyer Quay #21-01 Ocean Building Singapore 049315 Ernst & Young Certified Public Accountants 15th Floor, Hutchison House 10 Harcourt Road Central, Hong Kong
Auditors	:	Ernst & Young Certified Public Accountants 15th Floor, Hutchison House 10 Harcourt Road Central, Hong Kong

*Mr Ira Stuart Outerbridge III will resign and be appointed assistant secretary of the Company following the listing of the Shares on the SGX-ST.

- Solicitors to the Invitation** : Wong Partnership
80 Raffles Place
#58-01 UOB Plaza 1
Singapore 048624
- Legal Advisers to the Company on
Hong Kong law** : Chiu & Partners
41st Floor Jardine House
1 Connaught Place
Central, Hong Kong
- Legal Advisers to the Company on
Bermuda law** : Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central, Hong Kong
- Legal Advisers to the Company on
PRC law** : Guangzhou Foreign Economic Law Office
15th Floor Chengyue Plaza
No. 448 Dongfeng Zhong Road
Guangzhou, People's Republic of China

DEFINITIONS

In this Prospectus and the accompanying Application Forms, the following definitions apply where the context so admits:-

Companies

- “Chinese Glory”* : Chinese Glory Investments Limited, the controlling shareholder of our Company incorporated in the British Virgin Islands
- “Company” or “United Food”* : United Food Holdings Limited
- “Globe Bright”* : Globe Bright Limited, a wholly owned subsidiary of our Company incorporated in Hong Kong
- “Group”* : The pro forma group of companies comprising us and our subsidiaries, treated as if our Group structure had been in existence since 1 January 1997
- “Jiang Quan”* : Linyi Jiangquan Meat Products Co., Ltd., a wholly-owned subsidiary of our Company established in the PRC
- “Post-Ante”* : Post-Ante Trading Limited, the intermediate holding company of our Group and a wholly-owned subsidiary of our Company incorporated in the British Virgin Islands

General

- “Act”* : The Companies Act, Chapter 50 of Singapore
- “Application Forms”* : The printed application forms to be used for the purpose of the Invitation and which form part of this Prospectus
- “Application List”* : The list of applications for subscription of the Invitation Shares
- “ATM”* : Automated teller machines of a Participating Bank
- “Bermuda Act” or “Companies Act”* : The Companies Act 1981 of Bermuda
- “CDP”* : The Central Depository (Pte) Limited
- “CPF”* : The Central Provident Fund
- “Directors”* : Our directors as at the date of this Prospectus
- “Electronic Applications”* : Applications for the Offer Shares made through an ATM or through Internet Banking websites of any of the Participating Banks in accordance with the terms and conditions of this Prospectus
- “EPS”* : Earnings per Share
- “Executive Officers”* : Our executive officers as at the date of this Prospectus
- “Existing Shareholders”* : Chinese Glory, Mr David Yip Wai Sun, Mr Wang Tingbao and Mr Wang Wenguang

<i>“FY”</i>	:	Financial year ended or, as the case may be, ending 31 December
<i>“GDP”</i>	:	Gross domestic product
<i>“Hong Kong” or “HK”</i>	:	The Hong Kong Special Administrative Region of the People’s Republic of China
<i>“Invitation”</i>	:	The invitation by us to the public in Singapore to subscribe for the Invitation Shares upon the terms of and subject to the conditions set out in this Prospectus
<i>“Invitation Shares”</i>	:	130,550,000 new Shares which are the subject of this Invitation
<i>“ISO 9002”</i>	:	An international standard of quality assurance established by the International Standards Organisation, a world-wide federation of national standards bodies
<i>“Issue Price”</i>	:	S\$0.315 for each Invitation Share
<i>“Macau”</i>	:	The Macau Special Administrative Region of the People’s Republic of China
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“New Shares”</i>	:	130,550,000 new Shares to be issued pursuant to the Invitation, and up to an additional 17,050,000 new Shares if the Over-allotment Option is exercised in full
<i>“NTA”</i>	:	Net tangible assets
<i>“Offer”</i>	:	The offer by us of the Offer Shares to the public in Singapore for subscription at the Issue Price upon the terms and subject to the conditions set out in this Prospectus
<i>“Offer Shares”</i>	:	The 9,550,000 Invitation Shares which are the subject of the Offer
<i>“OUB”, “Manager”, “Placement Agent” or “Underwriter”</i>	:	Overseas Union Bank Limited
<i>“Over-allotment Option”</i>	:	The option granted by us to the Manager to require us to issue up to an additional 17,050,000 new Shares pursuant to the Invitation, upon the terms and subject to the conditions set out in this Prospectus and referred to in “Over-allotment and Stabilisation” on page 14 of this Prospectus
<i>“Participating Banks”</i>	:	OUB, The Development Bank of Singapore Ltd (including its POSBank Services division) (“DBS”); KeppelTatLee Bank Limited (“KTB”); Oversea-Chinese Banking Corporation Limited and its subsidiary, Bank of Singapore Limited (“OCBC Group”); and United Overseas Bank Limited and its subsidiaries, Far Eastern Bank Limited and Industrial & Commercial Bank Limited (“UOB Group”)
<i>“Placement”</i>	:	The placement of the Placement Shares by the Placement Agent on our behalf for subscription at the Issue Price upon the terms and subject to the conditions set out in this Prospectus
<i>“Placement Price”</i>	:	S\$0.315 for each Placement Share

<i>“Placement Shares”</i>	:	121,000,000 Invitation Shares which are the subject of the Placement
<i>“PRC”</i>	:	The People’s Republic of China, excluding Hong Kong and Macau
<i>“Restructuring Exercise”</i>	:	The corporate restructuring exercise undertaken in connection with the Invitation as described on page 37 of this Prospectus
<i>“SCCS”</i>	:	Securities Clearing & Computer Services (Pte) Ltd
<i>“Securities Account”</i>	:	The securities account maintained by a depositor with CDP
<i>“Shares”</i>	:	Ordinary shares of HK\$0.25 each in the capital of our Company
<i>“Stock Exchange” or “SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“\$” or “S\$” and “cents”</i>	:	Singapore dollars and cents respectively
<i>“HK\$” or “HK cents”</i>	:	Hong Kong dollars and cents respectively
<i>“RMB” and “RMB cents”</i>	:	PRC Renminbi and Renminbi cents respectively
<i>“US” or “United States”</i>	:	United States of America
<i>“US\$” and “US cents”</i>	:	United States dollars and cents respectively
<i>“%” or “per cent.”</i>	:	Per centum or per centa
<i>“kg”</i>	:	kilogramme

Glossary of Geographical Terms

The glossary contains an explanation of geographical terms in relation to the regions of the PRC used in this Prospectus in connection with our group of companies and our business. The terms and their assigned meanings may not correspond to standard industry or common meanings, as the case may be, or usage of these terms.

<i>“Eastern & Central”</i>	:	Anhui, Henan, Hubei, Hunan, Jiangsu, Zhejiang and Jiangxi provinces and Shanghai municipality
<i>“Northern”</i>	:	Hebei, Heilongjiang, Jilin, Liaoning, Shanxi and Shaanxi provinces, Inner Mongolia Autonomous Region and the municipalities of Beijing and Tianjin
<i>“Southern”</i>	:	Fujian and Guangdong provinces
<i>“Shandong and other provinces”</i>	:	Shandong, Xinjiang, Yunnan and Sichuan provinces and municipalities of Dalian and Chongqing

Glossary of Technical Terms

The glossary contains an explanation of technical terms used in this Prospectus in connection with our group of companies and our businesses. The terms and their assigned meanings may not correspond to standard industry or common meanings, as the case may be, or usage of these terms.

“corn meal”	:	Corn that has been ground to powder
“encephalitis”	:	A virus that results in inflammation of the pig’s brain
“feed conversion ratio”	:	The ratio of the amount (in kg) of animal feed required to produce pigs of optimal slaughter weight (approximately 90 kg)
“fermentation level”	:	The extent to which a substance is broken down by yeasts and bacteria
“fish meal”	:	Fish that has been dried and ground to powder
“free-range chickens”	:	Chickens which can roam freely and are not kept in cages
“pathogens”	:	A disease-causing virus or bacteria
“pharynx”	:	The cavity behind the nose and mouth
“porcine parvovirus”	:	A virus that infects pigs and results in infertility and increase in number of stillbirths of pigs
“PVDC”	:	Polyvinylidene chloride, the chemical composition of a plastic material used to manufacture sausage skin
“soybean meal”	:	Soybeans which have been ground to powder

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Prospectus and the Application Forms to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Companies Act or any statutory modification thereof and used in this Prospectus and the Application Forms shall, where applicable, have the meaning ascribed to it under the Act, the Companies Act or any statutory modification thereof, as the case may be.

Any reference in this Prospectus and the Application Forms to Shares being allotted to an applicant includes allotment to CDP for the account of that applicant.

Any reference to a time of day in this Prospectus is a reference to Singapore time unless otherwise stated.

PURCHASE BY THE COMPANY OF ITS OWN SHARES

Under the laws of Bermuda, a company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Our Company has power to purchase its own shares under clause 7 of its Memorandum of Association and Bye-Laws. Such power to purchase its own Shares is, subject to the Bermuda Act and our Memorandum of Association, and if required, the prior approval of the SGX-ST, exercisable by the Directors upon such terms and subject to such conditions as they think fit, in accordance with Bye-law 3(2).

Under the laws of Bermuda, such purchases may be effected out of the capital paid-up on the purchased shares or out of the funds of our Company otherwise available for dividend or distribution or out of proceeds of a fresh issue of shares made for the purpose. Any premium payable on such a purchase over the par value of the shares to be purchased must be provided for out of the funds of our Company otherwise available for dividend or distribution or out of our Company's share premium account. Any amount due to a shareholder on a purchase of our own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that our Company is, or after the purchase would be, unable to pay our liabilities as they become due. The shares so purchased will be treated as cancelled and our Company's issued, but not our authorised, share capital will be diminished accordingly.

For further details, please see "Purchase of shares and warrants by a company and its subsidiaries" in paragraph 1(c) of Appendix 2: "*SUMMARY OF BERMUDA COMPANY LAW*" on page 149 of this Prospectus.

Our Company currently has no intention to purchase the Shares after the listing. However, if we decide to do so later, we would seek our shareholders' approval in accordance with the Bye-Laws of our Company, Singapore laws and the rules of the SGX-ST. Our Company will make prompt public announcement of any such share purchase and has also given an undertaking to the SGX-ST to comply with all requirements that the SGX-ST may impose in the event of any such purchase.

TAKE-OVERS

There are presently no requirements under any Bermuda laws or regulations on take-over offers for our Shares which would be applicable to us. In addition, Sections 213, 214 and 215 of the Singapore Companies Act, the Tenth Schedule to the Act and the Singapore Code of Take-overs and Mergers (1985 Edition) (collectively the “Singapore Take-over and Merger Laws and Regulations”) apply only to take-over offers for public companies incorporated in Singapore and not to companies incorporated outside Singapore. As our Company is incorporated in Bermuda, the Singapore Take-over and Merger Laws and Regulations do not apply to take-over offers for the Company.

Bye-law 193 (as described below) will, due to its binding effect on our registered shareholders (our “Members”), require our Members who make take-over offers in respect of our Shares to comply with the Singapore Take-over and Merger Laws and Regulations. However, it is uncertain whether this can be implemented in practice. This is because Bye-law 193 only binds our Members and a person (including a corporation) who is not our Member will not be bound to comply with the Singapore Take-over and Merger Laws and Regulations. This may affect you because in the event that a person (not being one of our Members), whether alone or together with parties acting in concert with him, acquires or gains control of 25% or more of our Shares or, in the event that he already owns or controls 25% or more and not more than 50% of our Shares and acquires an additional 3% of our Shares within any 12-month period, you may not be offered an opportunity to sell your Shares to such an acquiror at the price he had paid for those Shares. In addition, even if a take-over offer is made for our Shares, such a take-over may not be made in accordance with the procedure stipulated in the Singapore Take-over and Merger Laws and Regulations.

Bye-law 193 provides that for so long as our Shares are listed on the Designated Stock Exchange (as defined in the Bye-laws), the Singapore Take-over and Merger Laws and Regulations, including any amendments, modifications, revisions, variations or re-enactments thereof, shall apply, *mutatis mutandis*, to all take-over offers for our Company.

Our substantial shareholders, Chinese Glory, David Yip Wai Sun and Wang Tingbao have each undertaken to the SGX-ST that, as long as they continue to be substantial shareholders of our Company, they will endeavour to persuade potential offerors in connection with a take-over offer for our Company to comply with the requirements of the Singapore Take-over and Merger Laws and Regulations in the event of any take-over offers for our Company.

DETAILS OF THE INVITATION

LISTING ON THE SGX-ST

Application has been made to the SGX-ST for permission to deal in and for quotation of all our Shares already issued as well as the New Shares on the Official List of the SGX-ST. Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. Acceptance of applications will be conditional upon permission being granted to deal in and for quotation of all of our existing issued Shares and the New Shares. Moneys paid in respect of any application accepted will be returned to you, without interest or any share of revenue or other benefit arising therefrom and at your own risk, if such permission is not granted or your application is not accepted for any other reason.

In connection with the Invitation, we have granted to the Manager an over-allotment option (the "Over-allotment Option") exercisable by the Manager during the period commencing on the date of commencement of trading of the Shares on the SGX-ST (the "Commencement Date") and expiring on the date falling 30 days after the Commencement Date. The Manager may subscribe and/or procure subscribers for up to an aggregate of 17,050,000 New Shares, representing approximately 13 per cent. of the Invitation Shares, at the Issue Price, solely for the purpose of covering over-allotments (if any) made in connection with the Invitation. The Manager may over-allot or effect transactions which stabilise or maintain the market price of the Shares, subject to compliance with the laws of Singapore. Such stabilisation, if commenced, may be discontinued by the Manager at any time at the Manager's discretion.

The Placement Agent will accept subscriptions and payments for the Placement Shares from the date of this Prospectus to the date of close of Application List. In the event that the Placement Agent fails to receive subscriptions and payments for at least 85 per cent. of the Placement Shares by 6.00 p.m. on 13 March 2001, OUB shall be entitled to terminate its appointment as Manager of the Invitation and their obligation as Underwriter and Placement Agent under the Management and Underwriting Agreement and Placement Agreement respectively. In such an event we reserve the right, at our absolute discretion, to cancel the Invitation and any application moneys received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicants for Placement Shares by ordinary post or telegraphic transfer at the applicants' own risk within 5 Market Days of the termination of the Invitation.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our issued Shares or our New Shares.

A copy of this Prospectus has been lodged with, and registered by, the Registrar of Companies and Businesses in Singapore who takes no responsibility for its contents.

The Bermuda Monetary Authority has given its consent to the issue of the New Shares pursuant to the Invitation on the terms referred to in this Prospectus. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed herein or any of the other documents referred to in this Prospectus.

This Prospectus has been seen and approved by our Directors and they individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all due and careful enquiries, that the facts contained in this Prospectus are true and accurate and not misleading, that all expressions of opinion, intention and expectation contained herein are honestly held and made after due and careful consideration, that to the best of their knowledge, information and belief, this Prospectus constitutes full and true disclosure of all material facts about this Invitation, our Group and our Shares and that there are no other material facts the omission of which would make any statement herein misleading, and that the profit estimate has been stated by the Directors after due and careful enquiry.

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by us or the Manager. Neither the delivery of this Prospectus and the Application Forms nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in our affairs or in the statements of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur, we may make an announcement of the same to the SGX-ST and the public and comply with all requirements of the Act. All applicants should take note of any such announcement and, upon release of such an announcement, shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies.

This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares for any other purpose. **This Prospectus does not constitute an offer, solicitation or invitation to subscribe for the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation.**

Copies of this Prospectus and the Application Forms may be obtained on request, subject to availability, from:–

OVERSEAS UNION BANK LIMITED
1 Raffles Place
OUB Centre
Singapore 048616

and from branches of OUB, members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website <http://www.singaporeexchange.com>.

The Application List will open at 10.00 a.m. on 22 March 2001 and will remain open until 12.00 noon on the same day or until such other date and/or time or for such further period or periods as our Directors may, in consultation with OUB, decide, subject to any limitation under all applicable laws.

INDICATIVE TIMETABLE FOR LISTING

In accordance with the SGX-ST News Release of 28 May 1993 on the trading of initial public offering shares on a “when issued” basis, an indicative timetable is set out below for your reference:–

Indicative date/time	Event
22 March 2001, 12.00 noon	Close of Application List
23 March 2001	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
26 March 2001, 9.00 a.m.	Commence trading on a “when issued” basis
4 April 2001	Last day of trading on a “when issued” basis
5 April 2001, 9.00 a.m.	Commence trading on a “ready” basis
10 April 2001	Settlement date for all trades done on a “when issued” basis and for trades done on a “ready” basis on 5 April 2001

The above timetable is only indicative as it assumes that the date of closing of the Application List is 22 March 2001, the date of admission of our Company to the Official List of the SGX-ST is 26 March 2001, the shareholding spread requirement will be complied with and the New Shares will be issued and fully paid-up prior to 26 March 2001.

In the event of a change in the closure of the Application List which may result in the lengthening or the shortening of the time period during which the Invitation is open, we will publicly announce such arrangement:-

- (i) through a MASNET announcement to be posted on the Internet at the SGX-ST website <http://www.singaporeexchange.com>; and
- (ii) in a local newspaper.

The actual date on which our Shares will commence trading on a “when issued” basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit trading on a “when issued” basis and the commencement date of such trading. All persons trading in our Shares on a “when issued” basis do so at their own risk. **In particular, persons trading in our Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, as the case may be, have been allotted with or are otherwise beneficially entitled to. Such persons are also exposed to the risk of having to cover their net sell positions earlier if “when issued” trading ends sooner than the indicative date shown above. Persons who have a net sell position traded on a “when issued” basis should close their position on or before the first day of “ready” basis trading.**

Investors should consult the SGX-ST’s announcement on “ready” trading date on the Internet (at SGX-ST website <http://www.singaporeexchange.com>), INTV or the newspapers or check with their brokers on the date on which trading on a “ready” basis will commence.

We will provide details of the results of the Invitation:-

- (i) through a MASNET announcement to be posted on the Internet at the SGX-ST website <http://www.singaporeexchange.com> on the day following the close of the Application List; and
- (ii) by way of a paid advertisement in the local English and Chinese newspapers, namely, *The Straits Times*, *The Business Times* and the *Lianhe Zaobao* two days following the close of the Application List.

OVER-ALLOTMENT AND STABILISATION

In connection with the Invitation, and in consideration of the parties' mutual obligations under the Management and Underwriting Agreement entered into between the Company and OUB on 12 March 2001, we granted to the Manager an over-allotment option (the "Over-allotment Option"), to subscribe and/or procure subscribers for up to an aggregate of 17,050,000 additional new Shares (the "Additional Shares") (representing up to approximately 13% of the Invitation Shares) at the Issue Price exercisable during the period commencing on the date of commencement of trading of our Shares on the SGX-ST (the "Commencement Date") and expiring on the date falling 30 days after the Commencement Date solely for the purpose of covering over-allotments (if any) made in connection with the Invitation.

In addition, David Yip Wai Sun has entered into an agreement with the Manager to loan up to 17,050,000 Shares to the Manager for the purpose of effecting the over-allotment or stabilisation activities in connection with the Invitation.

In order to facilitate the distribution of the Invitation Shares in the Invitation, the Manager may, over-allot and effect transactions which stabilise or maintain the market price of the Shares, subject to compliance with the laws of Singapore. Such stabilisation, if commenced, may be discontinued by the Manager at any time at the Manager's discretion.

PROSPECTUS SUMMARY

The following summary highlights certain information found in greater detail elsewhere in this Prospectus. You should read the entire Prospectus carefully, especially the section on “*RISK FACTORS*”, before deciding to invest in our Shares.

OVERVIEW OF OUR GROUP

Our Company

Our Company was incorporated in Bermuda on 14 August 2000. Our Company is an investment holding company and the principal business of our subsidiaries are:–

- production and sale of processed meat products under our “Jiangquan” (江泉) brand;
- production and sale of fresh, chilled and frozen pork products;
- animal feed production; and
- pig rearing.

We are an integrated food processing company based in Linyi city of Shandong province in the PRC. We produce all the feed required by our pig farm and our abattoir produces all the pork required for the manufacture of our processed meat products under our “Jiangquan” brand. At present, all our customers are in the PRC (including Hong Kong), and our products are distributed in the PRC through our sales and distribution network, comprising of, as at 30 November 2000, our 40 sales offices and more than 3,000 authorised dealers and retailers that cover most of the major cities and provinces in the PRC. Our main markets are in the Eastern & Central and Northern regions of the PRC as well as in the provinces of Shandong, Xinjiang, Yunnan and Sichuan. Our other important markets include Beijing, Shanghai and Hong Kong.

We produce processed meat products such as pre-cooked sausages that are sold nationwide. Our pork products include a wide range of different cuts of fresh, chilled and frozen pork, with frozen pork taking the majority (60% to 70%), and they are sold to a variety of customers ranging from food processing companies to markets and supermarkets to retailers. We also produce and sell our animal feeds to customers in Shandong and Jiangsu provinces, and we plan to eventually market our animal feeds to other parts of the PRC.

Our Financial Performance

Our turnover in FY1997, FY1998 and FY1999 were RMB466.1 million, RMB685.5 million and RMB1.01 billion respectively. This represented compounded annual growth rate (“CAGR”) of 47.4%. Over the same period, we recorded profit after tax of RMB75.8 million, RMB100.8 million and RMB158.8 million respectively, which represented CAGR of 44.8%. Our gross profit margin has improved from 22.6% in FY1997 to 25.4% in FY1999.

For FY2000, we estimate our turnover to increase by 48.5% to RMB1.5 billion and our profit after tax to increase 57.4% to RMB250.0 million compared to FY1999.

Our Future Plans

We plan to:–

1. Expand our production capacity and/ or expand our product range by:–
 - Expanding our production facilities for processed meat products and acquiring new machinery and equipment for the enlarged facilities;
 - Establishing a new production line for producing pre-cooked and chilled processed meat products;

- Acquiring up to three new abattoirs for the production of fresh, chilled and frozen pork and processed meat products;
 - Increasing the operating capacity of our pig farm and the number of pigs we rear by importing approximately 1,000 additional pedigree pigs from the US and Canada; and
 - Developing more varieties of sausages enriched with additional vitamins and minerals to capitalise on the market for healthy foods.
2. Further enhance our sales and distribution network in the PRC by purchasing approximately 300 delivery trucks for transportation of our products. We also have plans to set up a sales office in Moscow, Russia to facilitate our penetration into the Russian market for pork products.
 3. Strengthen the marketing of our products and enhance our brand development by hiring a public relations company to develop co-ordinated promotional programmes and campaigns for our products.
 4. Expand and upgrade our research and development facilities. We will increase our research efforts on areas such as the development of new processed meat products, disease prevention for our pigs, as well as improving the quality of our stock through the further development of cross-breeds.

Our Competitive Advantages

1. *We have well-established quality control systems that ensure the high quality of our products*

We place great importance on implementing and enforcing stringent quality control checks at all stages of our production processes. Please refer to “*BUSINESS — Quality Control*” on pages 67 to 70 of this Prospectus for further discussion on our systems of quality control. As a testimonial of our emphasis on and commitment to quality control and the quality of our products, we were awarded the ISO 9002 certification for our abattoir and food processing operations in 1999. Our Directors believe that Jiang Quan is the first abattoir in the PRC to attain ISO 9002 certification.

In addition, we have won numerous provincial and national awards that recognise our well-established quality control systems and the high quality of our products.

(Please refer to page 76 of this Prospectus under the “*BUSINESS — Awards*” section for details of the awards we have received.)

2. *We have a well-recognised brand name in the PRC*

Since we began producing sausages in 1993, we have focused on building up brand recognition for our “Jiangquan” (江泉) brand of processed meat products, especially in the Eastern & Central regions of the PRC. We believe that we have been successful in building up a well-recognised brand name for our processed meat products, which is evidenced by (i) the enlargement of our dealership and retailer base from approximately 700 authorised dealers and retailers in 1997 to approximately 3,200 authorised dealers and retailers as at 30 June 2000; and (ii) significant increase in turnover of our processed meat products from RMB201.3 million for FY1997 to RMB484.5 million for FY1999.

3. *We have an extensive sales and distribution network in the PRC*

We have established an extensive sales and distribution network in the PRC. As at 30 November 2000, our sales and distribution network in the PRC comprises:–

- 40 sales offices;
- 75 Class 1 provincial authorised dealers;
- 796 Class 2 city authorised dealers; and
- approximately 2,800 Class 3 authorised retailers (appointed by the Class 2 authorised city dealers) throughout PRC.

Our extensive network covers most of the provinces and major cities in the PRC. We believe that our extensive network enhance our competitiveness as it gives us extensive market presence in the PRC.

(Please refer to “*BUSINESS*” — *Sales and Distribution Network*” on pages 71 and 72 of this Prospectus for more details on our authorised dealers and retailers.)

4. *We place strong emphasis on research and development*

Since our incorporation, we have placed strong emphasis on our research and development efforts to enhance our competitiveness. Our research and development achievements include the development of (i) different animal feeds that fulfil the nutritional requirements of different animals; (ii) effective vaccination procedures against diseases to prevent disease outbreaks in our pig farm; (iii) better quality of pigs through cross-breeding; and (iv) our wide range of processed meat products through product development and innovation such as our “AD Calcium” sausage, which is fortified with minerals and vitamins.

(Please refer to “*BUSINESS* — *Research and Development*” on pages 74 and 75 of this Prospectus for more details on our research and development efforts and achievements.)

5. *Our production operations are integrated*

We have achieved integration of our production operations, namely, our animal feed production and pig rearing and our abattoir operations and production of processed meat products. We believe that our strategy of integrated operations would enhance our competitiveness by (i) ensuring a steady supply of our raw materials; (ii) enabling better control over the quality of our raw materials and our products; and (iii) reducing of cost and enhancing our profit margins.

We can be contacted at:–

Principal office : Shenquan Village, Luozhuang District, Linyi City, Shandong Province, PRC.
Telephone number : +86–539–827–6233.
Website : www.jiangquan.com. **Information contained in our website does not constitute part of this Prospectus.**

THE INVITATION

- Issue Size : 130,550,000 Invitation Shares offered in Singapore by way of public offer and placement managed and underwritten by OUB comprising 9,550,000 Offer Shares and 121,000,000 Placement Shares.
- The New Shares, upon allotment and issue, will rank *pari passu* in all respects with the existing Shares.
- Issue Price : S\$0.315 for each Invitation Share.
- Purpose of the Invitation : The purpose of the Invitation is to secure admission of our Company to the Official List of the SGX-ST. Our Directors consider that the listing of our Company and the quotation of our Shares on the SGX-ST will enhance the public image of our Group locally and overseas and enable us to tap the capital markets for the expansion of our operations. The Invitation will also provide members of the public with an opportunity to participate in the equity of our Company.
- Use of proceeds : The net proceeds from the issue of the New Shares (after deducting estimated issue expenses) is approximately S\$35.1 million and we intend to use the net proceeds for the following purposes:-
- (1) approximately RMB71.9 million (S\$15.1 million) for the expansion of our production capacity;
 - (2) approximately RMB10 million (S\$2.1 million) to diversify and expand our range of products;
 - (3) approximately RMB10 million (S\$2.1 million) to strengthen and expand our sales and distribution network;
 - (4) approximately RMB29.6 million (S\$6.2 million) for marketing and promotion activities;
 - (5) approximately RMB16.2 million (S\$3.4 million) on research and development efforts; and
 - (6) approximately RMB29.8 million (S\$6.2 million) for working capital purposes.
- If the Over-allotment Option is exercised by OUB, we shall use the net proceeds arising from the Over-allotment Option for our general working capital.
- Please refer to “*USE OF PROCEEDS*” on pages 31 and 32 for further details regarding our planned use of the Invitation proceeds.
- Pending the deployment of the net proceeds from the issue of the New Shares as aforesaid, the funds will be added to our working capital, deposited with banks and financial institutions and placed in short-term deposits or for the purchase of money market instruments as our Directors may deem fit.
- Listing status : Our Shares will, on admission of our Company to the Official List of the SGX-ST, be quoted on the Main Board of the SGX-ST.
- Trading board lot and currency : Upon the admission of our Shares on the SGX-ST, trading of our Shares will be in board lots of 1,000 Shares. Our Shares will be quoted and all trading of our Shares on the SGX-ST will be in Singapore dollars.

Settlement : The Application List will open at 10.00 am on 22 March 2001 and will remain open until 12.00 noon on the same day (or until such other time or for such further period or periods as our Directors may, in consultation with OUB, decide) and acceptance of applications will be conditional upon us being satisfied that:-

- (a) Permission has been granted by SGX-ST to deal in and for quotation for all the existing Shares and the New Shares on a “when issued” basis on the SGX-ST; and
- (b) the Management and Underwriting Agreement and the Placement Agreement referred to on page 130 of this Prospectus have become unconditional and have not been terminated.

We expect that our Shares will commence trading on SGX-ST on a “when issued” basis on or about 22 March 2001 and on a “ready” basis on or about 5 April 2001. Generally, our Shares will be held and will trade in book-entry form pursuant to the rules of SGX-ST and CDP. Pursuant to the book-entry settlement system of CDP, share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to each successful applicant at his own risk, within 15 Market Days after the close of the Application List, a statement showing that his Securities Account has been credited with the number of Invitation Shares allotted to him.

The full application moneys will be refunded in Singapore dollars to applicants whose applications are unsuccessful and those applications not successfully balloted or accepted (without interest or any share of revenue or other benefit arising therefrom) within three Market Days by ordinary post at the applicants’ own risk (in the case of applications using Application Forms) or by being automatically credited to the applicants’ accounts with the relevant Participating Banks (in the case of Electronic Applications). Where an application is rejected or accepted in part only, the full amount or the balance of the application moneys, as the case may be, will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) within 14 days by ordinary post at the applicant’s own risk (in the case of an application using Application Form) or by being automatically credited to the applicant’s account with the relevant Participating Bank (in the case of an Electronic Application).

For a description of the settlement procedures for transfer of our Shares, see “*CLEARANCE AND SETTLEMENT*” on page 99 of this Prospectus.

Dividend policy : We have declared and paid dividends of RMB30.0 million, RMB65.0 million and RMB85.0 million for FY1997, FY1998 and FY1999 respectively to our shareholders. In addition, we have declared and paid an interim dividend of RMB50.0 million for FY2000.

We have declared and paid a special and final dividend of RMB35 million for FY2000 to our Existing Shareholders. New shareholders will not be entitled to this special and final dividend.

The amount of our past dividends is not indicative of the amount that we will pay in the future. In the foreseeable future, we expect to recommend and distribute not less than 30% of our net profit as dividends and for FY2001, not less than 50% of our net profit as dividends to our shareholders (both Existing Shareholders and shareholders after the Invitation) subject to:–

- the level of our cash and retained earnings;
- our projected levels of capital expenditure and other investment plans; and
- our expected financial performance.

Please refer to “*DIVIDEND POLICY*” on page 33 of this Prospectus for details.

Risk factors : Investing in our ordinary shares involves risks which are described in “*RISK FACTORS*” on pages 23 to 28 of this Prospectus.

SUMMARY FINANCIAL DATA

You should read the following summary financial data in conjunction with the full text of this Prospectus, including the Accountants' Report as set out on pages 104 to 124 of this Prospectus.

PRO FORMA CONSOLIDATED INCOME STATEMENT DATA⁽¹⁾

S\$'000	Audited Financial Year ended 31 December			Unaudited for the six months ended 30 June 1999	Audited for the six months ended 30 June 2000	Unaudited for the eleven months ended 30 November 1999	Unaudited for the eleven months ended 30 November 2000
	1997	1998	1999				
Turnover	82,991	137,724	206,572	93,090	163,419	188,361	294,677
Gross profit	18,740	34,242	52,393	23,365	42,601	47,322	77,044
Profit from operating activities	14,761	25,447	39,826	17,608	33,915	35,999	60,125
Profit before tax	13,491	24,793	39,581	17,461	33,781	35,793	59,964
Net profit attributable to shareholders	13,491	20,253	32,379	14,276	27,563	29,295	49,006
Net profit per Share (cents) ⁽²⁾	1.61	2.42	3.87	1.71	3.30	3.50	5.86
Average exchange rate of RMB to S\$1.00	5.616	4.977	4.903	4.867	4.841	4.881	4.805

PRO FORMA CONSOLIDATED INCOME STATEMENT DATA⁽¹⁾

RMB'000	Audited Financial Year ended 31 December			Unaudited for the six months ended 30 June 1999	Audited for the six months ended 30 June 2000	Unaudited for the eleven months ended 30 November 1999	Unaudited for the eleven months ended 30 November 2000
	1997	1998	1999				
Turnover	466,080	685,450	1,012,822	453,071	791,110	919,391	1,415,921
Gross profit	105,242	170,420	256,882	113,716	206,230	232,980	370,195
Profit from operating activities	82,896	126,648	195,268	85,697	164,182	175,712	288,901
Profit before tax	75,767	123,397	194,066	84,982	163,532	174,705	288,126
Net profit attributable to shareholders	75,767	100,798	158,755	69,482	133,434	142,990	235,473
Net profit per Share (RMB cents) ⁽²⁾	9.06	12.05	18.98	8.31	15.95	17.10	28.15

Notes:—

- (1) The pro forma consolidated income statements of our Group for the periods under review have been prepared on the basis that our Group had been in existence throughout the periods under review or since the respective dates of incorporation, if later.
- (2) For comparative purposes, the net profit per Share for the periods under review have been computed based on the pre-Invitation share capital of 836,403,740 Shares.
- (3) Had the service agreements for our Directors and Executive Officers been effected on 1 January 1999, the total remuneration paid to our Directors and Executive Officers for FY1999 would have been approximately RMB3,253,000 (approximately 1.67% of our profit before tax and remunerations for Directors and Executive Officers) instead of RMB960,000 (approximately 0.49% of our profit before tax and remunerations for Directors and Executive Officers) and the profit before tax would have been RMB191,773,000 instead of RMB194,066,000.
- (4) We are exempted from PRC income tax for FY1997. For FY1998, FY1999 and FY2000, we are subject to PRC income tax rate of 18% in respect of our operation in the PRC.
- (5) There is no change in our accounting policy for the financial periods under review.

PRO FORMA CONSOLIDATED BALANCE SHEET DATA⁽¹⁾

S\$'000	Audited			Audited as at 30 June 2000	Unaudited as at 30 November 2000
	— as at 31 December —				
	1997	1998	1999		
Fixed assets	22,741	21,369	18,081	16,687	15,585
Net current assets	96	8,628	26,882	47,656	63,697
Total assets	22,837	29,997	44,963	64,343	79,282
Pro forma shareholders' equity	22,837	29,997	44,963	64,343	79,282
NTA per Share (cents) ⁽²⁾	2.73	3.59	5.38	7.70	9.48
Closing exchange rate of RMB to S\$1.00	5.000	5.000	4.976	4.774	4.720

PRO FORMA CONSOLIDATED BALANCE SHEET DATA⁽¹⁾

RMB'000	Audited			Audited as at 30 June 2000	Unaudited as at 30 November 2000
	— as at 31 December —				
	1997	1998	1999		
Fixed assets	113,704	106,845	89,973	79,662	73,563
Net current assets	481	43,138	133,765	227,510	300,648
Total assets	114,185	149,983	223,738	307,172	374,211
Pro forma shareholders' equity	114,185	149,983	223,738	307,172	374,211
NTA per Share (RMB cents) ⁽²⁾	13.65	17.93	26.75	36.73	44.74

Notes:—

- (1) The pro forma consolidated balance sheet of our Group for the periods under review have been prepared on the basis that our Group had been in existence throughout the periods under review or since the respective dates of incorporation, if later.
- (2) For comparative purposes, the NTA per Share for the periods under review have been computed based on the pre-Invitation share capital of 836,403,740 Shares.

RISK FACTORS

Potential investors should carefully evaluate each of the following risk factors and all of the other information set forth in this Prospectus before deciding to invest in the Shares. Some of the following risk factors relate principally to the industry in which our Group operates and the business of our Group in general. Other considerations relate principally to general economic and political conditions and the securities market and ownership of the Shares, including possible future sales of the Shares.

If any of the following considerations and uncertainties develop into actual events, our Group's business, financial conditions or results of operations may be materially and adversely affected. In such case, the trading price of the Shares could decline due to any of these considerations, and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

Fluctuations in the price of raw materials will affect our profitability

The prices of pigs, frozen chicken and other food ingredients and raw materials purchased by our Group may fluctuate due to changes in supply and demand conditions. Any shortage in supply or upsurge in demand may lead to an increase in prices, which may adversely affect our Group's profitability due to increased costs and lower profit margins on committed sales orders.

(Please refer to "*BUSINESS — Suppliers and Raw Materials*" on page 73 of this Prospectus for details of the raw materials we use.)

Outbreak of disease in livestock and/or food scares in the PRC would materially and adversely affect our business and our profitability

Any major outbreak of disease in stocks of pigs and/or food scares in the PRC are likely to result in loss in consumer confidence and demand. Any outbreak of disease in other pig farms in the country is likely to lead to a drop in consumer demand for pork and processed pork products, adversely affecting the business of our Group. In the event of a major outbreak of disease within our pig farm, the loss to our livestock could be significant. As a large proportion of the animal feed we produce is consumed by the pigs in our pig farm, a significant reduction in the size of our stock and lower feed consumption levels will adversely affect our feed production business. Any disease outbreak among our pigs, resulting in considerable losses to our stock and reduced demand for our products, would materially and adversely affect our business and our profitability.

(Please refer to "*BUSINESS — Quality Control*" on pages 67 to 70 of this Prospectus for further discussion on the prevention of disease outbreaks within our pig farm.)

We face intensive competition in the food and animal feeds industries in the PRC

Our Group operates in a highly competitive environment for the sale of frozen and fresh, chilled meat products. Product differentiation is low, and large-scale pork producers such as our Group have to work on maintaining customer loyalty by cultivating long-term customer relationships, building up our corporate image and brand names and establishing ourselves as low-cost distributors.

There are many other food processing companies which produce processed meat products similar to ours. Pork products are popular in the PRC, and staying ahead of the competition will require continual innovation in product development, brand-building and maintaining efficiency.

Our competitors in the processed food industry may have greater product diversification, name recognition, longer operating history, larger customer base and greater sales and marketing, financial and other resources than us. Competitive pressures may result in us lowering our prices and increasing our sales and marketing expenses. This will adversely affect our business by reducing our profit margin.

There is also intensive competition in the animal feeds business within our primary market of Shandong province. Similar pressures from competitors may result in us lowering our prices and thus reducing our profit margin.

Our sales and profitability may be adversely affected by delivery disruptions

Delivery disruptions for various reasons including weather conditions, political turmoil, social unrest and strikes would lead to delayed or lost deliveries, and may result in loss of revenue and compensation to customers and damage to the image and reputation of our Group.

Deterioration of our perishable meat products due to delivery delays, malfunctioning of freezer facilities or poor handling during transportation

The conditions of our fresh, chilled or frozen meat products (being perishable goods) may deteriorate due to delivery delays, malfunctioning of freezer facilities or poor handling by transport companies, shippers or intermediaries, and this may result in loss of revenue and our Group having to make compensation payments to customers, and damage to our Group's image and reputation.

Our success and future growth is largely dependent on retaining key personnel and attracting additional qualified persons

Our success depends largely on the continued efforts of David Yip Wai Sun, Wang Tingbao and Wang Wenguang. They may voluntarily serve notice of termination of their employment with us at any time after their initial terms. In addition, we do not have any "key man" life insurance policy. (Please refer to "DIRECTORS AND SENIOR MANAGEMENT — Service Agreements" on page 90 of this Prospectus.) The process of hiring employees with the combination of skills and attributes that our founding Directors possess can be extremely time-consuming and may not be achievable. We may not be able to retain or integrate existing personnel or identify or employ qualified personnel. Accordingly, the loss of the services of our founding Directors or our inability to attract additional qualified persons would materially adversely affect our business, financial condition, results of operations and future development.

Our production processes will be adversely affected by any disruptions to utility supplies to our production plants and facilities

In order to produce and preserve our fresh, chilled and frozen pork as well as our processed meat products, we require freezer facilities, such as our cold storage facilities. Any disruption in the electrical supply to our facilities would result in product deterioration and reduced sales. In such circumstances, we would also have to incur costs in destroying the stocks/inventories which have been spoiled by such deterioration, resulting in a material adverse effect on our profitability.

(Please refer to "BUSINESS — Utilities Supplies" on page 83 for further details on utilities supplies to our facilities)

Our business and profitability may be adversely affected if consumers of our products suffer illness or injury after consuming our products or if diseases are transmitted to those who handle our products or our pigs

If our food products are found to be unfit for consumption and consumers, our staff or our distributors, their staff or others suffer illness or injury as a result of consuming our food products, or having come into contact with our products or pigs, we may be required to compensate the consumers or these other persons for any illness or injury suffered. Our business and profitability would be adversely affected if we are required to compensate such persons for such illness or injury as we have not taken out any product liability insurance and we believe that product liability insurance policies are not generally available in the PRC. If such incidents are publicised and result in any food scares relating to our Group's products, our Group may face a loss of customer confidence or goodwill which could lead to reduced sales and/or cancellation of major contracts, thus adversely impact our profitability.

(Please refer to "BUSINESS — Insurance" on page 83 of this Prospectus for further details on the insurance coverage for our businesses.)

Our products may be illegally tampered with such that they are unfit for consumption and have to be recalled and destroyed

Most of our products, including fresh, chilled and frozen pork products and processed meat products, are packed in plastic materials, none of which are tamper-proof. Illegal tampering of our products could result in loss of consumer confidence, product recall and destruction, and compensation for injury, illness or death caused by consumption of products which have been tampered with. These would have a material adverse impact on our corporate image, reputation, prospects as well as our performance and financial condition.

Our expansion plans may overstretch our management and staff capabilities and our inability to effectively manage our expansion plans would constrain our growth

We plan to expand several aspects of our business, and to support our expansion plans we need to increase our facilities, infrastructure and the number of our employees. We must also expand our administrative system and recruit additional capable and talented managerial, technical and sales and marketing personnel. We must ensure that our employees, in particular our researchers and experts, are skilled and are knowledgeable about the latest developments in the livestock and food industries. If we are unable to manage and co-ordinate our growth and our management and staff, our growth will be constrained.

Mergers and acquisitions may adversely affect accounting profits and ability to pay dividend

Goodwill, which may arise as a result of mergers and acquisition activities, will need to be written off either immediately or over time. If the Group's reserves are not sufficient for the writing off of the amount of goodwill arising from an acquisition, the remaining goodwill will be charged to the Group's profit and if the amount involved is material, this will adversely affect the Group's profitability and ability to pay dividends to its shareholders.

A natural calamity at our facilities in Linyi, Shandong province would harm us

We conduct our operations at our main manufacturing and processing facilities located in Linyi, Shandong province, the PRC. A fire or a natural calamity, such as flooding, resulting in significant damage to any of these facilities and major disruptions to our production processes would have a significant adverse effect on our business, financial conditions and results of operations. While we maintain insurance policies covering losses, including losses due to fire, which we consider adequate, we cannot assure you that our insurance coverage would be sufficient to cover all of our potential losses. In particular, the Group does not maintain any insurance against business interruption, which the Directors believe are not generally available in the PRC.

Our business activities are subject to certain PRC laws and regulations

Our abattoir operations, meat products processing operations and animal feeds production are subject to certain PRC laws and regulations. In addition, our PRC subsidiary, Jiang Quan, being a wholly foreign-owned enterprise, is required to comply with certain PRC laws and regulations. A summary of such relevant PRC laws and regulations are set out in Appendix 4 to this Prospectus. Any breach or non-compliance of these PRC laws and regulations the relevant authorities may terminate, withdraw or suspend our manufacturing license or activities, or impose penalties on us. Any suspension or withdrawal of our Group's manufacturing license would mean that we must cease all production of our food products. This would adversely impact our business and profitability.

We may require additional financing in the future

We may need to obtain additional debt or equity to fund acquisitions or capital expenditures. Additional equity may result in dilution to the holders of our Shares. Additional debt financing may include conditions that would restrict our freedom to operate our business, such as conditions that:-

- limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;

- require us to dedicate a portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditures, working capital and other general corporate purposes; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

We cannot assure you that we will be able to obtain any additional financing on terms that are acceptable to us, or at all.

RISKS RELATING TO LEGAL UNCERTAINTY

Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, circulars and directives. The PRC government is still in the process of developing its legal system, so as to meet the needs of investors and to encourage foreign investment. As the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still at an experimental stage and are therefore subject to policy changes. Further, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are limited, and court decisions in the PRC do not have any binding effect on lower courts. Accordingly, the outcome of dispute resolutions may not be as consistent or predictable as in the other more developed jurisdictions and it may be difficult to obtain swift and equitable enforcement of the laws in the PRC, or to obtain enforcement of judgment by a court of another jurisdiction.

Our intellectual property rights may be inadequately protected and there is a risk that we are unable to enforce such rights that may adversely affect our business

Our future success and ability to compete depend upon our ability to protect our intellectual property rights. However, as the legal system, in general, and the laws protecting intellectual rights in the PRC are developing, we may not be able to rely on such legal protection. Such laws may not be adequately and effectively enforced against third parties who violate our intellectual property rights by using our trade mark on their products and passing them off as our products. In such instances, our business will be adversely affected. See *"BUSINESS — Intellectual Property"* on page 74 of this Prospectus.

In the event of a take-over, the protection afforded under the Singapore Take-over Laws and Regulations is limited

There are at present no requirements under any Bermuda laws or regulations of general application requiring persons who acquire significant shareholdings in us to make take-over offers for our Shares. As our Company is incorporated in Bermuda, the Singapore Take-over and Merger Laws and Regulations will not apply to offers for our Shares.

Although Bye-law 168 of our Company's Bye-Laws will, due to its binding effect on our shareholders, require our shareholders who make take-over offers for our Shares to comply with the Singapore Take-over and Merger Laws and Regulations, it is uncertain whether this can be enforced in respect of persons who are not our shareholders.

In the event that a person (not being one of our shareholders), whether alone or together with parties acting in concert with him, acquires or gains control of 25% or more of our Shares or, in the event that he already owns or controls 25% or more but less than 50% of our Shares, and acquires an additional 3% of our Shares within any 12-month period, you may not be offered an opportunity to sell your Shares to such acquiror at the price he had paid for those Shares. In addition, even if any take-over offer is made for our Shares, such take-over offer may not be made in accordance with the procedure stipulated in the Singapore Take-over and Merger Laws and Regulations.

Our substantial shareholders, Chinese Glory, David Yip Wai Sun, Wang Tingbao and Wang Wenguang have each undertaken to the SGX-ST that, as long as they continue to be the substantial shareholders of our Company, they will endeavour to persuade potential offerors to comply with the requirements of the Singapore Take-over Laws and Regulations in the event of any take-over offer for our Shares.

POLITICAL AND ECONOMIC CONSIDERATIONS

Economic conditions in the PRC are subject to uncertainties that may arise from changes in government policies and social conditions

Since 1978, the PRC government has undergone various reforms of its economic systems. Such reforms have resulted in economic growth for the PRC in the last two decades. However, many of the reforms are unprecedented or experimental and are expected to be refined and modified from time to time. Other political, economic and social factors may also lead to further readjustment of the reform measures. This refinement and readjustment process may consequently have a material impact on our operations in the PRC or a material adverse impact on our financial performance.

Our revenue is currently wholly derived from our operations in the PRC. Therefore, our results and financial conditions may be adversely affected by changes in the PRC's political, economic and social conditions and by changes in policies of the PRC government or changes in laws, regulations or the interpretation or implementation thereof.

Expected increase in competition following the PRC's entry into the World Trade Organisation ("WTO") may have an adverse effect on our business and financial performance

The PRC is in negotiations for entry into the WTO and it is expected to enter the WTO in 2001. Our Directors believe that trade tariffs and import controls of foreign goods into the PRC will be lowered or removed over time once the PRC joins the WTO. A lowering of import tariffs and barriers will intensify competition and may force our Group to lower the prices of our products. In the event that we are forced to lower our prices, our profit margin will be reduced, and our Group's operations and profitability will be adversely affected.

We may be subject to exchange control restrictions in the PRC in relation to our revenues in the PRC

Although the government of the PRC introduced policies in 1996 which allowed greater convertibility of RMB, significant restrictions still remain. We cannot provide any assurance that the PRC regulatory authorities will not impose greater restrictions on the convertibility of RMB. As all of our revenues are currently derived in RMB, any future restrictions on currency exchanges may limit our ability to utilise revenue generated in the PRC to fund our business activities outside the PRC or to distribute dividends to our shareholders.

RISKS RELATING TO AN INVESTMENT IN SHARES

Future sale of our Shares could adversely affect the Share price

Any future sale or availability of our Shares can have a downward pressure on our Share price. The sale of a significant amount of our Shares in the public market after the Invitation, or the perception that such sales may occur, could materially adversely affect the market price of our Shares. These factors also affect our ability to sell additional equity securities. Except as otherwise described in "*PRINCIPAL SHAREHOLDERS — Moratorium*" (see page 93 of this Prospectus), there will be no restriction on the ability of the substantial shareholders to sell their Shares either on the SGX-ST or otherwise.

Our Shares are sold at a substantial premium to the attributable net tangible assets

Our Issue Price of S\$0.315 (equivalent to RMB1.49 based on the exchange rate of S\$1.00 = RMB4.720) is substantially higher than our Group's net tangible assets per share of S\$0.09 (RMB0.045) (before adjusting for the net proceeds from the Invitation) as at 30 November 2000. Thus, there is an immediate and substantial difference arising from the price per Share under the Invitation and the amount of attributable net tangible assets per Share. See "*DILUTION*" on page 36 of this Prospectus. In the event of subsequent issues of Shares at below the Issue Price, such difference will increase.

There is a high probability that our Share price will fluctuate widely and may adversely affect your investment

We expect that the secondary trading of our Shares to be volatile and may respond to announcements of competitive developments; merger or acquisitions by us or our competitors; gain or loss of major customers; changes affecting the food or food processing industries; outbreak of diseases or estimates of our financial performance by investment analysts. In addition, our share price will be under downward pressure if certain of our Directors sell their respective Shares immediately after the Invitation.

No prior market for the Shares

Prior to this Invitation, there has been no public market for the Shares. The Issue Price may not be indicative of the market price for the Shares after completion of this Invitation. We have applied to the SGX-ST for the listing and quotation of the Shares on the Main Board of the SGX-ST. However, no assurance can be given that an active trading market for the Shares will develop or, if developed, will be sustained.

Our Group's Directors and substantial shareholders will retain significant control over our Group after the Invitation, which will allow them to influence the outcome of matters submitted to shareholders for approval

Upon the completion of the Invitation, our Group's present Directors and substantial shareholders will beneficially own in the aggregate 86.5% of the issued Shares. As a result, these persons, if they act together, will be able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and the approval of significant corporate transactions, and will have veto power with respect to any shareholder action or approval requiring a majority vote. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group which may benefit our Group's shareholders.

INVITATION STATISTICS

Issue Price	S\$0.315
NTA	
NTA per Share based on the audited pro forma consolidated balance sheet of our Group as at 30 June 2000 adjusted for the Restructuring Exercise as disclosed on page 37 of this Prospectus:–	
(a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's pre-Invitation share capital of 836,403,740 Shares	7.70 cents
(b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's post-Invitation share capital of 966,953,740 Shares	10.29 cents
Premium of Issue Price of S\$0.315 over the NTA per Share as at 30 June 2000:–	
(a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's pre-Invitation share capital of 836,403,740 Shares	309 per cent.
(b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's post-Invitation share capital of 966,953,740 Shares	206 per cent.
Earnings	
Historical net earnings per Share based on the audited pro forma consolidated results of our Group for FY1999 and our Company's pre-Invitation share capital of 836,403,740 Shares	3.87 cents
Historical net earnings per share had the service agreements for our Directors and Executive Officers been in effect for FY1999 based on the pre-Invitation share capital of 836,403,740 Shares	3.83 cents
Estimated net earnings per Share based on the estimated pro forma consolidated results of our Group for FY2000 and our Company's pre-Invitation share capital of 836,403,740 Shares	6.23 cents ⁽²⁾
Price Earnings Ratio	
Historical price earnings ratio based on the Issue Price of S\$0.315 and the historical net earnings per Share for FY1999	8.14 times
Historical price earnings ratio had the service agreements for our Directors and Executive Officers been in effect for FY1999 based on the pre-Invitation share capital of 836,403,740 Shares	8.22 times
Estimated price earnings ratio based on the Issue Price and the estimated net earnings per Share for FY2000	5.06 times

Net Operating Cash Flow⁽¹⁾

Historical net operating cash flow per Share for FY1999, based on our Company's pre-Invitation share capital of 836,403,740 Shares 4.38 cents

Ratio of Issue Price to historical net operating cash flow per Share for FY1999 7.16 times

Estimated net operating cash flow per Share for FY2000, based on our Company's pre-Invitation share capital of 836,403,740 Shares 6.80 cents⁽²⁾

Ratio of Issue Price to estimated net operating cash flow per Share for FY2000 4.63 times

Market Capitalisation

Market capitalisation of our Company based on the post-Invitation share capital of 966,953,740 Shares and the Issue Price \$305 million

Notes:—

- (1) Net operating cash flow is defined as net profit attributable to shareholders with depreciation charge of fixed assets added back.
- (2) Translated based on the closing exchange rate for FY2000 of S\$1.00 = RMB4.772.

USE OF PROCEEDS

The net proceeds from the sale of the New Shares after deducting estimated issue expenses are estimated to be approximately \$35.1 million. The net proceeds represent the amount that we will receive after payment of underwriting commissions and other transaction expenses related to the Invitation.

We intend to use the net proceeds from the Invitation to fully finance the following:–

1. **Expansion Of Our Production Capacity (RMB71.9 million (S\$15.1 million))**

- We plan to expand the floor area of our sausage factory by 6,000 square metres to increase production of our processed meat products by approximately 40,000 tonnes. We also intend to purchase new machinery and equipment for our enlarged sausage factory, such as meat mixers, sausage-filling machines, sterilising, packing and other ancillary equipment at a cost of approximately RMB39.1 million (S\$8.2 million).
- We will establish a new production line by acquiring additional equipment and machinery that will allow us to produce 20,000 tonnes of chilled processed meat products a year. This will cost RMB32.8 million (S\$6.9 million).

2. **Expansion Of Our Range of Processed Meat Products (RMB10 million (S\$2.1 million))**

- We will develop and produce new varieties of processed meat products, such as pork sausages with higher nutritional content through fortification with vitamins and minerals, chilled processed meat products such as sandwich ham and mushroom ham, as well as sausages produced from different meats. Developing and producing these new processed meat products will cost approximately RMB4.8 million (S\$1 million).
- Besides our plans to produce and market chilled processed meat products, we also intend to produce and market value-added pork products. Value-added pork products include special cuts of meat in different sizes in better forms of packaging which target specific consumer preferences. These value-added pork products also include pre-seasoned and pre-cooked products. The development of such value-added pork products will cost approximately RMB5.2 million (S\$1.1 million).

3. **Expansion Of Our Sales and Distribution Network (RMB 10 million (S\$2.1 million))**

- We plan to set up a sales office in Moscow, Russia in order to conduct market research, liaise with potential customers and, where practicable, carry out direct sales of our frozen pork products in the Russian market. This will cost RMB10 million (S\$2.1 million).

4. **Marketing and Promotion (RMB29.6 million (S\$6.2 million))**

- We will invest RMB29.6 million (S\$6.2 million) in the marketing and promotion of our current and new products through advertisements and commercials in the various media and other promotional activities, such as promotional functions with or for the benefit of our authorised dealers, including the appointment of a public relations company to develop coordinated promotional programmes and campaigns for our Group.

5. Research and Development (RMB16.2 million (S\$3.4 million))

We plan to invest approximately RMB16.2 million (S\$3.4 million) to carry out the following research efforts and improvements to our research and development department:–

- We will up-grade our research and development facilities by expanding the floor space allocated to our research and development department, acquiring additional equipment and hiring new staff.
- We will also improve our research efforts on areas such as the quality control of raw materials used by us and the quality control of all our production processes. Building upon our product research and development capability, we will expand our food and nutrition research department by hiring additional nutritionists and researchers.

6. Working Capital

- The balance of approximately RMB29.8 million (S\$6.2 million) will be used for general corporate and working capital purposes.

As at the date of this Prospectus, no acquisition transactions have been finalised.

If the Over-allotment Option is exercised by OUB, we shall use the net proceeds arising from the Over-allotment Option for our general working capital.

Pending the deployment of the net proceeds from the issue of the New Shares as aforesaid, the funds will be placed in short-term deposits with banks and financial institutions or invested in money market instruments or used for our working capital requirements as our Directors may deem fit in their absolute discretion.

DIVIDEND POLICY

We have declared and paid dividends of RMB30.0 million, RMB65.0 million and RMB85.0 million for FY1997, FY1998 and FY1999 respectively to our shareholders. In addition, we have declared and paid an interim dividend of RMB50.0 million for FY2000.

We have declared and paid a special and final dividend of RMB35 million for FY2000 to our Existing Shareholders. New shareholders will not be entitled to this special and final dividend.

The amount of our past dividends is not indicative of the amount that we will pay in the future. In the foreseeable future, we expect to recommend and distribute not less than 30% of our net profit as dividends and for FY2001, not less than 50% of our net profit as dividends to our shareholders (both Existing Shareholders and shareholders after the Invitation) subject to:–

- the level of our cash and retained earnings;
- our projected levels of capital expenditure and other investment plans; and
- our expected financial performance.

EXCHANGE RATES

The table below sets forth the high and low exchange rates for HK dollar/Singapore dollar and RMB/Singapore dollar for each month for the past six months. The table indicates how many HK dollars and RMB it would take to buy one Singapore dollar.

	— HK\$/S\$ Rate —		— RMB/S\$ Rate —	
	High	Low	High	Low
September 2000	4.5307	4.4591	4.8260	4.7450
October 2000	4.4750	4.4308	4.7450	4.7180
November 2000	4.5019	4.4312	4.7580	4.7130
December 2000	4.5186	4.4622	4.8080	4.7320
January 2001	4.5163	4.4584	4.7680	4.7470
February 2001	4.4913	4.4616	4.7620	4.7350

The following table sets forth, for the financial periods indicated, how many RMB it would take to buy one Singapore dollar, based on the average of the exchange rates on the last day of each month during each financial period. Unless otherwise noted, the exchange rates in this table are used for our Company's financial accounts disclosed elsewhere in this Prospectus.

	— RMB/S\$ Rate —	
	Average	Closing
FY1997	5.616	5.000
FY1998	4.977	5.000
FY1999	4.903	4.976
6 months ended 30 June 1999	4.867	4.876
6 months ended 30 June 2000	4.841	4.774
11 months ended 30 November 1999	4.881	4.922
11 months ended 30 November 2000	4.805	4.720
12 months ended 31 December 1999	4.886	4.970
12 months ended 31 December 2000	4.801	4.772

In certain parts of this Prospectus, we have translated HK dollar and RMB amounts into Singapore dollar for the convenience of potential investors of our Company. Unless otherwise noted, the exchange rates used for the translation for HK dollar/Singapore dollar and RMB/Singapore dollar are 4.4998 and 4.772 respectively, which were the exchange rates as of 31 December 2000.

CAPITALISATION AND INDEBTEDNESS

The following table shows our Group's cash and cash equivalent and capitalisation as at 30 November 2000:—

- (i) on an actual basis;
- (ii) as adjusted to reflect the Restructuring Exercise; and
- (iii) as adjusted to give effect to the issue of 130,550,000 New Shares pursuant to the Invitation and the application of the net proceeds.

Our Group has no bank borrowings as at 30 November 2000 and as at the date of this Prospectus.

You should read this table in conjunction with the Accountants' Report set out on pages 104 to 124 in this Prospectus and the section in this Prospectus entitled "Operating and Financial Review and Prospects".

S\$'000	Actual as at 30 November 2000	As adjusted for the Restructuring Exercise	As adjusted for the Invitation
Cash and cash equivalent	31,813	31,813	66,936
Pro forma shareholders' equity:			
Issued and fully paid up share capital	—	47,402 ⁽²⁾	54,740
Share premium	7,203	—	27,785
Other reserves	3,602	—	—
Retained earnings	68,477	31,880 ⁽³⁾	31,880 ⁽³⁾
Total pro forma shareholders' equity	79,282	79,282	114,405
Total capitalisation	79,282	79,282	114,405

Note:—

(1) The above information has been translated using the following exchange rate as at 30 November 2000:—

- S\$1.00 to RMB4.720.
- S\$1.00 to HK\$4.448.

(2) The actual issued and fully paid up share capital as at 30 November 2000 after adjusted for the Restructuring Exercise is HK\$209,100,935.

(3) This relates to our retained earnings as at 30 November 2000.

Subsequent to 30 November 2000, save for changes in retained earnings due to profits earned after 30 November 2000, there has been no other changes in our total capitalisation.

Contingent Liabilities

As at the date of this Prospectus, our Group has no contingent liabilities.

DILUTION

Dilution is the amount by which the Issue Price to be paid by the applicants for our Invitation Shares in this Invitation exceeds the net tangible book value per Share after this Invitation.

The net tangible book value of our Group as at 30 November 2000 was RMB0.45 (approximately S\$0.09) per Share. Net tangible book value per Share is determined by dividing our net tangible book value (total tangible assets less total liabilities) as at 30 November 2000 by the pre-Invitation number of Shares of 836,403,740 deemed to be outstanding on that date.

Based on the issue of 130,550,000 New Shares at an Issue Price of S\$0.315 per Share pursuant to the Invitation and after deducting underwriting commissions and estimated issue expenses, the net tangible book value of our Group as at 30 November 2000 would have been RMB0.57 (approximately S\$0.12) per Share. This represents an immediate increase in net tangible book value of RMB0.12 (approximately S\$0.03) per Share to our existing shareholders and an immediate dilution in net tangible book value of RMB0.92 (approximately S\$0.195) per Share to new investors. The following table illustrates this per Share dilution:–

	Per Share	
	RMB	S\$
Issue Price per Share	1.49	0.315
Net tangible book value per Share as at 30 November 2000	0.45	0.09
Increase in net tangible book value per Share to the existing shareholders attributable to the issue of New Shares	0.12	0.03
Net tangible book value per Share after the Invitation	0.57	0.12
Dilution in net tangible book value per Share to new public investors	0.92	0.195

The following table summarises the total number of Shares issued immediately after the Invitation, the total consideration paid to us and the average price paid per Share by our existing shareholders and by our new public investors in this Invitation:–

	Number of Shares		Total Consideration		Average price Per Ordinary Share
	%	S\$'000	%	S\$	
Existing Shareholders	836,403,740	86.5	47,402	53.5	0.057
New public investors	130,550,000	13.5	41,123	46.5	0.315
Total	966,953,740	100.0	88,525	100.0	

Note:–

The above figures are translated based on exchange rates of S\$1.00 = RMB4.720 and S\$1.00 = HK\$4.448 as at 30 November 2000.

The above also assumes that the Manager has not exercised the Over-allotment Option. If the Over-allotment Option is exercised in full, the NTA per share as of 30 November 2000 after the Invitation would be 12.2 cents per Share.

Details of the issued and paid-up share capital of our Company since incorporation are set out on page 96 of this Prospectus.

RESTRUCTURING EXERCISE

To rationalise our Group's corporate structure, the Restructuring Exercise was implemented following our Company's incorporation. We set out the details below:–

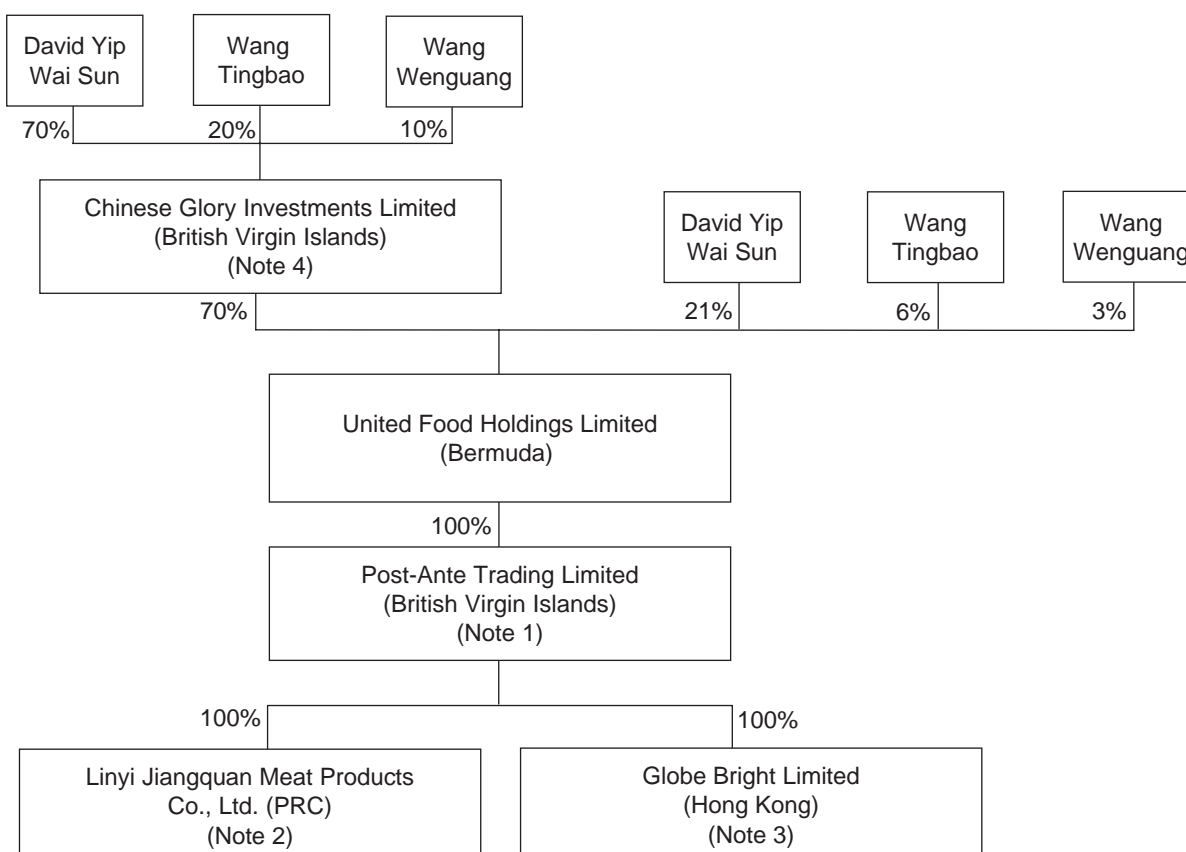
Pursuant to the Restructuring Exercise, our Company purchased the entire issued and paid-up capital of Post-Ante at the consideration based on the NTA of Post-Ante and its subsidiary companies of HK\$209,100,935 as at 31 December 1999. The consideration is satisfied by:–

- (a) The crediting as fully paid at par of the 200,000 nil paid shares of HK\$0.50 each in the share capital of the Company held by Chinese Glory, David Yip Wai Sun, Wang Tingbao and Wang Wenguang;
- (b) The allotment and issue of 418,001,870 shares of HK\$0.50 each in the share capital of the Company, credited as fully paid, to Chinese Glory, David Yip Wai Sun, Wang Tingbao and Wang Wenguang as follows:–
 - (i) 292,601,310 shares of HK\$0.50 each to Chinese Glory;
 - (ii) 87,780,392 shares of HK\$0.50 each to David Yip Wai Sun;
 - (iii) 25,080,112 shares of HK\$0.50 each to Wang Tingbao; and
 - (iv) 12,540,056 shares of HK\$0.50 each to Wang Wenguang.

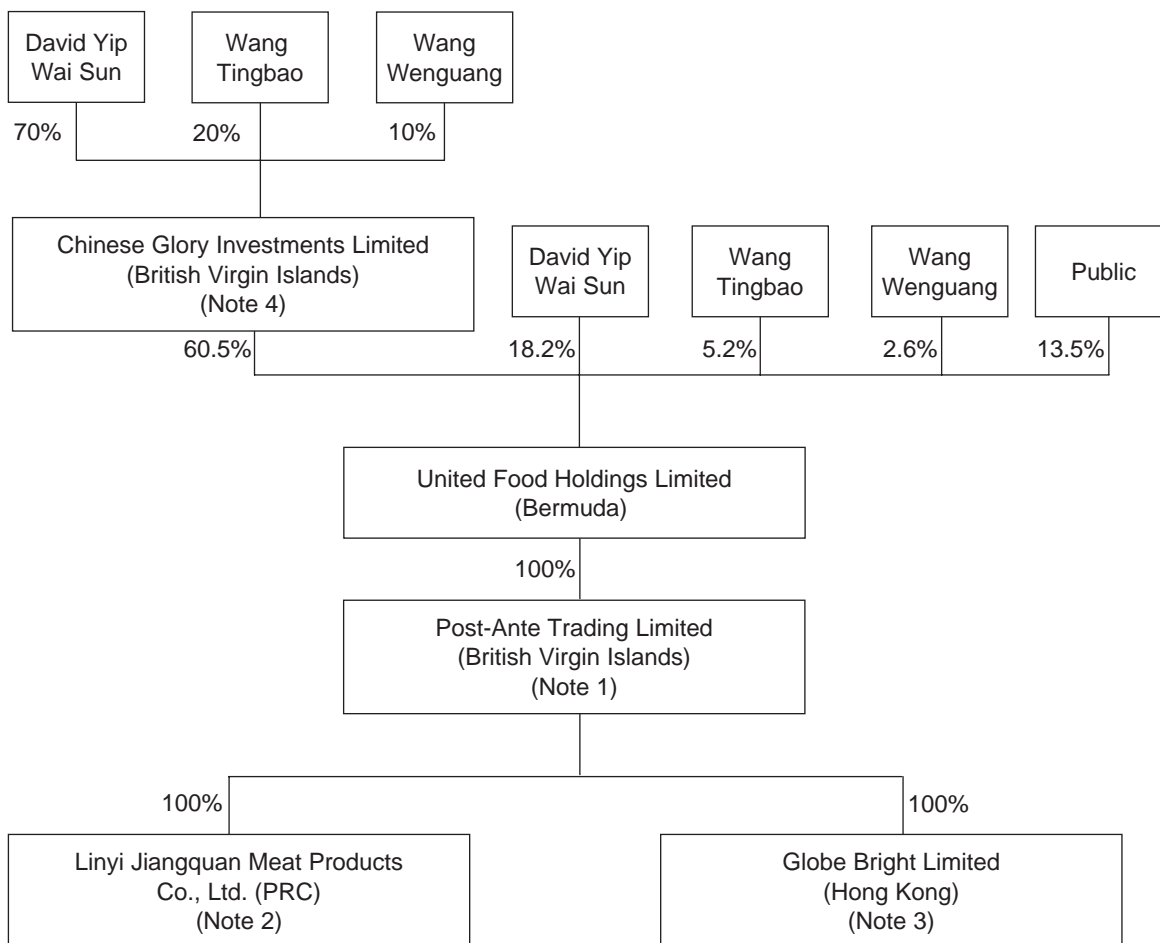
As a result, the total issued and paid-up capital of our Company before the Invitation are held in the proportion of 70% by Chinese Glory, 21% by David Yip Wai Sun, 6% by Wang Tingbao and 3% by Wang Wenguang.

GROUP STRUCTURE

Our Group structure after the Restructuring Exercise and before the Invitation is as follows:–



Our Group structure after the Invitation is as follows:–



The details of the controlling shareholder and each subsidiary of our Company as at the date of this Prospectus are as follows:–

- Note 1: Post-Ante Trading Limited is an investment holding company incorporated in the British Virgin Islands on 21 June 1993 with limited liability, all the issued and paid-up capital of which is owned by our Company.*
- Note 2: Linyi Jiangquan Meat Products Co., Ltd. is a wholly foreign-owned enterprise established on 19 October 1993 in the PRC, all its existing registered capital was contributed by Post-Ante.*
- Note 3: Globe Bright Limited is a limited company incorporated in Hong Kong on 15 March 2000, all its issued and paid-up capital is owned as to 99% by Post-Ante and 1% by Wang Tingbao on trust for Post-Ante. Globe Bright is currently a dormant company.*
- Note 4: Chinese Glory Investments Limited is an investment holding company incorporated in the British Virgin Islands with limited liability on 18 May 2000. All the issued and paid-up share capital of which is owned as to 70% by David Yip Wai Sun, 20% by Wang Tingbao and 10% by Wang Wenguang.*

SELECTED CONSOLIDATED FINANCIAL INFORMATION

You should read the following summary financial data in conjunction with the Accountants' Report set out on pages 104 to 124 of this Prospectus.

RESULTS OF OPERATIONS OF OUR GROUP

RMB'000	Audited			Unaudited for the six months ended 30 June 1999	Audited for the six months ended 30 June 2000	Unaudited for the eleven months ended 30 November 1999	Unaudited for the eleven months ended 30 November 2000
	FY1997	FY1998	FY1999				
Turnover	466,080	685,450	1,012,822	453,071	791,110	919,391	1,415,921
Cost of sales	(360,838)	(515,030)	(755,940)	(339,355)	(584,880)	(686,411)	(1,045,726)
Gross profit	105,242	170,420	256,882	113,716	206,230	232,980	370,195
Other revenue ⁽¹⁾	1,079	1,860	1,650	742	1,075	1,496	1,937
Operating expenses							
Selling and distribution costs	(16,070)	(36,676)	(53,634)	(25,118)	(37,860)	(49,930)	(72,800)
Administrative and other operating expenses	(7,355)	(8,956)	(9,630)	(3,643)	(5,263)	(8,834)	(10,431)
	(23,425)	(45,632)	(63,264)	(28,761)	(43,123)	(58,764)	(83,231)
Profit from operating activities	82,896	126,648	195,268	85,697	164,182	175,712	288,901
Finance costs	(7,129)	(3,251)	(1,202)	(715)	(650)	(1,007)	(775)
Profit before tax	75,767	123,397	194,066	84,982	163,532	174,705	288,126
Tax	—	(22,599)	(35,311)	(15,500)	(30,098)	(31,715)	(52,653)
Net profit attributable to shareholders	75,767	100,798	158,755	69,482	133,434	142,990	235,473

Note:—

(1) Other revenue comprises sale of by-products such as pig skins, hair, heads, ears, trotters, kidneys, stomachs, livers and intestines, as well as bank interest.

FINANCIAL POSITION OF OUR GROUP

RMB'000	Audited			Audited as at	Unaudited as at
	FY1997	FY1998	FY1999	30 June 2000	30 November 2000
Non-current assets					
Fixed assets	113,704	106,845	89,973	79,662	73,563
Current assets					
Inventories	32,055	91,425	165,735	127,803	138,604
Trade debtors	29,581	39,597	95,513	143,625	139,594
Prepayments, deposits and other debtors	2,183	1,921	2,189	5,131	4,025
Cash and bank balances	31,158	21,411	41,850	95,960	150,156
	94,977	154,354	305,287	372,519	432,379
Current liabilities					
Trade creditors	10,150	20,059	18,253	20,199	20,795
Other creditors, deposits received and accruals	13,497	38,561	46,354	54,631	64,030
Loans from a shareholder	50,849	6,743	46,800	3,674	—
Dividends payable	20,000	40,000	50,000	50,000	35,000
Tax payable	—	5,853	10,115	16,505	11,906
	94,496	111,216	171,522	145,009	131,731
Net current assets	481	43,138	133,765	227,510	300,648
Net assets	114,185	149,983	223,738	307,172	374,211
Represented by:					
Pro forma shareholders' equity	114,185	149,983	223,738	307,172	374,211

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations should be read in conjunction with the pro forma consolidated financial statements and the related notes elsewhere in this Prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward looking-statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in "RISK FACTORS" on pages 23 to 28 of this Prospectus.

OVERVIEW

We are principally engaged in the business of production and sale of processed meat products which include primarily our own brands of meat sausages and also the sale of fresh, chilled and frozen pork products. To integrate our operations, we also own and operate an abattoir in Shandong. In addition, we operate a pig farm and we produce our own animal feeds both for sale to third parties and for use in our pig farm. We sell our processed meat products, fresh, chilled and frozen pork, animal feeds and piglets through our sales network in the PRC, which comprises both our sales offices and authorised dealers and retailers. The production and sale of processed meat products and the sale of fresh, chilled and frozen pork products are major contributors to our turnover, accounting for approximately 47.8% and 39.9% of our turnover respectively, in FY1999. Our other activities, which include the production and sale of animal feeds, and pig rearing and the sale of piglets, accounted for approximately 12.3% of our turnover in FY1999. The breakdown of our turnover and gross profit for three financial years ended 31 December 1999, the six months ended 30 June 1999 and 30 June 2000 and the eleven months ended 30 November 1999 and 30 November 2000 are set out on page 39 of this Prospectus.

Our turnover represents net invoiced value of goods sold, after allowances for returns and trade discounts, and after elimination of all significant intra-Group transactions. Our turnover is dependent on the following factors:—

- (i) The demand of our products which is dependent primarily on the general economy of the PRC, as most of our products (more than 90%) are consumed in the PRC;
- (ii) Our ability to increase our geographical market penetration through measures such as expansion of our sales and distribution network and the launching of new products; and
- (iii) Competition in our industry which includes but is not limited to entrance of new competitors and/ or competitive pricing from existing competitors.

Our cost of sales include primarily direct material cost which comprised mainly adult pigs, chicken meat and other food ingredients and they constitute approximately 42.4% and 33.7% of our total cost of sales for FY1999, respectively. Other components of our cost of sales comprised direct labor cost, depreciation, sausage skins, packing materials and other manufacturing overhead. These components are individually insignificant as they individually constitute less than 5% of our total cost of sales for FY1999. The prices of our direct raw materials are determined mainly by the supply and demand of the PRC's market for the particular raw material. For the financial years under review, we have not experienced any volatility in the prices of our direct raw materials.

Our overall gross margin improved from 22.6% in FY1997 to 25.4% in FY1999. This is mainly due to (i) launching of new products with higher profit margins of approximately 2% to 5% (details of which are set out in pages 60 and 61 of this Prospectus); and (ii) economies of scale as we increased our production volume and decreased our manufacturing overhead as a percentage of our turnover during the financial years under review. Our manufacturing overhead decreased from 8.9% of total turnover in FY1997 to 8.2% of total turnover in FY1999.

Our sales tax comprised City Maintenance and Construction Tax of 7% of our net value added tax (“VAT”) payment and Educational Surcharge of 3% of our net VAT payment. Our input and output VAT ranges from 10% to 13% and 13% to 17% of our purchases and sales respectively. Our operating expenses for FY1999 comprised selling and distribution expenses and administrative and other operating expenses which accounted for approximately 85.0% and 15.0% of our total operating expenses, respectively. Our selling and distribution expenses mainly comprised of advertising and promotion expenses, commission, bonus, freight and transportation, sales tax, and other selling and distribution expenses. Our administrative expenses comprise mainly rental expenses, staff salaries and welfare, auditors’ remuneration, research and development costs and other miscellaneous expenses. Our finance costs for the financial years under review relate to interest charged for loans from a shareholder, Mr David Yip Wai Sun. The interest rate per annum charged for the loan is based on the prevailing market short-term (less than 1 year) interest rate quoted by the Bank of China in the PRC. The shareholder’s loan has been fully repaid as of 30 November 2000.

All of our operations are located in PRC, we are subject to the PRC corporate income tax law of PRC. In accordance with various approval documents issued by the State Tax Bureau and the Local Tax Bureau of the PRC, Jiang Quan, our principal operating company in the PRC, was exempted from PRC state and local corporate income tax of the PRC for the first two profitable calendar years of operation starting from 1996 and thereafter was eligible for a 50% relief from PRC state corporate income tax for the following three years. Accordingly, Jiang Quan was subject to the reduced tax rate of 18% for the three years from 1 January 1998 to 31 December 2000. **Upon expiry of the tax relief period, the usual PRC corporate income tax rate of 33% is applicable to Jiang Quan (comprising state corporate income tax rate of 30% and local corporate income tax rate of 3%).**

Our sales are normally higher prior to certain major festivals such as the Chinese New Year and Mid Autumn Festival. To prepare for the increase in market demand for Chinese New Year, our products are delivered and sales are transacted before January each year. However, for January to June 2000, our average monthly sales are higher than our average monthly sales for July to November 2000. This was because of (i) biannual maintenance work for our processed meat plant and abattoir from July to October 2000 which affected our production and sales during this period; and (ii) exceptionally hotter weather in the Shandong area in the months of July to September 2000, resulting in lower number of chickens raised by our customers and lower demand for our chicken feeds during the period. We do not experience any other seasonality in the course of our business and the financial impact of inflation over the financial years under review is not significant.

We are not subjected to foreign currency exposure as all our sales and purchases are in RMB.

Segment Turnover and Gross Profit

The breakdown of our turnover and gross profit for the three financial years ended 31 December 1999, the six months ended 30 June 1999 and 30 June 2000 and the eleven months ended 30 November 1999 and 30 November 2000 are set out below.

RMB'000	Audited			Unaudited	Audited	Unaudited	Unaudited
	FY1997	FY1998	FY1999	for the six months ended 30 June 1999	for the six months ended 30 June 2000	for the eleven months ended 30 November 1999	for the eleven months ended 30 November 2000
TURNOVER							
Processed Meat Products	201,254	313,125	484,457	217,020	372,646	443,491	659,643
Fresh, Chilled and Frozen Pork Products	192,403	277,659	403,902	182,588	325,173	363,428	591,157
Others ⁽¹⁾	72,423	94,666	124,463	53,463	93,291	112,472	165,121
	466,080	685,450	1,012,822	453,071	791,110	919,391	1,415,921

Note:–

(1) “Others” include (i) animal feed production and (ii) pig rearing and sale of piglets.

RMB'000	Audited			Unaudited	Audited	Unaudited	Unaudited
	FY1997	FY1998	FY1999	for the six months ended 30 June 1999	for the six months ended 30 June 2000	for the eleven months ended 30 November 1999	for the eleven months ended 30 November 2000
GROSS PROFIT							
Processed Meat Products	50,393	87,589	137,186	61,050	107,970	125,551	192,202
Fresh, Chilled and Frozen Pork Products	37,499	59,311	88,060	39,259	74,638	78,876	135,779
Others ⁽¹⁾	17,350	23,520	31,636	13,407	23,622	28,553	42,214
	105,242	170,420	256,882	113,716	206,230	232,980	370,195

Note:–

(1) "Others" include (i) animal feed production and (ii) pig rearing and sale of piglets.

RESULTS OF OPERATIONS

FY1998 vs FY1997

Turnover

Turnover increased 47.1% from RMB466.1 million in FY1997 to RMB685.5 million in FY1998 as our sales volume increased for all segments of our business due to the strong market demand for our products. Turnover from processed meat products increased 55.5% from RMB201.3 million in FY1997 to RMB313.1 million in FY1998. For fresh, chilled and frozen pork products, turnover increased 44.3% from RMB192.4 million in FY1997 to RMB277.7 million in FY1998. For our other activities, turnover increased 30.8% from RMB72.4 million in FY1997 to RMB94.7 million in FY1998. The increase in the turnover was mainly due to the following factors:–

- (a) Expansion in our sales network in the PRC to include Urmqi, Jiangxi, Wuhan, Fujian, Changchun, Harbin, Hebei, Shenyang, Changsha, Shanghai and Jiangsu provinces/ municipalities in FY1998 which increased our turnover for all segments of our business. In particular, our network of sales offices expanded from 8 sales offices in FY1997 to 16 sales offices in FY1998. In addition, our dealership and retailer base increased from approximately 700 authorised dealers and retailers in FY1997 to approximately 1,500 authorised dealers and retailers in FY1998.
- (b) Introduction of new line of products for our sausages which increased our turnover for processed meat products. In particular, we launched our "King of Kings" sausage and "AD Calcium" sausage in the first quarter of FY1998 which are targeted at the higher end of the market segment. Thus, we benefited from the contribution of approximately RMB40.3 million from these newly introduced products in FY1998.
- (c) Increase in our marketing and promotional activities, including marketing and promotional activities for new provinces/ municipalities which we have newly established our sales network in FY1998. In addition, we have also increased our brand-building activities following the introduction of our new line of products for our sausages for FY1998. Details of our marketing channels and activities are set out on "BUSINESS — Marketing Channels" on pages 73 and 74 of this Prospectus.

Cost of sales and gross profit margin

Cost of sales increased 42.7% from RMB360.8 million in FY1997 to RMB515.0 million in FY1998 due to increase in turnover. Overall gross profit margin improved by 2.3 percentage points from 22.6% in FY1997 to 24.9% in FY1998. The improvement was mainly due to (i) greater economies of scale as our production volume continued to increase and our manufacturing overheads, as a percentage of total turnover, decreased from 8.9% in FY1997 to 8.3% in FY1998; and (ii) launching of higher margin products (approximately 2% to 5% higher) such as our premium products, “AD Calcium” sausage and “King of Kings” sausage.

Selling and distribution costs

Selling and distribution costs increased 128.0% from RMB16.1 million in FY1997 to RMB36.7 million in FY1998. The increase was mainly due to (i) the increase of 240.0% in advertising and promotion expenses from RMB4.0 million in FY1997 to RMB13.6 million in FY1998 as we increased promotional and brand-building activities such as advertising on television and print media (details of our promotional and brand-building activities are set out on “*BUSINESS — Marketing Channels*” on pages 73 and 74 of this Prospectus); and (ii) the increase of sales tax and salesmen bonus of RMB2.2 million incurred in FY1998. In addition, transportation costs increased 150.0% from RMB4.0 million in FY1997 to RMB10.0 million in FY1998 due to the increase in our turnover and expenses incurred from provision of transportation services for some of our customers.

Administrative and other operating expenses

Administrative and other operating expenses increased 21.6% from RMB7.4 million in FY1997 to RMB9.0 million in FY1998. The increase was primarily due to increase in salaries and staff welfare of general and administrative staff (RMB1.2 million) and increase in miscellaneous office expenses (RMB0.4 million).

Other revenue

Other revenue, which relates to sales of by-products from our operations and bank interest income, increased by RMB0.8 million from RMB1.1 million in FY1997 to RMB1.9 million in FY1998 due to increase in our turnover.

Finance costs

Finance costs decreased by RMB3.8 million from RMB7.1 million in FY1997 to RMB3.3 million in FY1998 as the outstanding shareholder’s loan was reduced from RMB50.8 million as at 31 December 1997 to RMB6.7 million as at 31 December 1998. In addition, there was a decline in the interest rate charged from 10.0% in FY1997 to 7.9% in FY1998, in-line with the general decline in market interest rate.

Profit before tax

In FY1998, we recorded a profit before tax of RMB123.4 million compared to RMB75.8 million in FY1997, representing an increase of 62.8%. The increase was primarily due to (i) increase in turnover as discussed under “Turnover”; (ii) improvement in gross profit margins as discussed under “Cost of sales and gross profit margin”; and (iii) decrease in finance costs as discussed under “Finance costs” above.

Tax

In FY1998, we recorded tax expenses of RMB22.6 million (18.3% of our profit before tax) compared to nil in FY1997 as we were exempted from PRC corporate income tax for FY1997.

Profit after tax

In FY1998, we recorded profit after tax of RMB100.8 million compared to RMB75.8 million in FY1997 due to increase in profit before tax as discussed above.

FY1999 vs FY1998

Turnover

Turnover increased 47.7% from RMB685.5 million in FY1998 to RMB1,012.8 million in FY1999 as our products continued to enjoy strong market demand in the PRC. Turnover from processed meat products increased 54.7% from RMB313.1 million in FY1998 to RMB484.5 million in FY1999. Turnover from sale of fresh, chilled and frozen pork products also increased 45.4% from RMB277.7 million in FY1998 to RMB403.9 million in FY1999. For our other activities, turnover increased 31.5% from RMB94.7 million in FY1998 to RMB124.5 million in FY1999 and the main increase was from the sales of our chicken feed. The increase in our turnover is primarily due to the following:–

- (a) Increase in our sales network in the PRC to include Shanxi, Xian, Henan, Chongqing, Lanzhou, Inner Mongolia, Hangzhou, Anhui provinces and the cities of Dalian and Beijing in FY1999 which increased our turnover for all segments of our business. In particular, our network of sales offices increased from 16 in FY1998 to 28 in FY1999. In addition, our dealership base has also increased from approximately 1,500 authorised dealers and retailers in FY1998 to approximately 3,000 authorised dealers and retailers in FY1999.
- (b) Increase in our marketing and promotional activities, including marketing and promotional activities in the provinces/ municipalities which we have newly established our sales network in FY1999.
- (c) Improvement in the PRC economy in FY1999 with PRC's GDP growing at 7.1% for 1999 (*Source: State Statistical Bureau, PRC*) as the regional countries recovered from the Asian economic crisis. The general improvement of the PRC economy in turn increased consumer spending and demand of our products.

Cost of sales and gross profit margin

Cost of sales increased 46.8% from RMB515.0 million in FY1998 to RMB755.9 million in FY1999 due to increase in turnover. Overall gross profit margin improved marginally by 0.5 percentage from 24.9% in FY1998 to 25.4% in FY1999.

Selling and distribution costs

Selling and distribution costs increased 46.0% from RMB36.7 million in FY1998 to RMB53.6 million in FY1999. The increase was mainly due to the increase in advertising and promotion expenses of 72.8% from RMB13.6 million in FY1998 to RMB23.5 million in FY1999. We increased our advertising and promotion activities, especially in provinces/municipalities where we have newly established our sales network during the year to create market awareness of our products in the new geographical market. In addition, sales tax and salesmen bonus increased 60.7% from RMB6.1 million in FY1998 to RMB9.8 million in FY1999 with the increase in sales.

Administrative and other operating expenses

Administrative and other operating expenses increased 6.7% from RMB9.0 million in FY1998 to RMB 9.6 million in FY1999. The increase was primarily due to the expansion of our sales volume and geographical coverage, which led to an increase in staff salaries and welfare, general office and travelling expenses by RMB0.6 million.

Other revenue

Other revenue decreased by RMB0.2 million from RMB1.9 million in FY1998 to RMB1.7 million in FY1999 due to decrease in prices of our pork by-products in FY1999 compared to FY1998.

Finance costs

Finance costs decreased by RMB2.1 million from 3.3 million in FY1998 to RMB1.2 million in FY1999 as the interest rate for the shareholder loan fell from 7.9% in FY1998 to 5.7% in FY1999, in-line with the decrease in market interest rate.

Profit before tax

In FY1999, we recorded a profit before tax of RMB194.1 million compared to RMB123.4 million in FY1998, representing an increase of 57.3%. The increase was primarily due to (i) increase in turnover as discussed under "Turnover"; (ii) increase in gross profit margin as discussed under "Cost of sales and gross profit margin"; and (iii) decrease in finance costs as discussed under "Finance costs" above.

Tax

In FY1999, we recorded tax expenses of RMB35.3 million (18.2% of our profit before tax) compared to RMB22.6 million in FY1998, representing an increase of 56.2%, due to the increase in our profit before tax.

Profit after tax

In FY1999, we recorded profit after tax of RMB158.8 million compared to RMB100.8 million in FY1998, representing an increase of 57.5%, due to the increase in profit before tax as discussed above.

Audited six months ended 30 June 2000 vs unaudited six months ended 30 June 1999

Turnover

Turnover increased 74.6% from RMB453.1 million for the six months ended 30 June 1999 to RMB791.1 million for the six months ended 30 June 2000. Turnover from processed meat products increased 71.7% from RMB217.0 million for the six months ended 30 June 1999 to RMB372.6 million for the six months ended 30 June 2000. Turnover of fresh, chilled and frozen pork products increased 78.1% from RMB182.6 million for the six months ended 30 June 1999 to RMB325.2 million for the six months ended 30 June 2000. For our other activities, turnover increased 74.4% from RMB53.5 million for the six months ended 30 June 1999 to RMB93.3 million for the six months ended 30 June 2000. The increase in our turnover is primarily due to increase in sales volume as our authorised dealers and retailers increased from approximately 2,900 as at 30 June 1999 to approximately 3,200 as at 30 June 2000. In addition our sales office increased from 25 as at 30 June 1999 to 30 as at 30 June 2000. The expansion of our sales network, coupled with our continual advertising and promotion of our products, helped to increase our overall turnover for the period. Demand for our products also increased due to improvement in the general economy of the PRC, with GDP growth rate of 8.2% for the first six months of 2000 (*Source: State Statistical Bureau, PRC*).

Cost of sales and Gross profit margin

Cost of sales increased 72.3% from RMB339.4 million for the six months ended 30 June 1999 to RMB584.9 million for the six months ended 30 June 2000 due to an increase in our turnover. Gross profit margin improved marginally by 1.0 percentage point to 26.1% for the six months ended 30 June 2000 from 25.1% for the same period for the six months ended 30 June 1999 as we benefit further from economies of scale from the increase in our production and sales volume. Accordingly, our manufacturing overhead, as a percentage of turnover, decreased from 8.3% for the six months ended 30 June 1999 to 7.7% for the six months ended 30 June 2000.

Selling and distribution costs

Our selling and distribution costs increased 51.0% from RMB25.1 million for the six months ended 30 June 1999 to RMB37.9 million for the six months ended 30 June 2000. The increase was mainly due to increase in the advertising and promotion expenses (RMB2.6 million), sale taxes and salesmen bonus (RMB7.8 million) and general doubtful debts provision (RMB1.5 million). The increase in advertising and promotion expenses was mainly due to expansion of our sales network in new geographical markets as we try to create more awareness of our products in these new markets. The increase in our sales and trade debtor balance resulted in the increase in our sales tax, salesmen bonus and general doubtful debts provision.

Administrative and other operating expenses

Administrative and other operating expenses increased 47.2% from RMB3.6 million for the six months ended 30 June 1999 compared to RMB5.3 million for the six months ended 30 June 2000. The increase in expenses for six months ended 30 June 2000 were mainly due to increase in staff costs (RMB0.3 million), audit fee (RMB0.5 million) and other miscellaneous office expenses (RMB0.9 million) as a result of our business expansion.

Other revenue

Other revenue increased by RMB0.4 million from RMB0.7 million for the six months ended 30 June 1999 to RMB1.1 million for the six months ended 30 June 2000 due to an increase in our sales of by-products.

Finance costs

Finance costs remained at RMB0.7 million for the six months ended 30 June 1999 and for the six months ended 30 June 2000.

Profit before tax

For the six months ended 30 June 2000, we recorded a profit before tax of RMB163.5 million compared to RMB85.0 million for the six months ended 30 June 1999, representing an increase of 92.4%. The increase was primarily due to (i) increase in turnover as discussed under "Turnover"; and (ii) the marginal improvement in our gross profit margin by 1.0 percentage point to 26.1% for the six months ended 30 June 2000 compared with 25.1% for the six months ended 30 June 1999. The increase in turnover and gross profit margin more than offset the increase in the selling and distribution costs, administrative and other operating expenses, resulting in an increase in net profit before tax.

Tax

For the six months ended 30 June 2000, we recorded tax expenses of RMB30.1 million (18.4% of our profit before tax) compared to RMB15.5 million for the six months ended 30 June 1999, representing an increase of 94.2%, due to increase in our profit before tax.

Profit after tax

For the six months ended 30 June 1999, we recorded profit after tax of RMB133.4 million for the six months ended 30 June 2000 compared to RMB69.5 million for the six months ended 30 June 1999, representing an increase of 91.9%, due to increase in profit before tax as discussed above.

Unaudited eleven months ended 30 November 2000 vs unaudited eleven months ended 30 November 1999

Turnover

Turnover increased 54.0% from RMB919.4 million for the eleven months ended 30 November 1999 to RMB1,415.9 million for the eleven months ended 30 November 2000. Turnover from processed meat products increased 48.7% from RMB443.5 million for the eleven months ended 30 November 1999 to RMB659.6 million for the eleven months ended 30 November 2000. Turnover of fresh, chilled and frozen pork products increased 62.7% from RMB363.4 million for the eleven months ended 30 November 1999 to RMB591.2 million for the eleven months ended 30 November 2000. For our other activities, turnover increased 46.8% from RMB112.5 million for the eleven months ended 30 November 1999 to RMB165.1 million for the eleven months ended 30 November 2000. The increase in our turnover is primarily due to increase in sales volume as our authorised dealers and retailers increased from approximately 3,000 as at 30 November 1999 to approximately 3,700 as at 30 November 2000. In addition our sales offices increased from 30 as at 30 November 1999 to 40 as at 30 November 2000. The expansion of our sales network, coupled with our continual advertising and promotion of our products, helped to increase our overall turnover for the period. Demand for our products also increased due to improvement in the general economy of the PRC, with forecasted GDP growth rate of 8% for the year 2000 (*Source: Hong Kong Economic Times, November 2000*).

Cost of sales and Gross profit margin

Cost of sales increased 52.3% from RMB686.4 million for the eleven months ended 30 November 1999 to RMB1,045.7 million for the eleven months ended 30 November 2000 due to increase in turnover. Gross profit margin improved marginally by 0.8 percentage point to 26.1% for the eleven months ended 30 November 2000 from 25.3% for the eleven months ended 30 November 1999 as we benefit further from economies of scale from the increase in our production and sales volume. Accordingly, our manufacturing overhead, as a percentage of turnover, decreased from 8.1% for the eleven months ended 30 November 1999 to 7.8% for the eleven months ended 30 November 2000.

Selling and distribution costs

Our selling and distribution costs increased 45.9% from RMB49.9 million for the eleven months ended 30 November 1999 to RMB72.8 million for the eleven months ended 30 November 2000. The increase was mainly due to increase in the salesmen bonus and sales taxes (RMB15.8 million), advertising and promotion expenses (RMB2.9 million), transportation cost (RMB1.0 million) and general doubtful debts provision (RMB0.4 million). The increase in our sales and trade debtor balance resulted in the increase in our salesman bonus, sales tax, transportation costs and general doubtful debts provision. The increase in advertising and promotion expenses was mainly due to expansion of our sales network in new geographical markets such as Xiamen, Qiqihr and Wenzhou as we try to create more awareness of our products in these new markets.

Administrative and other operating expenses

Administrative and other operating expenses increased 18.2% from RMB8.8 million for the eleven months ended 30 November 1999 compared to RMB10.4 million for the eleven months ended 30 November 2000. The increase in expenses for eleven months ended 30 November 2000 were mainly due to increase in audit fee (RMB0.5 million) and other miscellaneous office expenses (RMB0.6 million) as a result of our business expansion.

Other revenue

Other revenue increased by RMB0.4 million from RMB1.5 million for the eleven months ended 30 November 1999 to RMB1.9 million for the eleven months ended 30 November 2000 due to an increase in our sales of by-products.

Finance costs

Finance costs decreased from RMB1.0 million for the eleven months ended 30 November 1999 to RMB0.8 million for the eleven months ended 30 November 2000 due to decrease in amount of loans from a shareholder.

Profit before tax

For the eleven months ended 30 November 2000, we recorded a profit before tax of RMB288.1 million compared to RMB174.7 million for the eleven months ended 30 November 1999, representing an increase of 64.9%. The increase was primarily due to (i) increase in turnover as discussed under "Turnover"; and (ii) the marginal improvement in our gross profit margin of 0.8 percentage point to 26.1% for the eleven months ended 30 November 2000 from 25.1% for the eleven months ended 30 November 1999. The increase in turnover and gross profit margin more than offset the increase in the selling and distribution costs, administrative and other operating expenses, resulting in an increase in net profit before tax.

Tax

For the eleven months ended 30 November 2000, we recorded tax expenses of RMB52.7 million (18.3% of our profit before tax) compared to RMB31.7 million for the eleven months ended 30 November 1999, representing an increase of 66.2%, due to an increase in our profit before tax.

Profit after tax

For the eleven months ended 30 November 1999, we recorded profit after tax of RMB235.5 million for the eleven months ended 30 November 2000 compared to RMB143.0 million for the eleven months ended 30 November 1999, representing an increase of 64.7%, due to an increase in profit before tax as discussed above.

PROFIT ESTIMATE

Our Directors estimate that we will achieve profit before tax and profit after tax of RMB305.0 million and RMB250.0 million respectively, on a turnover of RMB1.5 billion for FY2000. This represents an increase of 48.1%, 57.2% and 57.5% over the turnover, profit before tax and profit after tax for FY1999, respectively.

For the audited six months ended 30 June 2000, we have already achieved a turnover, profit before tax and profit after tax of RMB791.1 million, RMB163.5 million and RMB133.4 million respectively, representing 52.7%, 53.6% and 53.4% of the estimated turnover, profit before tax and profit after tax.

Based on our unaudited management accounts, we have achieved turnover, profit before tax and profit after tax of approximately RMB1,415.9 million, RMB288.1 million and RMB235.5 million, respectively, for the eleven months ended 30 November 2000. These represent approximately 94.4% of our estimated turnover, 94.5% of our estimated profit before tax and 94.2% of estimated profit after tax for FY2000. Based on our historical sales and the demand of our products carried forward from November 2000, our Directors believe that our estimated turnover, profit before tax and profit after tax for FY2000 can be achieved.

REVIEW OF FINANCIAL POSITION

Fixed assets

Fixed assets consist of mainly leasehold buildings, leasehold improvements, plant and machinery, furniture, fixtures and office equipment and motor vehicles.

Fixed assets decreased by RMB6.9 million from RMB113.7 million in FY1997 to RMB106.8 million in FY1998 mainly due to purchases of RMB13.8 million comprising mainly of plant and machinery (RMB9.0 million), leasehold buildings (RMB2.1 million), leasehold improvements (RMB1.4 million) and motor vehicles (RMB1.3 million) offset by depreciation charge of RMB20.7 million. From FY1998 to FY1999, fixed assets decreased further by RMB16.8 million to RMB90.0 million in FY1999 due to the addition of RMB4.5 million comprising mainly of plant and machinery (RMB2.2 million), leasehold buildings (RMB1.1 million), leasehold improvements (RMB0.5 million) and motor vehicles (RMB0.7 million) offset by depreciation charge of RMB21.3 million.

Fixed assets decreased from RMB90.0 million as at 30 December 1999 to RMB79.7 million as at 30 June 2000 due to depreciation charge of RMB 10.6 million for the period and offset by new purchases of RMB0.3 million. Fixed assets decreased from RMB79.7 million as at 30 June 2000 to RMB73.6 million as at 30 November 2000 due to depreciation charge of RMB6.1 million for the period.

Current assets

Current assets comprise mainly inventories, trade debtors, prepayment, deposits and other debtors and cash and bank balances. Current assets increased by RMB59.4 million from RMB95.0 million in FY1997 to RMB154.4 million in FY1998 due to increase in inventories (RMB59.4 million) and trade debtors (RMB10.0 million) offset by decrease in cash and bank balances (RMB9.7 million). The increase in inventories and trade debtors was mainly due to an increase in our turnover. The decrease in cash and bank balances is primarily due to purchases of fixed assets and inventories of RMB13.8 million and RMB59.4 million respectively for FY1998. From FY1998 to FY1999, current assets increased by RMB150.9 million to RMB305.3 million mainly due to increase in inventories (RMB74.3 million), trade debtors (RMB55.9 million) and cash and bank balances (RMB20.4 million) due to increase in our turnover.

Current assets increased RMB67.2 million from FY1999 to 30 June 2000 due to an increase in cash and bank balances (RMB54.1 million), trade debtors (RMB48.1 million) and prepayments, deposits and other debtors (RMB2.9 million) and offset by a decrease in inventories (RMB37.9 million). The increase in cash and bank balances and trade debtors was mainly due to an increase in our turnover and net profit. The decrease in inventories was mainly due to our lower stock holding as at 30 June 2000 to avoid potential deterioration of meat products when the weather is hot in June and July.

Current assets increased RMB59.9 million from 30 June 2000 to 30 November 2000 due to the increase in cash and bank balances (RMB54.2 million) and inventories (RMB10.8 million) and offset by the decrease in trade debtors (RMB4.0 million) and prepayments, deposits and other debtors (RMB1.1 million). The increase in cash and bank balances and inventories was mainly due to increase in our turnover and net profit.

Our trade debtors turnover for the financial years in review range from approximately 21 to 34 days. This is within our credit period of 30 to 60 days. Details of our credit policy is set out on page 73 of this Prospectus.

Current liabilities

Current liabilities comprise mainly trade creditors, other creditors, deposit received and accruals, loans from a shareholder, tax payable and dividends payable.

Current liabilities increased by RMB16.7 million from RMB94.5 million in FY1997 to RMB111.2 million in FY1998 due to increase in trade creditors (RMB9.9 million), other creditors, deposits received and accruals (RMB25.1 million), dividends payables (RMB20.0 million), tax payable (RMB5.8 million) for FY1998 as our business and turnover expanded during the year. The increase was offset by decrease in loans from a shareholder by RMB44.1 million as we repaid the loans in FY1998 using our cash generated from our businesses. From FY1998 to FY1999, current liabilities increased by RMB60.3 to RMB171.5 million mainly due to an increase in other creditors, deposits received and accruals (RMB7.8 million), decrease in trade creditors (RMB1.8 million), increase in dividends payable (RMB10.0 million) and tax payable (RMB4.3 million) for FY1999 as our business continue to expand during the year. Loans from a shareholder also increased by RMB40.0 million, mainly due to the interim dividend of RMB35.0 million for FY1999 retained for our working capital.

Current liabilities decreased RMB26.5 million from FY1999 to 30 June 2000 due to the decrease in loans from a shareholder (RMB43.1 million) as a result of partial repayment made by us during the six months ended 30 June 2000. The decrease was offset by the increase in trade creditors (RMB1.9 million), other creditors, deposits received and accruals (RMB8.3 million) and tax payable (RMB6.4 million) as a result of increase in our turnover and profits during the six months ended 30 June 2000.

Current liabilities decreased RMB13.3 million from 30 June 2000 to 30 November 2000 mainly due to the decrease in dividends payable (RMB15.0 million), loans from a shareholder (RMB3.7 million) and tax payable (RMB4.6 million) as we paid the dividends and tax and repaid the loans from a shareholder in full during the period. The decrease was offset by the increase in trade creditors (RMB0.6 million) and other creditors, deposits received and accruals (RMB9.4 million). The increase in trade creditors and other creditors, deposits received and accruals was due to an increase in our turnover during the period.

For the financial years under review, our trade creditors turnover period was less than 12 days as we paid our creditors promptly to build strong business relationships with them.

Proforma shareholders' equity

Proforma shareholders' equity comprise share capital, share premium, other reserves and retained earnings.

Proforma shareholders' equity increased from RMB114.2 million in FY1997 to RMB150.0 million in FY1998 due to the profits of RMB100.8 million generated during the year offset by a dividend of RMB65.0 million paid out of the profits in FY1998.

Proforma shareholders' equity increased from RMB150.0 million in FY1998 to RMB223.8 million in FY1999 due to the profits of RMB158.8 million generated during the year offset by a dividend of RMB85.0 million paid out of the profits in FY1999.

As at 30 June 2000, our pro forma shareholders' equity increased from RMB223.8 million in FY1999 to RMB307.2 million due to profits of RMB133.4 million generated during the period offset by a interim dividend of RMB50.0 million paid out of the profits in FY2000.

As at 30 November 2000, our pro forma shareholders' equity increased from RMB307.2 million as at 30 June 2000 to RMB374.2 million due to profits of RMB102.0 million generated during the period offset by a special and final dividend of RMB35.0 million declared for FY2000.

LIQUIDITY AND CAPITAL RESOURCES

Our Group has financed our growth through a combination of shareholders' equity, retained earnings and loans from a shareholder. As at the date of this Prospectus, our Group had neither shareholder's loans nor bank loans outstanding. Our net cash position allows us the financial flexibility to make acquisitions in the future. As at the date of this Prospectus, we do not have any guarantees or contingent liabilities.

As at 30 June 2000, our principal source of liquidity comprises cash and bank balances of RMB96.0 million.

Net cash generated from operating activities totalled RMB59.8 million for FY1999 and RMB147.6 million for the six months ended 30 June 2000. Net cash generated from operating activities for FY1999 is mainly attributed to operating profit generated, offset by increases in inventories and trade debtors and taxes paid. Net cash provided by operating activities for the six months ended 30 June 2000 was attributed to operating profit generated and decrease in inventories, offset by increase in trade debtors and taxes paid.

Net cash used in investing activities totalled RMB4.4 million for FY1999 were mainly for purchases of fixed assets for expansion of our production facilities. Net cash used in investing activities totalled RMB0.3 million for the six months ended 30 June 2000 for purchases of fixed assets.

Net cash used in financing activities totalled RMB34.9 million for FY1999 and RMB93.1 million for the six months ended 30 June 2000. Net cash used in financing activities for FY1999 is mainly due to dividends of RMB75.0 million paid, offsets by advances from a shareholder. Net cash used in financing activities for the six months ended 30 June 2000 is mainly attributed to dividends of RMB50.0 million paid and repayment of RMB43.1 million to a shareholder.

We expect our aggregate capital expenditure to be approximately RMB160 million in FY2001. The capital expenditure will be primarily for expansion of our production capacities for our abattoir operations, sausage production and pig farm.

We anticipate the use of proceeds from the issue of New Shares to fund our capital expenditure, marketing and promotion of our new and current products, product diversification and expansion of our sales and distribution network. Any balance of the proceeds from the issue of New Shares will be used for working capital purposes. We believe that the net proceeds from the issue of New Shares, together with the cash generated from our operations, will be sufficient to fund our capital expenditures and our working capital needs for at least the next 12 months.

PROSPECTS AND FUTURE PLANS

A. Prospects

Our Directors believe that the future outlook for our Group is encouraging. For our production and sale of processed meat products, fresh, chilled and frozen pork products and pig rearing activities, we believe our business can continue to grow in the future with the expansion of the industry. The table below sets forth the annual PRC's pork and meat production from 1995 to 1999:—

	1995	1996	1997	1998	1999
PRC Annual Pork Production (million tonnes)	35.0	40.5	37.0	43.8	40.6
PRC Annual Meat Production (million tonnes)	52.6	59.2	60.0	61.0	62.5

Source: PRC Meat Association (中国肉类协会).

The above production volume represented a compounded annual growth rate (“CAGR”) of approximately 3.8% and 4.4% for pork and meat production respectively. Going forward, PRC Meat Association has forecasted a higher CAGR of 4.5% from year 2000 to 2004 for both pork and meat production as set forth in the table below:–

	2000	2001	2002	2003	2004
PRC Annual Pork Production (million tonnes)	42.0	43.0	45.0	47.5	50.0
PRC Annual Meat Production (million tonnes)	63.0	64.5	68.0	71.0	75.0

Source: PRC Meat Association (中国肉类协会).

For PRC animal feed industry, PRC Ministry of Agriculture has projected an increase of animal feed production from 71 million tonnes per year in 2000 to 80 million tonnes per year in 2004.

Specifically, we believe the following will underpin the positive outlook of our businesses:–

(i) **Performance of the PRC economy**

Based on data from the National Statistics Board of the PRC, the economy of the PRC grew by 7.1% in 1999, while the projected growth rate for year 2000 is 8%. For the first nine months of 2000, PRC’s GDP has grown by 8.2%. In addition, according to International Monetary Fund — “Asia Pacific Economic Outlook 2000–2010”, PRC is forecasted to grow at a compounded annual growth rate of 6.5% per year from the year 2000 to 2010. The strong performance of the PRC economy will result in the continued rise in living standards and the increase in consumers’ spending power. Based on “China’s Agriculture Development Strategy Studies” (中国农业发展战略研究), published by Guangxi People’s Publisher (广西人民出版社), the average meat consumption in PRC in year 2000 is estimated to be approximately 45kg per annum per person. This is forecasted to grow to approximately 52.7kg per annum per person in year 2010 mainly due to increase in consumers’ spending power. We believe we would benefit from the higher demand for meat and related products.

(ii) **Entry into World Trade Organisation (“WTO”)**

The PRC’s entry into WTO will result in trade liberalisation. Currently, prices of PRC’s pork, beef and mutton are lower by 57%, 84% and 54%, respectively compared to those of international market (source: China Swine News Web (中国种猪信息网) — [website: www.chinaswine.org.cn](http://www.chinaswine.org.cn)). We believe that WTO entry by PRC would create the opportunities for us to export more of our products.

(iii) **Trend in consumer preferences**

The PRC consumers continue to experience changes in lifestyle due to demographic and social developments in the country. There is an increasing emphasis and preferences by the PRC consumers on convenience food products that are ready to eat and easy to serve. Thus the convenience food products market is expected to be a high-growth sector within the food industry in the future. In addition, with the increase in consumers’ spending power, there is a greater demand for better quality and healthier food. We believe that we have positioned our Group to ride on and benefit from these trends.

B. Our Future Plans

(i) Products

(a) Processed Meat Products

We intend to broaden our range of processed meat products, and a significant addition to our current products will be a new range of chilled processed meat products. Recent trends in consumer tastes have shown a preference for chilled meat products, such as chilled sausages and ham. Our research and development team is currently developing several different varieties of chilled meat products such as sandwich ham, mushroom ham and roasted round ham. These products are also pre-cooked and do not require additional preparation before consumption. However, they must be refrigerated at a temperature of between 0°C to 4°C. Chilled processed meat products have higher nutrient value but have a shorter shelf life, and must be consumed within 2 to 3 months after production.

The production processes for chilled processed meat products are different from those currently used in our production of processed meat products. For instance, chilled processed meat products are heated to temperatures ranging between 70°C and 85°C, as opposed to other processed meat products which are heated to 121°C. As a result of the lower temperature, the hygiene standards required are more stringent. New and different machinery and equipment will be acquired to produce chilled processed meat products. New storage facilities and transportation methods are also necessary for chilled processed meat products and they must be stored and transported at temperatures maintained between 0°C to 4°C.

To the best of our Directors' knowledge, the gross profit margins of chilled processed meat products are approximately 50%.

We plan to establish a new production line to produce approximately 40,000 tonnes of chilled processed meat products annually.

Besides developing and producing chilled processed meat products, we also plan to develop more varieties of sausages which are fortified with additional vitamins and minerals in order to capitalise on the market for healthy foods. In addition, we also intend to produce and market value-added pork products. Value-added pork products include special cuts of meat in different sizes in better forms of packaging which target specific consumer preferences. These value-added pork products also include pre-seasoned and pre-cooked products.

To meet the future demand of our sausages, we will be expanding our sausages production capacity by approximately 40,000 tonnes per year through acquiring new machinery and equipment.

The total cost for the above items are estimated to be approximately RMB104.6 million.

(b) Pork Products

We intend to expand our production of chilled pork as there is a growing market for fresh, chilled meat products. Consumers prefer the taste and quality of fresh, chilled meat, even though fresh, chilled meat is more costly than frozen meat. With the spending power of consumers continuing to grow, we foresee that sales of chilled pork will increase.

We plan to acquire up to three more abattoirs. This is to expand our production of fresh, chilled pork and to ensure that our abattoirs can continue to provide all the pork required for manufacturing of our processed meat products. All pigs slaughtered at these new production facilities will undergo the same stringent quality control checks as those we have implemented at our abattoir in Linyi.

The total cost for the above items are estimated to be approximately RMB180 million.

(c) *Animal Feeds*

We are in the process of developing animal feeds which have higher nutritional content and which can be produced at lower cost. We are also planning to expand our feed production, and eventually to penetrate the national market. The markets we will initially focus on will be Henan and Hebei provinces. These provinces are still largely agricultural, and will make suitable markets for our animal feeds.

(ii) ***Pig Farm***

Our staff will be making trips to the United States and Canada in the first half of 2001 to carry out research on other breeds of pigs which are of good quality and can be reared successfully in the PRC. We intend to continue our research efforts in developing cross-breeds of foreign breeds of pigs which are able to adapt well to local conditions in the PRC and which are able to consistently produce good quality meat. We also intend to increase the capacity of our pig farm by importing up to 1,000 pedigree breeding pigs from United States and Canada.

The total cost for the above items are estimated to be approximately RMB30 million.

(iii) ***Sales and Distribution Network***

We have plans to establish a sales office in Moscow, Russia to co-ordinate and promote the marketing and direct sales of our pork products in Russia. There is a high demand in Russia for pork products and we intend to capitalise on this large market.

We also intend to conduct more training courses on a regular basis for all our authorised dealers of effective management and sales strategies in order to enhance our sales and the services we provide to our customers.

We will be purchasing approximately 300 delivery trucks for transportation of our products at our manufacturing plant and at our sales offices.

The total cost for the above items are estimated to be approximately RMB40 million.

(iv) ***Further Strengthening of Research and Development***

We plans to expand our research and development center equipped with advanced facilities to support the new areas of research of development as set out on page 75 of this Prospectus. Our Directors believe that research and development is essential for enhancing our competitiveness.

(Please refer to "USE OF PROCEEDS — Research and Development" on page 32 of this Prospectus for further details on our plans to improve our research and development department.)

The total cost for the above items are estimated to be approximately RMB26 million.

(v) ***Marketing and Brand Development***

We plan to engage a professional public relations company to enhance our brand image and to develop co-ordinated promotional programmes and campaigns for our products.

The total cost for the above items are estimated to be approximately RMB29.6 million.

We hope to achieve all the above by the end of 2003. The total estimated cost is expected to be approximately RMB410 million. Part of the cost will be funded by the proceeds raised from this invitation (details are set out on pages 31 and 32 of this Prospectus) with the remaining funded from our internal resources and bank borrowings.

BUSINESS

HISTORY AND DEVELOPMENT OF OUR GROUP

In 1993, Linyi Jiangquan Meat Products Co., Ltd. (“Jiang Quan”) was founded by David Yip Wai Sun, Wang Tingbao and Wang Wenguang through Post-Ante Trading Limited (“Post-Ante”). Post-Ante is an investment holding company incorporated on 21 June 1993 under the laws of the British Virgin Islands with an authorised share capital of US\$50,000 consisting of 50,000 ordinary shares of US\$1.00 each. Jiang Quan is a wholly owned subsidiary of Post-Ante. Based in Linyi in Shandong province, PRC, Jiang Quan was established on 19 October 1993 and registered as a wholly foreign-owned enterprise as required under the PRC laws (a summary of PRC laws applicable for wholly foreign-owned enterprises is set out in Appendix 4 of this Prospectus). Its term of operation is 15 years commencing from 19 October 1993. Jiang Quan had an initial registered capital of US\$2 million, which was subsequently raised to US\$4 million on 22 April 1996.

Our Company was incorporated on 14 August 2000 under the laws of Bermuda as an exempted company with limited liability. We have an authorised share capital of HK\$500,000,000. Pursuant to the Restructuring Exercise, we acquired the entire issued share capital of Post-Ante for a consideration of HK\$209,100,935 which is the audited NTA of Post-Ante as at 31 December 1999 and thereby acquired Jiang Quan as a wholly owned subsidiary. Globe Bright Limited (“Globe Bright”), our other wholly owned subsidiary, was incorporated in Hong Kong on 15 March 2000 and has remained dormant since its incorporation. The shareholders of our Company are Chinese Glory Investments Limited (“Chinese Glory”), a company incorporated in the British Virgin Islands on 18 May 2000, David Yip Wai Sun, Wang Tingbao and Wang Wenguang. Chinese Glory is, in turn, owned by David Yip Wai Sun, Wang Tingbao and Wang Wenguang in the proportion of 70%, 20% and 10% respectively.

We began producing pork sausages in 1993 at a sausage factory we built in the Luozhuang district of Linyi on a site leased from Shandong Huasheng Group General Company with an area of 98,749 square metres for a term of 30 years commencing from 12 October 1993. To keep pace with our rapid growth, in 1995 we leased another plot of land, with an area of 187,797 square metres, from the same company also for a term of 30 years to expand our production capacity. Initially, all of the pork required for producing the sausages was purchased from local suppliers. To increase our cost effectiveness, we established our own abattoir in 1994 and in July 1995 we, through our Director Wang Tingbao acting as our nominee, set up our pig farm, Linyi Jiangquan Feeding Company. The assets and liabilities of such pig farm have been held by Wang Tingbao since its establishment as nominee for Jiang Quan and in April 2000, such assets and liabilities were formally transferred to Jiang Quan. Our abattoir currently slaughters an average of 3,000 pigs a day. The pig farm and abattoir allowed us to expand the scope of our business and increase the degree of our operational integration, and enabled us to better control the meat supply required for our sausage business. As a result, pig rearing and the sale of frozen pork were added to our original business activity of sausage production. At the initial operating stage, our pig farm had a capacity for rearing 4,000 pigs and this increased to 51,000 pigs at any one time in 1999. Given that the size of our pig farm is currently 31,707 square metres, our maximum rearing capacity is 60,000 pigs at any one time. The gestation period for pigs is 114 days, and our breeding sows are able to produce litters at an average of 2.5 times a year. With approximately 2.5 breeding cycles a year, our maximum annual output is approximately 150,000 pigs.

To further improve the quality of our pork products, we imported breeds from Denmark well known for their quality. The breeds we imported were York, Landrace and Duroc. These are pedigree pigs which are known for their growth rates and they produce meat that is lean yet meaty¹. Aided by our research and development team, we have since 1995, successfully developed cross-breeds of these pigs with the result that we are breeding pigs which are better suited to the local climate and conditions and hence are able to consistently produce high quality meat.

¹ Source: Modern Pig Rearing (ed 1997) (现代养猪生产), published by the China University of Agriculture (中国农业大学).

Our vision is to achieve the successful integration of our various production processes, and in 1995 we took yet another step in that direction by establishing a feed production factory which satisfied the feed requirements of our pig farm. Our feed production factory, Linyi Jiangquan Feedstuff Company, was established by us through our Director Wang Wenguang acting as our nominee. The assets and liabilities of such company were formally transferred to us in April 2000. Investing in the pig farm and feed production factory has helped us to ensure that the pigs we slaughter and the meat products we produce consistently meet our stringent quality control checks. To this end, we also up-graded our sausage production facilities in 1996 by importing new processing machinery from Japan and Germany. In April 1996, we expanded the production capacity of our abattoir by building new and bigger facilities. Construction of the new abattoir completed in October 1996 and our slaughtering capacity has increased from 1,500 pigs per day then to the current slaughtering capacity of 3,000 pigs per day.

We employ advanced technology and process methods in our production processes. For instance, most of the production processes in our sausage factory are automated and production processes in our feed production factory, from the mixing of raw materials to the packaging of the final products, are also automated. In 1999 our abattoir and food processing operations were awarded the ISO 9002 certification by the China Quality Certificate Centre for Import and Export Commodities, the government body responsible for ISO certification in the PRC. The ISO 9002 certification means that our abattoir and food processing operations comply with international standards of quality assurance established by the International Organisation of Standardisation. Our Directors believe that we are the first abattoir in the PRC to attain this distinction.

PRINCIPAL INVESTMENTS AND EXPENDITURE

We have applied our capital principally on acquiring new equipment and machinery for our production plants, furniture and fixtures for our offices, motor vehicles, as well as on improvements to our buildings and premises. Total capital expenditure was RMB7.2 million for FY1997, RMB13.9 million for FY1998 and RMB4.4 million for FY1999. Total capital expenditure for the period ended 30 June 2000 was RMB0.3 million.

We do not have any principal capital expenditure currently in progress.

BUSINESS

General

The PRC government's "open-door" policies in the 1990s to liberalise the economy were wide-reaching, and extended also to the agriculture and livestock sector. Prior to such "open-door" policies and economic reforms, the agriculture and livestock industry was largely operated by state-owned enterprises. The opening up of the agriculture sector, including the relaxation on foreign investment, allowed us to invest in the new business opportunities arising as a result of such reform².

The economic reforms which promoted local and foreign investment spurred the PRC economy to grow at a rapid pace. With the rise in living standards and the increasing affluence of large portions of the population, the demand for meat and meat products expanded significantly. In particular, there is considerable demand for processed meat products such as sausages. As such, the PRC government has actively encouraged the growth and development of food companies in order to meet the demands of the country's consumers.

These factors encouraged our founding Directors, David Yip Wai Sun, Wang Tingbao and Wang Wenguang to establish a sausage factory to capitalise on the business opportunities prevailing at that time.

² Source: March 2000 issue of Shandong Food Technology (山东食品科技), a publication of Shandong Food Industry Association (山东省食品工业协会).

Having identified the food industry as an emerging industry with good economic prospects, we then decided to base our operations in Shandong province, the PRC. Located in the eastern region of the PRC, Shandong is one of fastest growing provinces in the country in terms of GDP growth in the past five years (based on data extracted from China Statistical Yearbook 2000). Shandong also has a strong tradition in agriculture, and this has resulted in the relatively low cost of raw materials, in particular the ingredients needed for our feed production. One of the contributing factors to Shandong's well-developed agronomy is its ideal climate. The four seasons in Shandong are distinct, and humidity levels throughout the year are low. Such climate supports the healthy growth rates of our pigs. Shandong also benefits from a well-developed transportation network, including air, sea, rail and road networks, to the rest of the country. This advanced transportation network helps to support timely delivery of our products and is crucial to the development of the sales network for our products in the PRC.

The following table shows a breakdown of our Group's turnover by geographical regions of the PRC:—

Regions	FY1997	FY1998	FY1999
	(%)	(%)	(%)
Eastern & Central	41	35	38
Northern	11	18	16
Southern	4	5	6
Shandong and other provinces	44	42	40
Total	100	100	100

The following tables show a breakdown of our Group's turnover by the various products and geographical regions for the financial year ended 1999:—

Regions	Percentage of Turnover			
	Processed Meat Products	Fresh/chilled and Frozen Pork	Piglets	Animal feed
Eastern & Central	30.4%	46.0%	45.8%	35.1%
Northern	28.9%	4.8%	7.8%	—
Southern	8.10%	4.8%	—	—
Shandong and other provinces	32.6%	44.4%	46.4%	64.9%
Total	100%	100%	100%	100%

Principal Activities

Our four main business activities are:—

1. *Production and sale of processed meat products under our “Jiangquan” (江泉) brand*

We began producing pork sausages in 1993, and since then we have steadily increased our product range to include other processed meat products such as ham and chicken sausages. Our sausages are produced by processing fresh and frozen meat into meat mixtures, which are then filled into sausage skins made from PVDC, a synthetic material which keeps the sausage filling sealed and safe from contamination. Our meat sausages undergo sterilisation at a high temperature of 121°C, such that they are ready-cooked and do not require refrigeration during transportation and before consumption.

2. **Production of fresh, chilled and frozen pork products**

We operate an abattoir which slaughters approximately 3,000 pigs a day. The pigs slaughtered produce pork that is sold as either fresh, chilled pork or as frozen pork. The pork is packaged and sold as various products, such as pork fillet, pork shoulder, pork loin and pork ribs. These products may be sold as fresh, chilled pork or as frozen pork. The pork may also be sold in the form of frozen half carcasses. Other pork products from our abattoir include by-products and variety meats such as pig stomach, intestines and kidneys.

3. **Production of Animal Feed**

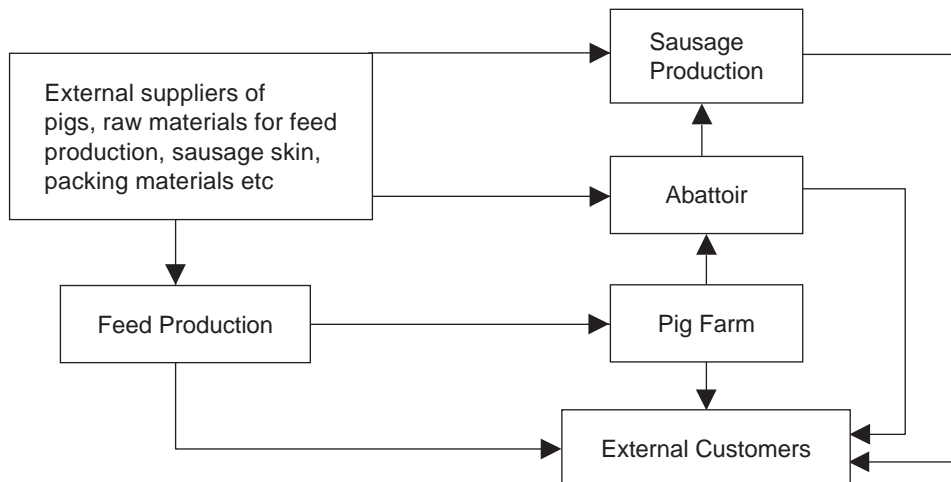
We operate an animal feeds factory which produces a wide range of feed for pigs, chickens, ducks, rabbits and fish. For instance, we produce different varieties of pig feeds which are suitable to be consumed by pigs during different stages of their growth.

4. **Pig rearing**

We operate a pig farm which has a maximum rearing capacity of 60,000 pigs at any one time. We imported foreign pedigree breeds of pigs when we established the pig farm in 1995, and we currently continue to breed the pure breeds as well as cross-breeds we developed from these pure breeds. Some of the pigs we rear are supplied to our abattoir, and we also engage in the sale of piglets and pigs for breeding to other pig farms and breeders.

Our business activities and production processes are integrated as shown in the diagram below:-

Our Integrated Production Processes



The above diagram illustrates the relationship and integration between our different production processes. Our feed production factory supplies 100% of the feed consumed by the pigs in our pig farm, and 100% of the pork used in the production of our processed meat products is supplied by our abattoir. A portion of the pigs slaughtered by our abattoir (approximately 3% as at 30 June 2000) is supplied by our pig farm, with the remaining purchased from other local pig farms.

Currently, all our production plants and facilities are at the same location and this enhances our efficiency in the operation and management of our business as a whole. Our integrated business processes provide us with the following competitive advantages:–

- Ensure a steady supply of our raw materials, especially pig feed from our animal feed plant for different stages of growth of pigs at our pig farm and fresh pork from our abattoir for manufacturing of our processed meat products.
- Improve our control over the quality of our raw materials and our products. The feed we produce is tailored to meet the nutritional requirements of the pigs we rear and the pork used for manufacturing of our processed meat products is supplied from our own ISO 9002 certified abattoir. Our fresh premium pork meat (such as cuts of lean meat from the shoulder and leg) helps to ensure the quality of our processed meat products.
- Reduction of cost and enhancing our overall gross profit margin.

(i) **Processed Meat Products**

(a) ***Our Products***

When we started our business in 1993, our principal activity was sausage production. The sausages we produced then were regular pork sausages of a lower price range which targeted at the lower end of the market segment. Compared to the higher-end processed meat products we currently produce, these sausages were up to 90% cheaper. Since 1993, we have extended our product range by introducing new and improved varieties of products. All the processed meat products we currently produce are pre-cooked and ready-to-eat. They do not require refrigeration and have a shelf life of 6 months.

Although the average wealth of the PRC population is increasing, there are still many households which do not own refrigerators. Pre-cooked sausages can be kept at room temperature for a relatively long period of time while retaining their taste and quality, making them an especially convenient and affordable food. Furthermore, such products can be sold not only in supermarkets, but also by grocers and provision shops which are not equipped with chillers or refrigerators.

Our Major Processed Meat Products

Product	Year Introduced
Fish sausage	2000
Beef sausage	2000
Chicken sausage	2000
Premium sausage	1998
“King of Kings” sausage	1998
“AD Calcium” sausage	1998
“New Jiangquan” sausage	1997
“Jiangquan Popular” sausage	1997
Seafood-flavoured sausage	1996
Century Egg sausage	1995
Starch-free sausage	1994
“Jiangquan Classic” sausage	1993

Our wide range of processed meat products, produced in accordance with formulae developed by our researchers and nutritionists, aim to cater to the different preferences of our customers. Some of our products have a higher proportion of meat (as compared to other ingredients such as starch) and they are targeted at consumers whose diet consist of a higher proportion of meat. For instance, in the northern provinces of Heilongjiang, Liaoning and Jiling and in the autonomous region of Inner Mongolia, where the climate is much colder than in the other parts of the PRC, the population, traditionally, consumes more meat.

More recently, we have developed sausages which have a higher nutritional content and which are targeted at young and elderly consumers. The government has emphasised the need to maintain a healthy diet, and our “AD Calcium” sausages, which are fortified with calcium and Vitamins A and D, provide consumers with an additional source of minerals and vitamins necessary for good health. In accordance with national nutritional standards, all our sausages have a minimum protein content of 12%, and their fat content do not exceed 15%.

Our “King of Kings” sausage is one of our premium products, and caters to consumers who prefer higher quality sausages. The distinctive feature of this product is the presence of a higher proportion of chunky bits of meat in the sausage, enhancing its flavour and texture. It is also high in protein while low in fat.

In 2000, we also began production of other types of sausages such as chicken, fish and beef sausages as another means of catering to the wide range of consumer demand. The meat required to produce these types of sausages is purchased from producers in Shandong, Beijing and Shanghai, and the sausages are produced using the same processes and methods as our pork sausages. Chicken sausages currently make up approximately 5% of our total sausage production. Our fish and beef sausages production are currently not significant.

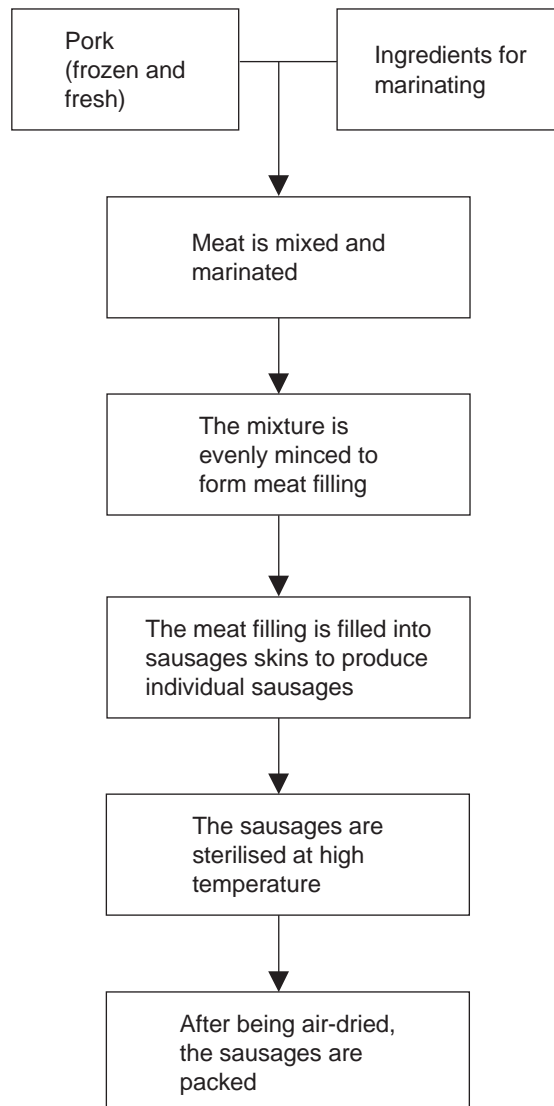
Another new product we have developed is a premium sausage which has the taste and texture of chilled ham although it does not require refrigeration. It is also pre-cooked, and can be consumed without further preparation.

(b) ***Production Process***

Our current production facilities, comprising machinery and equipment purchased from Japan and Germany, were installed in 1996 after the up-grading and expansion of our original sausage production facilities. The machinery manufactured in Germany is used to mix and mince meat, producing the meat mixture to be made into sausages. The meat mixture is filled into the sausage skin using machinery from Japan, producing the final product. The maximum production capacity of our production line is 340 tonnes of processed meat products a day and our current output is 320 to 330 tonnes a day.

The meat mixture needed to produce our pork sausages comprises mainly frozen pork. We keep our meat mixture at a constant temperature of 15°C in order to maintain the quality of the meat as well as the final product. Depending on the necessity to adjust the temperature of the meat mixture such that a constant temperature of 15°C is maintained, fresh pork may be added to the meat mixture. For instance, in summer when the climate is warmer, a higher proportion of frozen pork and a lower proportion of fresh pork will aid in maintaining the meat mixture at the required temperature. All the pork used in the production of our pork sausages are premium cuts of pork supplied by our abattoir. Before the meat is minced, it is marinated with various ingredients such as seasonings and flavours in accordance with formulae developed by our researchers and nutritionists. At this stage, other ingredients such as flour and soy protein are also added. The meat is then evenly minced and made into the meat mixture, after which it is filled into the PVDC sausage skins. The sausages are next steam-cooked at a high temperature of 121°C for 15 minutes, and this process also acts as a sterilisation process. After they have been left to air-dry for 2 days, the sausages are then packed and transported to our customers.

Other than the adding of marinating and other ingredients, as well as the sorting and packing of sausages into boxes ready for transportation, the various production processes are all automated.



(ii) **Fresh, Chilled and Frozen Pork Products**

(a) ***Our Products***

In 1994, we built an abattoir in order to carry out the business of pig slaughtering and the sale of frozen pork products. Our abattoir currently slaughters approximately 3,000 pigs a day, producing 250 tonnes of pork a day. While a portion of the meat produced by the abattoir, ranging from 10% to 20%, is supplied to our sausage factory, the remaining meat is sold, either as frozen meat or as fresh, chilled meat.

The meat may be sold as half carcasses (where the carcass has been split in half down the spine), either with the fat removed or left intact, or sold as various cuts of meat, such as the shoulder, the ribs, the loin or the leg. The carcass is divided into four general categories: (1) the nape, (2) the shoulders, (3) the loin (boneless) and (4) the leg. The meat is packed, according to the cut, in plastic wrap and either frozen or chilled. According to consumer demand, two-thirds of the pork products produced is frozen while the remaining is chilled to be sold as fresh, chilled pork.

Frozen Pork

Meat produced by our abattoir are sold to a wide variety of customers, such as markets and super-markets, food and food processing companies and restaurants. Since 1994, we have concentrated mainly on the production and sale of frozen pork as the market demand for such product is high. Frozen pork can be used in many different ways. Food processing companies require frozen pork in their production of processed meats such as luncheon meat, canned stewed meat etc. A majority of the pork sold in markets and supermarkets are also frozen pork. If kept and transported at a temperature within the range of -23°C and -15°C, frozen pork can be kept for a much longer period of time (approximately 13 months) than fresh or chilled pork.

Fresh, Chilled Pork

In 1999, we began the production of fresh, chilled pork as we noticed a trend among consumers for fresh, chilled pork rather than frozen pork. Fresh, chilled pork is fresh pork that has been chilled to a low temperature of between 0°C to 4°C, but not frozen. This maintains the freshness and taste of the meat. The meat is kept at a temperature of not more than 10°C during transportation. Our fresh, chilled pork is also sold to other food processing companies as well as markets and supermarkets.

At present, fresh, chilled pork makes up approximately a third of all pork products produced by our abattoir. We produce approximately 83 tonnes of fresh, chilled pork a day. As the spending power of consumers, particularly those in large cities, grow and consumer tastes become more discerning, we believe that there will be an increasing demand for fresh, chilled pork. While approximately 10% to 20% of the fresh, chilled pork we produce is used in our production of processed meat products, the rest is sold, mainly to retailers such as supermarkets. Fresh/chilled pork is also sold to other food processing companies, which may then sell the meat to retailers. In order to tap into the growing market for fresh, chilled pork, we intend to increase the production of fresh, chilled pork by acquiring machinery and equipment to establish a new production line.

Pig By-Products and Variety Meats

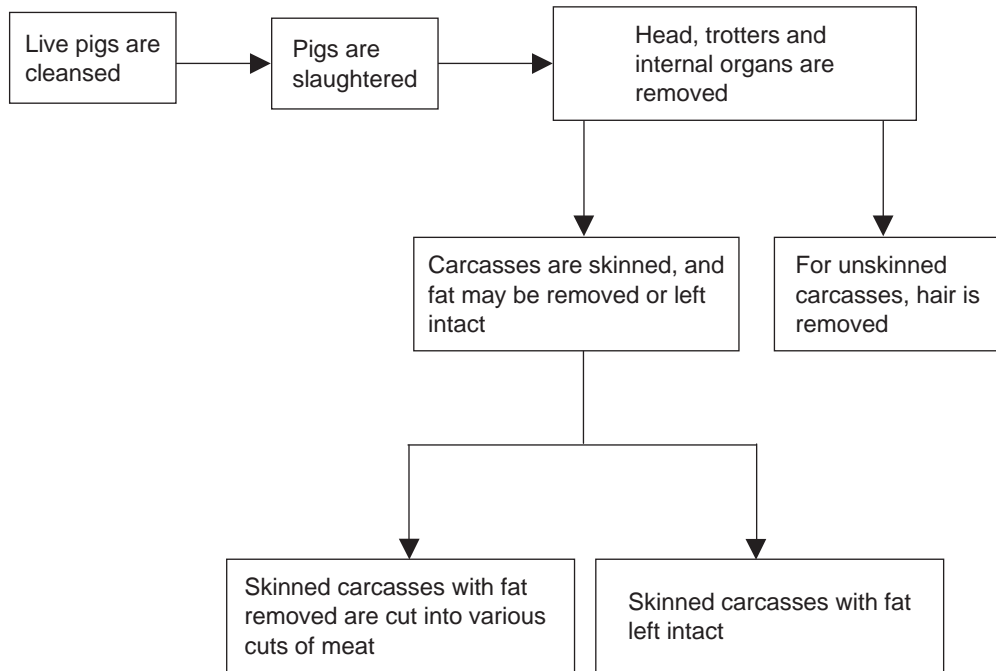
In the slaughtering of pigs, almost every part of the pig has an economic use. Parts of the pig such as the head, ears and trotters are considered delicacies by the Chinese and are much sought after. Variety meats such as the kidneys, livers, stomachs and intestines are also often used in Chinese cuisine and have a ready market. These variety meats from our abattoir are vacuum packed and sold to markets and supermarkets. They are also sold to food processing companies to be used as raw materials for other meat and meat-based products.

The skin of the pig which is removed from the carcass is sold to companies which produce leather products, while the pig hair is used to make brushes.

(b) *Pork Processing*

To meet the operating capacity of our abattoir, apart from being supplied with pigs from our own pig farm, we have to purchase pigs from other pig farms situated in and around Linyi. As at 30 June 2000, approximately 3% of the pigs slaughtered by our abattoir is supplied by our pig farm, while the remaining 97% is purchased from local pig farms and breeders in and around Linyi, Shandong province. All the pigs we purchase for slaughtering in our abattoir must have health certificates, issued by the Disease Prevention and Inspection Departments of the towns and villages where the pigs were reared, stating that the pigs have passed stringent health checks and examinations such that they are suitable for slaughtering and consumption. In addition, all pigs slaughtered by our abattoir are subject to stringent quality control checks by our own veterinarians.

All the pigs which have been certified by our veterinarians to be healthy and fit to be slaughtered are first cleansed with water before they are slaughtered. Once a pig has been slaughtered, the head, trotters and internal organs are removed and the carcass is then skinned and split in half. Fat from the carcass may be removed or left intact. For carcasses which are not skinned, hair is removed with the aid of very hot water of between 80°C and 90°C.



The pork that we produce and sell is primarily frozen pork, and we had, in 1994, built a cold storage where the meat is kept prior to being transported to our customers and dealers. Our cold storage facilities have a storage capacity of up to 10,000 tonnes of frozen meat. In accordance with national standards set by the PRC Department of Internal Trade, pork is required to be frozen at a temperature of -30°C for 24 hours, after which it is kept at a constant temperature of between -23°C to -21°C in cold storage as well as during transportation to other parts of the country. This is achieved by using trains and trucks equipped with refrigeration facilities.

In the production of fresh, chilled pork, the meat is first chilled for 2 hours at a temperature of between 0°C and 4°C, and thereafter has to be maintained at that temperature in order for it to maintain its freshness and quality.

(iii) **Pig Farm**

(a) ***Pig Rearing***

The pigs we rear in our pig farm are either pure breeds, namely York, Landrace or Duroc (descendants of the pigs we imported from Denmark in 1995), or cross-breeds of these pure breeds. All the pigs in our pig farm are kept indoors in buildings which are cleaned on a daily basis. Two adult pigs may share a stall, and sows which have just given birth have individual stalls lined with hay. Piglets which have been weaned are put in “nurseries”. Keeping our pigs indoors keep them away from extreme weather conditions and allows our veterinarians to better monitor the health of the pigs. Individual stalls help to prevent overcrowding and the reduces the risk of disease outbreaks. Pigs which are reared in a clean environment are more likely to be healthy and better able to produce healthy piglets.

Prior to 1995, pigs for our abattoir were purchased from local pig farms. However, we believed that the quality of the meat we produced could be improved if the breed of pigs we used was of higher quality than local pigs. The cross-breed pigs we developed from the pure breed pigs we imported from Denmark were able to produce meat with significantly lower fat content and higher percentages of lean meat. In addition, our cross-breed pigs have a better feed to meat ratio (i.e. the number of kg of feed to every kg of meat). The differences in our cross-breed pigs and international standard are set out below:–

	Our Cross-Breed Pigs	International Standard
Ratio of feed to meat	2.7:1	3.2:1
Percentage of lean meat	64%	62%
Days to reach 90kg	150 days	160 days

Note:–

The statistics for our cross-breed pigs have been agreed and confirmed by Shandong Province Animal Husbandry Department (山东省畜牧局). The statistics of international standard are extracted from “Modern Pig Rearing (ed. 1997)” a book published by China Agriculture University (中国农业大学) and “Pig Rearing” a book by Canadian Alberta Department of Agriculture.

(b) Sale of Piglets and Pigs for Breeding

We also engage in the sale of piglets and pigs for breeding to other pig farms and breeders due to the high profit margins generated by this business. The piglets we sell, of both pure and cross breeds, weigh between 30kg to 45kg. They are often used as breeding pigs by farmers and breeders who wish to improve the quality of their stock. Landrace sows, for instance, are prolific breeders and are able to produce litters of between 10 to 12 piglets. York sows are ideal for developing cross-breeds for they adapt well to local conditions and have high growth rates.

Besides generating profits for our Group, the sale of piglets prevents overcrowding in our pig farm. The avoidance of overcrowding is beneficial for the health and well-being of our pigs, and ultimately healthy pigs produce better meat. As the pigs grow, they also consume more feed. By selling the piglets before they grow beyond 45kg, we are able to avoid additional costs needed to house and feed the pigs and are assured of good quality pigs because nearby pig breeders are likely to sell the pigs they rear back to the Group.

(iv) Feed Production

(a) Animal Feed Products

Upon establishing our feed production factory in 1995, we focused on developing and producing feed for pigs. We currently produce feed that meets the feeding requirements of our pigs at each of their different stages of growth. Subsequently, we branched out into the production of feed for other animals.

In 1997, we began production of feed for chickens. Our current range of feeds for chickens include different varieties that target chicks or adult chickens, as well as varieties that target free-range chickens or chickens reared in farms. In 1998 we began producing feeds for ducks and in 1999 we added feeds for fish and rabbits to our range of products. Our latest product is a feed specially formulated for piglets that have just been weaned.

Our Major Animal Feed Products

Feeds for	Year Introduced
Weaned piglets	2000
Fish	1999
Rabbits	1999
Ducks	1998
Chickens	1997
Pigs	1995

(b) **Production Process**

The main ingredients used for feed production include corn, soybean meal, fish meal and other supplemental nutrients such as minerals and vitamins. The formulae for the various animal feed are developed by our researchers and animal nutritionists and these formulae conform to national standards of quality and nutritional content. These national standards are set by the Agriculture Administrative Department of the State Council of the PRC and include guidelines relating to the quantity of the various ingredients that should be used in the production of top-grade animal feed.

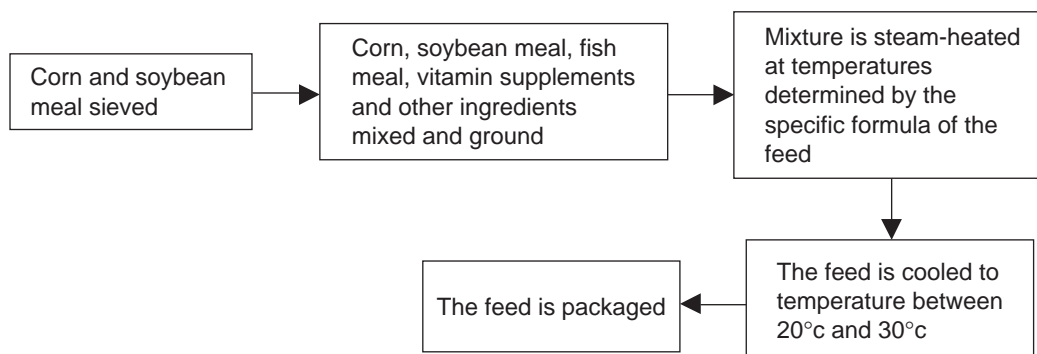
Our feed production factory currently produces approximately 190 tonnes of feed a day. The production process is primarily automated and computerised. The amount and proportion of the various ingredients required for the production of different feed, as well as the mixing of the ingredients, are all computer-controlled.

As the major ingredient for producing animal feed is corn, we have built two silos next to our feed production factory, each of which can store up to 1,000 tonnes of corn. All the necessary ingredients are purchased from local suppliers. As the agricultural sector in the Shandong province is large and well developed, such ingredients are readily available. As Shandong province is a coastal province, fish meal, one of the major ingredients for the production of our animal feed, is also readily available.

The corn and soybeans used in feed production are first sieved by sieving machines before being piped to grinders and ground into powder, known as corn meal and soybean meal. Different ingredients required to produce the feed are then piped into a mixer through different ducts, so that the exact quantity of each ingredient can be added to the mixture. The process of selecting different ingredient, and of allocating the amount of different ingredients required, is computerised. The system will make the selection based on the formulae programmed into the system and on the specific feed to be produced.

After the ingredients are grounded and mixed, the mixture is then “cooked” by being steam-heated to a high temperature. The maximum temperature would depend on the type of feed being produced. For instance, chicken feed is heated to a temperature of 60°C while feed for pigs is heated to 80°C. The difference in temperature is determined by our researchers in accordance with the different needs of the animals. After it is heated, the feed is then cooled to an average temperature of 20°C to 30°C and packaged.

Approximately 40% of the pig feed we produce is supplied to our pig farm, while the remaining 60% is sold to local farms and breeders in Linyi and other parts of Shandong province and Jiangsu provinces as well as the municipalities of Shanghai and Dalian. The feed for other animals are sold. Our customers are mainly from Linyi and other parts of Shandong province, and they collect their purchases directly from our factory. This allows us to avoid incurring transportation costs. Although the market for our feeds is currently concentrated in Linyi and Shandong province, we have plans to establish markets further afield to include other provinces of the PRC. The following is a production flow chart of our feed products:–



QUALITY CONTROL

We place great emphasis on quality control and quality control checks are stringently carried out at all stages of our production process.

(i) Production of Processed Meat Products

For the production of processed meat products, it is crucial that the ingredients used are of good quality and are not contaminated. The quality control process starts with ensuring the meat used in producing the processed meat products meet our Group's internal requirements of quality and product safety by physical examination of the meat.

As frozen pork is a main component used for the production of our processed meat products, physical examination and laboratory tests are also carried out on samples of the frozen pork to ensure against contamination and their suitability for use. Any unusable parts, such as pieces of meat with bones, are removed, and on average such unusable parts make up 2% to 3% of the total quantity of meat used. Only usable meat is then marinated and minced. The other ingredients, such as ingredients for marinating the meat and the flour needed to produce the desired texture of the meat mixture, must not contain contaminants, such as bone fragments, pig hair, wood shavings and water beyond acceptable levels. The bacteria levels in all the ingredients must also be within the levels prescribed by the PRC Department of Internal Trade. The appearance of the ingredients is also checked to ensure there is no contamination and product deterioration.

As the meat mixture is marinated, the temperature of the mixture is kept within the range of 5°C and 15°C. The texture of the mixture is a crucial factor in determining the quality of the final product as it affects its texture. We ensure the texture of the meat mixture is appropriate through physical examination and making sure that the meat mixer is operating efficiently. Texture of the meat mixture varies according to the different varieties of sausages being produced. For example, our "King of Kings" sausage contains more chunky bits of meat which makes a unique texture for this sausage.

After the meat mixture filled into the sausage skins, tests of random samples of sausages are made to ensure that the sausages are well-sealed and airtight. The sausages are next sterilised at a high temperature of 121°C for up to a minimum of 15 minutes. The sausages are then air-dried for 2 days before they are packed.

Besides quality control of the ingredients, the machinery must also function efficiently. The mixing machine is cleaned and sterilised every 12 hours, and the sharpness of the blades are also regularly tested.

(ii) **Production of Fresh, Chilled and Frozen Pork Products**

(a) ***Abattoir and Slaughtering Process***

A primary concern of our abattoir is ensuring that only healthy pigs are slaughtered. We have a total of 20 veterinarians in our abattoir to ensure that every pig for slaughter passes certain health checks upon delivery. All the pigs which we purchase must have a certificate of health issued by the Food and Veterinary Department of each village from which the pigs originate. Pigs with visible injuries will not be slaughtered. Inspections and quality control checks are conducted at different production stages to detect and remove meat that is spoilt or has been infected by pathogens. During slaughtering, the pharynx of the pigs are removed and tested for diseases. The pharynx is a repository for many forms of bacteria. The jaws are also removed to test for the presence of pathogens. The appearance of the skin, internal organs and the meat itself are also subject to physical observation and laboratory testing for they could indicate if the pig is diseased. Besides excessive bacteria levels, the presence of pathogens, parasites and drug or chemical residues also mean that the meat would not pass our quality control checks. All these quality control checks are conducted by our veterinarians and quality control staff who have undergone proper and adequate training.

(Please see *“Our Quality Control Personnel”* on pages 67 and 68 for details on our quality control staff.)

In the event that the random samples on which the laboratory tests are carried out fail the quality control checks, we will dispose of or destroy the meat. If parasites or excessive pathogens are found in the meat, it would indicate that the animal from which the meat originated is affected by disease. As every animal that is slaughtered in our abattoir is assigned a serial number, we are able to trace the diseased animal and destroy the carcass as well as all meat produced from it by way of incineration. Meat which is found to contain a high level of bacteria but which does not indicate the presence of diseases is also disposed of by incineration. Meat with excessive bacteria levels could indicate contamination of certain production equipment or the production environment. In such a case, the entire batch of meat exposed to such contamination will be destroyed.

Since we established the abattoir in 1994, there have been no instances where the meat produced by our abattoir have failed our stringent quality control checks and thereby requiring us to destroy or dispose of the meat or meat products.

A high level of hygiene is maintained at the abattoir. All pigs are thoroughly cleaned both before and after slaughter and instruments used for slaughtering and cutting up the carcasses into the different parts are sterilised a few times a day. In addition, anyone, including staff and visitors, who enters the abattoir must first put on protective clothing and be sterilised with disinfectant. Packaging materials used for the meat are also sterilised.

(b) ***Cold Storage, Handling and Transportation of Pork Products***

Pork from pigs freshly slaughtered at our abattoir is either frozen or chilled rapidly to prevent deterioration of the meat that may be caused by bacteria or chemical changes. Frozen meat is stored in our cold storage facilities at a temperature of between -23°C and -21°C, while fresh, chilled meat is chilled to between 0°C and 4°C. During subsequent handling, transportation and distribution, the frozen and fresh, chilled pork are also maintained within the requisite temperature ranges, helping to prevent quality deterioration of the meat caused by the growth of bacteria and biochemical changes.

(iii) **Pig Farm**

Prevention of Disease Outbreaks

Disease prevention is very important in our pig farm. As far as the Directors are aware, there have not been any major disease outbreaks among the pig farms of the PRC as the government is extremely cautious and concerned about the issue. Pork is consumed in large quantities by a majority of the population, and the government is aware of the necessity of ensuring that the meat supply is safe for consumption. Hence, there are strict national standards and guidelines for disease prevention and detection which pig farms must comply with. These standards and guidelines are set out in the Regulations on Disease Prevention and Detection issued by the Husbandry and Veterinary Administrative Department of the State Council.

At our pig farm, every piglet is vaccinated beginning from 3 days after birth and periodically after that in accordance with the vaccination programmes and procedures developed by our research and development department. The vaccination is carried out by our veterinarians at the farm, who also make daily observations of the pigs, looking out for unusual signs or symptoms which may indicate illness. Pigs which show signs of illness are separated from the rest of our stock for the observation of their condition.

To minimise the spread of diseases from external sources, all persons who enter the pig farm must be sterilised. Staff who work on the pig farm number approximately 200, and they live in quarters situated within the pig farm. They leave the farm only once a week, and the purpose of such a strict arrangement is to minimise the risk of importing diseases or contaminants from outside the pig farm.

In the event that certain pigs are afflicted with disease, they will be exterminated. The pig farm is also equipped with a quarantine facility, and if necessary, pigs that are ill or at risk from diseases will be separated from the healthy pigs.

(iv) **Feed Production**

The key ingredients of our animal feeds, such as corn and soybean meal, are tested for fermentation levels and water content. Contaminants present are also removed. The nutrition content of the ingredients, such as protein level, must meet the required standard. While the different ingredients are mixed according to the formula developed by our experts, the mixture must be kept at a constant temperature, and different temperatures are needed for the production of different feeds. The finished product is again subject to laboratory analysis of its water content and physical examination of its appearance. Machinery used in feed production is maintained on a daily basis, and overall maintenance is carried out every 6 months.

Neither our Group nor any of our Group companies has breached any laws or government regulations nor been ordered by any government authority or body to pay any fines in relation to production processes, quality control or hygiene standards in respect of our Group's business activities. There has been no outbreak of diseases among the pigs in our pig farm.

Our Quality Control Personnel

As at 30 November 2000, we employed 77 personnel who carried out quality control checks for our various production processes. They have all undergone thorough training sessions and examinations organised and conducted by our Group. The guidelines of our internal quality control systems are set out in manuals we have produced. All our quality control personnel must be sufficiently familiar with these internal guidelines, as well as the objects of and methods employed under these guidelines. Training sessions are also conducted by external professionals such as university lecturers, veterinarians and researchers. All of our quality control personnel are also required to undergo written examinations for the quantity control procedures they have been trained in.

Since we started operation, we have not experienced any major outbreak of diseases at our pig farm and at our food processing operations nor has there been any major outbreak of diseases in livestock in the PRC to the best of our knowledge.

The following is a summary of the more important quality control procedures which our quality control personnel are trained to carry out:–

- our quality control personnel who carry out checks on our abattoir operations and production processes for fresh, chilled and frozen meat products are trained to evaluate the health of pigs prior to slaughter through physical examinations, to ensure the proper application of the slaughtering process and to carry out laboratory testing and analysis on samples from the carcasses and meat products to verify compliance with health and hygiene standards;
- quality control personnel for our production of processed meat products are trained to carry out inspections on the hygiene levels maintained throughout the various production process, to ensure the proper sterilisation of machinery, equipment and products, as well as the proper and hygienic packaging of our processed meat products;
- for our animal feeds factory, quality control personnel are trained to conduct microbiological, chemical and physical analysis of the raw materials used in the production processes, as well as of the final products; and
- quality control personnel on our pig farm are trained to ensure compliance with disease prevention procedures, and ensure that the nutritional requirements for all our pigs are met.

CUSTOMERS AND MARKETS

(i) Fresh, chilled and Frozen Pork and Processed Meat Products

Most of our customers are food processing companies which require frozen and chilled meat to produce their food products, as well as wholesalers and retailers who sell our sausages. Our other customers include hotels and restaurants, supermarkets and individual grocers and trading companies (which mainly purchase and subsequently export our frozen meat).

With the expansion of our sales and distribution network, our fresh, chilled and frozen pork products and processed meat products are sold in all the provinces and municipalities of the PRC except for Qinghai and Tibet. Principal markets for our frozen pork products include Shanghai and Hong Kong, where a higher number of food processing companies are located. Frozen pork products supplied by us to these companies may be exported outside of the PRC. On 7 November 1997, through meeting the PRC's hygiene and quality control requirements, we were awarded an Export Permit for the export of meat products by the State Import & Export Commodity Inspection Bureau of the PRC. With the Export Permit, our products are allowed be exported to overseas markets. Our meat products are currently exported indirectly via food processing and trading companies to overseas markets such as Russia, Ukraine and Brunei.

We categorise a sale geographically based on the region in which the customer is invoiced. The following table sets forth the geographical distribution by total revenue for the last three financial years:–

Regions	FY1997 (RMB'000)	FY1998 (RMB'000)	FY1999 (RMB'000)
Eastern & Central	191,446	241,557	380,728
Northern	50,191	125,383	162,006
Southern	18,515	35,042	58,639
Shandong and other provinces	205,928	283,468	411,449
Total	466,080	685,450	1,012,822

(ii) **Piglets and Animal Feeds**

Customers for our piglets and animal feeds include both large-scale state-run and smaller-scale private livestock farms and breeders. Presently, markets for our piglets are located mainly in Shandong and Jiangsu provinces as well as the municipalities of Shanghai and Dalian, and markets for our animal feeds are located mainly in Shandong and Jiangsu provinces .

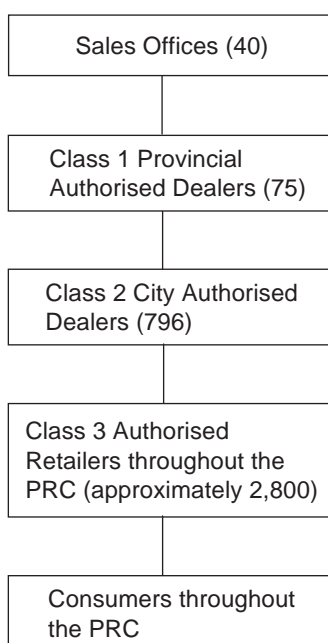
We do not have any customers, accounting for 5% or more of our turnover for any of the last three financial years, whom we are reliant upon for our businesses.

SALES AND DISTRIBUTION NETWORK

(i) **Dealership Network**

As at 30 November 2000, our sales and distribution network covered nearly the whole of the PRC through the establishment of 40 sales offices.

Our products are sold through a dealership system, which is separated into 3 tiers:–



Currently, we have 75 provincial authorised dealers located throughout most of the PRC. The provincial and city authorised dealers are essentially wholesalers. The authorised provincial dealers may only accept purchase orders from authorised city dealers. They will collate the orders from the authorised city dealers within their respective provinces and place the total amount of purchase orders with our respective provincial sales offices. Once the orders have been made, payment for the goods will be made to us by the provincial dealers by means of cash on delivery. Some of our bigger and long-term customers may be given credit terms of up to 60 days. Once the orders are relayed to our sales department, the corresponding production requirements will be arranged and carried out. When the orders have been completed, an invoice for the goods will be issued and the goods will be transported to the provincial dealers. The provincial dealers will next distribute the goods to the city dealers according to their orders, and the city dealers will in turn distribute the goods to our authorised retailers, such as groceries and retail shops, to be sold to consumers.

We apply the same set of criteria in selecting all our authorised dealers. In selecting a wholesaler as our provincial or city authorised dealer, an important factor which our Group takes into consideration is the credit rating of the wholesaler. Our Group's credit rating system includes the wholesaler's business history, turnover, its customer base, and its reputation. For example, a top-rated authorised dealer would, among other criteria, have a local customer base, have been in business for more than 3 years, achieves growth in turnover of more than 35% and has a sound reputation.

We enter into dealership contracts with only the provincial and city authorised dealers. Under the dealership contracts, each authorised dealer is allowed to sell our Group's products within the territory stated in the contract to which it is a party. Each authorised dealer is also obliged under the contract to achieve a specified annual turnover figure for our Group's products. If the dealer is unable to achieve monthly sales compatible with such specified turnover figure for three consecutive months, it will have to provide us for review and verification, a report on the market conditions in its territory as well as a forecast of future sales figures. Our management will terminate the dealership contract if, in our opinion, the performance of the dealer is unsatisfactory.

Under the dealership contracts, no commission is payable by us to these authorised dealers. Earnings of the provincial authorised dealers are determined by the difference in wholesale prices upon distributing our products to the city authorised dealers, whose earnings in turn depend on the difference between the wholesale and retail prices of our products. Although not provided for in the dealership contracts, the usual practice of our Group is to provide the dealers with recommended ranges of wholesale and retail prices with prescribed minimum prices, and the eventual prices are determined by the individual dealers provided that the prices do not fall below the prescribed minimum.

Payments by the authorised dealers for our products are made either in the form of telegraphic transfer before or upon delivery to a bank specified by our Group or in the form of bank drafts given upon delivery. Certain dealers may be granted credit terms of 30 or 60 days. The granting of such credit terms by our Group would depend on the relationship with the dealer, the dealer's creditworthiness and payment history, as well as the amount of turnover achieved by the dealer.

(Please refer to "*BUSINESS — Credit Policy*" on page 73 of this Prospectus for further details on our Group's credit policies.)

Contracts with the Class 1 provincial dealers are renewable after one year, while contracts with Class 2 city dealers may be for terms of one to three months depending on the sales figures achieved by the city dealers.

This dealership system applies only to the sale and distribution of our processed meat products and our animal feeds. The majority of our chilled and frozen pork products are sold directly to our customers.

(ii) **Transportation**

Our fresh, chilled and frozen pork and processed meat products are transported to our customers and authorised dealers by means of trains, trucks and ships. Frozen and fresh, chilled pork products that need to be kept within certain temperature ranges are transported mainly by trains that are equipped with refrigeration facilities. These trains are national trains which run on the national rail network which extends over the PRC. A portion of our frozen and fresh, chilled pork are transported by trucks which are also equipped with refrigeration facilities. These trucks are owned by us, the transportation companies or individuals. Our sausages are also transported by rail and automobiles, but do not require refrigeration facilities.

SUPPLIERS AND RAW MATERIALS

Raw Materials

(i) *Processed Meat Products*

All the pork required for the production of our processed meat products is supplied by our abattoir, in particular premium cuts of meat. Frozen chicken meat required for the production of chicken sausages are supplied by suppliers who deliver the meat directly to our sausage factory.

(ii) *Fresh, chilled and Frozen Pork Products*

For the six months ended 30 June 2000, approximately 97% of the pigs we slaughter at our abattoir is purchased from local farms and breeders in Shandong Province. To ensure adequate supply of pigs from other local farms and breeders, we have signed contract of usually 1 year with them to supply a certain number of pigs with prices set at market rates at the actual date of purchase. Our policy is to obtain approximately by 85% of our demand for pigs through these contracts.

(iii) *Animal Feed*

Feed produced for different animals do not differ greatly in terms of the main ingredients used. As the ingredients are essentially agricultural products, our supplies come from within Shandong province. We are able to keep the cost of purchasing these ingredients, namely corn, soybean meal, fish meal and vitamin supplements, relatively low by using raw materials produced in Shandong.

Save as disclosed above, we do not have any other formal or long-term contract with our suppliers.

There have been no significant fluctuations in the prices of the raw materials used by our Group in the last three financial years.

No single supplier accounted for 5% or more of our Group's purchases in the last three financial years.

Shandong province has suffered from natural disasters such as floods in the past. However, this has not occurred in the last 5 years. Should Shandong, and in particular the area around Linyi, be subject to floods or bad climate conditions, the prices of the raw materials would be affected, adversely affecting our cost of raw materials and our profits.

Credit Policy

Sales by all the companies under our Group are denominated in RMB. Payments to our Group are principally made by way of telegraphic transfer on an open account basis with credit terms ranging from 30 to 60 days. Credit terms are granted depending on the creditworthiness of the customers and their business relationship with our Group. Payments to our Group are also made by way of cash on delivery and advance payments. Down payment or deposits are usually required from our customers.

Past payment records and records on the credit rating of our customers are maintained by our accounting department. Such records assist us in checking the credit rating of our customers, which is reviewed periodically by our management. The volume and value of goods we deliver to our customers is also determined by their credit rating and past payment records.

MARKETING CHANNELS

Besides marketing our products and brand name through our sales network, we have also employed traditional marketing channels such as:—

- radio and television commercials;
- billboard advertisements;
- newspaper and magazines advertisements; and
- other promotional activities.

Our television commercials were produced with the help of advertising agencies, while advertisements in newspapers were designed by the newspapers themselves. As of May 2000, our website (www.jiangquan.com) was set up to reach even more consumers and potential customers. Our website contains information relating to our Group, our businesses, as well as our wide range of products. It is an easy and effective means of updating consumers and our customers on our products, including new products which have just entered the market, and our activities.

We have also organised press conferences and special promotional activities to increase consumer awareness of our existing and new sausage products. We have promoted our sausages by, for example, giving out free samples to consumers and including additional free samples of new products in the boxes of regular sausages.

By understanding our customer base and the differences among the different groups within this customer base, we are able to market our products selectively. For instance, radio commercials are more extensively used to target consumers in rural areas. Through selective marketing, we are able to target specific segments of the market to achieve our marketing objectives.

Our marketing expenses amounted to approximately RMB4.0 million, RMB13.6 million and RMB23.5 million for FY1997, FY1998 and FY1999 respectively.

INTELLECTUAL PROPERTY

Our Group has one registered trademark for “江泉” (“Jiangquan”), registered under class 29 (meat, frozen meat, processed meat, sausage, ham) with the PRC Trade Mark Registry on 7 January 1995. We have made an application to the PRC Trade Mark Registry to register the “江泉” (“Jiangquan”) trade mark to be used for our animal feed products.

No patents have been registered by our Group.

RESEARCH AND DEVELOPMENT

Our Research and Development Center was established in 1997, and our research work focuses on research on different breeds of pigs, development of cross-breeds of pigs, animal feed research, research on new meat products, such as varieties of sausages and the production of fresh, chilled pork. Another area of focus for our research efforts is in the prevention of disease out-breaks among our pigs. Details are set out below under “Areas of Research and Development”.

In 1997, our research and development staff comprised of 11 experts and researchers and by 1999 we had a total of 28 experts and researchers. They include ex-lecturers from the Shandong University of Agriculture, nutritionists, veterinarians, animal nutritionists, and researchers. In 1999, we invested approximately RMB2 million in our research and development department by acquiring new equipment, such as new laboratory and sterilising equipment, and hiring additional staff.

The following table sets out amounts spent by our Group on research and development for the last three financial years ended 31 December 1999 and the six months ended 30 June 2000:—

	FY1997	FY1998	FY1999	For six months ended
	(RMB'000)	(RMB'000)	(RMB'000)	30 June 2000
				(RMB'000)
Research and Development Costs	1,270	1,490	1,982	966

All the above research and development costs have been charged to our profit and loss account in the years/period they are incurred. Details of our accounting policy for our research and development costs are set out in the Accountants' Report on page 110 of this Prospectus.

As at the date of this Prospectus, we have not experienced any Y2K problems (problems relating to information technology systems, applications and equipments that are unable to accurately process date/time data from, into and between the years 1999 and 2000 and leap year calculations) and we did not encounter any such problems when we crossed over to year 2000.

Areas of Research and Development

(i) *Processed Meat Products*

Our experts and researchers include nutritionists who determine the different recipes or formulae for our various processed meat products. The experts and researchers must at all times work in accordance with national guidelines on the ingredients that may be used in processed food products. At the same time, these recipes or formulae must help us produce products that have high nutritional content, such as our “AD Calcium” sausage (fortified with calcium and Vitamins A and D) and our “King of Kings” sausage (contains up to 70% premium meat), but may be produced at low cost to increase our cost efficiency. Our researches are also developing production processes and several formulae for a range of chilled processed meat products.

To ensure that our products will be well-received by our customers, our researchers rely on consumer feedback collated by our sales offices throughout the PRC. Such consumer feedback is often obtained by means of markets surveys conducted by our sales representatives.

(ii) *Pork Products*

We are currently researching and developing production processes for the production of chilled pork, such as the ideal temperature required for chilling the meat without compromising its quality, proper methods of transportation as well as methods of maintaining the meat’s freshness.

(iii) *Animal feed production*

Our feed production business was established in 1995 in tandem with our pig rearing business. A key factor in achieving healthy and good quality pigs is ensuring that the feed they consume is of high quality. By producing our own feed, we increase our control of the quality of the piglets we produce.

We have engaged three animal nutritionists to carry out research on the use of different raw materials to produce higher quality animal feed at low cost. They also carry out research on the nutritional requirements of the different animals, such as pigs, chickens, ducks and rabbits, in order to develop feeds of higher quality and better nutritional content for these animals.

(iv) *Development of Cross-breeds of Pigs*

An important aspect of the pig farm is our research and development efforts on the development of cross-breeds which are better suited to local conditions and climate. By continually improving the genetics of our stock, we will yield better quality meat, particularly leaner meat. Up to 65% of the meat produced by our cross-breeds is lean meat, while the average yield of lean meat for local breeds is 62%. Through the efforts of our researchers we have been able to cultivate cross-breeds which produce pigs that can be weaned in 21 days, which, according to data published by Canadian Alberta Department of Agriculture in 1998, is the international standard. These cross-breeds also possess higher growth rates and can attain heavy weight while still remaining lean. Such pigs produce meat that is of high quality and economic value due to the lower percentage of fat in the meat.

(v) *Disease Prevention*

We recognise the crucial importance of keeping all our pigs healthy in order to minimise the risk of disease outbreaks. Our researchers have developed strict quality control measures and procedures in relation to the vaccination of our pigs against certain diseases, such as foot and mouth disease, encephalitis and porcine parvovirus. All pigs, whether they are piglets or adult pigs, have to be vaccinated regularly. Vaccinations are first given three days after the piglets are born and subsequently every few months depending on the different diseases the vaccinations are targeted against. Our pigs are also consistently observed and tested by our veterinarians for any signs or symptoms of illness or diseases.

AWARDS

In 1999, Jiang Quan was awarded the ISO 9002 certification for its abattoir and food processing operations. Our Directors believe we were the first abattoir in the PRC to be ISO 9002 certified. This award was a testament to our emphasis on and commitment to our high standards of our processes and the quality of our products.

Besides the ISO 9002 certification, we have received several awards and certificates from provincial and national bodies and organizations. These awards and certificates were granted for the quality of our products as well as for the effective business practices which have contributed to the success of our Group. The awards and certificates we have received include the following:–

	Award/Certificate	Issuing Organisation	Awarded/Granted for	Date of Grant
1	Well-known Export Brand (知名出口品牌)	Animal & Plant Import and Export Inspection & Quarantine Bureau, PRC (中国进出口商品质量认证中心)	Our “Jiangquan” brand for quality and quantity compared to other PRC export brands	September 2000
2	Certificate of Quality Products (优秀产品奖)	2000 National Children's Products Exhibition Organising Committee (2000 全国儿童用品展销会组委会)	Our “Jiangquan” brand of sausages, especially our “AD Calcium” sausages	August 2000
3	Permit for operating First Class Pure Breed Pig Farm (一级原种猪场许可证)	Shandong Husbandry Bureau (山东省畜牧局)	Pig farm	December 1999
4	Hygiene Model Enterprise (卫生示范单位)	Linyi Bureau of Public Health (临沂市卫生局)	Hygiene standards	1998
5	Registration Certificate (注册登记证)	Animal & Plant Import and Export Inspection & Quarantine Bureau, PRC (中华人民共和国进出口动植物检疫局)	Pork products	January 1998
6	Certificate of Total Quality Control (农业部全面质量管理达标证书)	Ministry of Agriculture (中华人民共和国农业部)	Management and Quality Control System	December 1998
7	Certificate of Reliable Quality Product (质量信得过产品荣誉证书)	PRC Technology and Information Institution (中国技术监督情报研究所)	Quality of “Jiangquan” sausages	1998
8	Certificate of Recommendation (推荐品牌)	PRC Food Industry Association (中国食品工业协会)	“Jiangquan” brand of sausages	November 1998
9	Leading Enterprise of Municipal Industrialised Agriculture (市级农业产业化龙头企业)	Linyi Municipal Government, PRC (临沂市人民政府)	Corporate management	June 1998
10	Export Certificate for Food Company (出口食品厂, 库注册证书)	Import & Export Commodity Inspection Bureau of the PRC (国家进出口商品检验局)	Export of food products	November 1997
11	Provincial Project “30” — Model pig farm (省“三0”工程瘦肉型猪良种选育及产业化开发示范场)	Shandong Project Management Office for Industrialised Agriculture and High Quality Species Development (山东省农业良种产业化开发项目管理办公室)	Development of high quality breeds of pigs	January 1997

First Class Pure Breed Pig Farm

We were awarded the highest distinction for a pig farm for the breeding and rearing of York, Landrace and Duroc pure breeds.

Hygiene Model Enterprise

This award was a recognition of the stringent hygiene standards we maintain for all our production processes.

Registration Certificate for Animal & Plant Import and Export Inspection & Quarantine

This certificate allows our Group to export our pork products to Russia, Ukraine and the other states/countries that were part of the Soviet Union.

Certificate of Reliable Quality Product

This certificate was awarded to us by the PRC Technology and Information Institution in 1998 for the quality of our sausage products. We obtained this certificate at the same time as our biggest competitor, the Shuang Hui Group, and this is a confirmation of the positive appraisal made by our customers in respect of our sausage products.

Certificate of Total Quality Control

This certificate awarded to us by the Ministry of Agriculture was a recognition of the high standard of our business management and quality control systems.

Certificate of Recommendation from PRC Food Industry Association

This certificate awarded to us by the PRC Food Industry Association was a recognition of the quality of our sausage products.

Leading Enterprise in Municipal Industrialised Agriculture

We were granted with this award by the Linyi municipal government for our good corporate management practices.

Export Certificate for Food Company

This certificate issued by the PRC Import & Export Commodity Inspection Bureau allows us to export our food products overseas.

Provincial Project “30” Model Pig farm

This award recognised the achievements of our pig farm in the areas of development of cross-breeds, measures in disease prevention and integration of our feed production and pig farming processes. This award is also a commendation of our efforts to help improve the stock of other pig farms and breeders in and around Linyi, Shandong through the sale of pure breeds and cross-breeds from our farm.

COMPETITION

There is little data and statistics available regarding the food and food processing industries in the PRC, and as such it is difficult to come up with accurate statements about the market share our Group possesses in respect of its different activities.

We believe that the meat processing, pig rearing and animal feed industry in the PRC is fragmented and consist of mainly small players. Based on China Food Web (中国食品网) (www.cnfoodnet.com), a website of China Food Publisher (中国食品报), there are more than 2,000 meat processing companies in the PRC with approximately 200 which are of large to medium sizes. Based on an article published in August 1999 of Northern Farmers Times (北农快讯), a publication of China Agriculture University, large scale pig farm produce only 2% of total annual output of pigs with the remaining provided by small pig farmers. For animal feed industry, there are approximately 11,300 animal feed plants in the PRC which generate more than 1 tonne of feed per hour and approximately 1,600 animal feed plants generate more than 5 tonnes of feed per hour (Our animal feed plant generates more than 16.0 tonnes of feed per hour).

Our Directors believe that potential new entrants to the food processing industry will face the following barriers to entry:—

- (a) continual compliance with stringent quality control requirements and national health and hygiene standards;
- (b) the substantial capital investments required in order to achieve production efficiency and product quality. For example, as at 30 June 2000, our Group has spent more than RMB163.7 million in acquiring fixed assets;
- (c) technical expertise and experience in all aspects of food processing, such as the development of formulae, utilisation of advanced technology and packaging methods, are essential for producing quality products;
- (d) successful brand development requires accumulated experience in the industry and a good reputation and track record. Achieving brand recognition also requires the development of a wide range of products which can cater to a wide customer base; and
- (e) if the new entrant is a small company, it will not enjoy the economies of scale and efficient cost structures enjoyed by the large corporations and major players in the food processing industry.

According to a report published by the Shandong Husbandry Bureau in April 2000, our Group operates one of the leading pig farms in Linyi, Shandong province, in terms of size, our management and our business practices. Nevertheless, pig rearing is widely carried out in Shandong, and we compete with many other pig farms around Linyi and in other parts of Shandong province. At present, the PRC government encourages pig rearing to be carried out on a larger scale, and is gradually encouraging the shift from small-scale pig farming by individual farmers to modern and advanced pig farms (*Source: Shandong Food Technology (山东食品科技)*), a publication of Shandong Food Industry Association (山东省食品工业协会). The operation of large pig farms by corporations is more productive, and corporations also have more resources to implement and ensure compliance with the health and hygiene standards set out by the government.

As for the production of processed meat products, there are several other companies which produce similar products as those produced by us.

List of our Major Competitors

Product	Competitor	Competing Markets
Fresh, Chilled and Frozen Pork, Processed Meat Products	1. Junan County Meat-Packing Factory (莒南县肉联厂)	Shandong province
	2. Feicheng County Meat-Packing Factory (肥城县肉联厂)	Nationwide
	3. Shuang Hui Group (双汇集团)	Nationwide
	4. Jinluo Group (Linyi Xincheng Jinluo Meat Products Co. Ltd) (金锣集团)	Nationwide
	5. Chundu Group (春都集团)	Nationwide
	6. Nanjing Yurun Food Company (南京雨润食品有限公司)	Nationwide
Pig Rearing	1. Beijing Pig Breeding and Cultivation Centre (北京养猪育种中心)	Nationwide
	2. Jiangxi Pig Farm (江西种猪场)	Nationwide
	3. Hubei Livestock Farm (湖北畜牧良种场)	Nationwide
Animal Feeds	1. Liuhe Group (六合集团)	Shandong and Jiangsu provinces
	2. Aboveboard Fodder Company (Thailand) (泰国正大集团)	Shandong and Jiangsu provinces

GOVERNMENT REGULATIONS

We have all the necessary licenses and permits for our operations. To ensure compliance with the relevant PRC government regulations, periodic checks are conducted by government agencies such as the Bureau of Public Health on our abattoir and pig farm. A summary of the relevant PRC laws and regulations are set out in Appendix 4 of this Prospectus.

PROPERTIES AND FIXED ASSETS

Leased Properties

1. *Production Facilities in Linyi, Shandong Province, PRC*

Our Group currently leases 2 plots of land from Shandong Huasheng Group General Company in Shenquan Village, Luozhuang District of Linyi. Under the lease dated 12 October 1993, the area of land leased is 98,749 square metres, while under the lease dated 26 March 1995, the area of land leased is 187,797 square metres. Out of the total land area of 286,546 square metres:—

- the animal feed production factory takes up a floor area of 3,700 square metres,
- the processed meat products factory takes up a floor area of 17,711 square metres,
- the pig farm takes up a floor area of 31,707 square metres,
- the abattoir (including cold storage facilities) takes up a floor area of 36,828 square metres,
- the remaining 9,764 square metres is used for staff quarters, recreational areas etc.

Under each of these 2 lease agreements, our Group obtained land use rights for industrial use over each plot of land for a term of 30 years commencing from the date of the lease agreement.

2. **Administrative Office and Staff Accommodation in Hong Kong**

Location	Purpose	Area (square metre)	Tenure	Annual rental (HK\$)	Lessor
Flat C, 41st Floor, Tower 11, Tierra Verde, No. 33 Tsing King Road, Tsing Yi, New Territories, Hong Kong	accommodation for PRC staff based in HK	60.39	2 years from 15 July 2000	126,000	Chow Ka Po Shirley and Chan Wai Fat
Room 1209, 12th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong	administrative office	67.08	2 years from 6 April 2000	190,680	The Wing On Company Limited

3. **Sales Offices**

Our Group currently rents the following properties in the PRC as our sales offices:-

Location	Area (square metre)	Tenure (years)	Annual rental (RMB)	Lessor
Huafeng Market, No. 166, Linyi City, Shandong Province	30	1	6,000	Liu Wei
Jianguo Food Market, No. 180 Shijiazhuang City, Hebei Province	65	1	7,000	Geng Zhiqing
Taibai Road, CaoKou Qiao, No. 111, Jining City, Shandong Province	40	1	6,000	Li Wencheng
Ludu Garden Building, 4 Room 502 Hefei City, Anhui Province	30	1	3,600	Liu Yun
Fucheng Community Buildings, 10 Room 562, Yiwu City, Zhejiang Province	50	1	6,000	Li Yuanfang
Hongqi Road, No. 23, Jining City, Inner Mongolia Autonomous Region	30	1	3,600	Wang Xueqin
Cangsheng Road, No. 196-A, Huaiyin City, Jiangsu Province	45	1	4,800	Gu Hui
Songjiang Community, Gandingzi District, Dalian City, Liaoning Province	45	1	4,500	Li Xiao
Yuhang Road, No. 198, Yubei District, Chongqing City	60	1	7,200	Liu Shouxin
Xigu Chenguan Village, Lanzhou City, Gansu Province	30	1	4,800	Chen Youyu
Jingshi Road Store Department 2 Pai, No. 16, Jinan City, Shandong Province	30	1	7,200	Lian Zhenmin
Baofang Road, No. 37, Urmqi City, Xinjiang Autonomous Region	90	1	18,000	Tan Jun
Hongcheng Market, No. 98, Nanchang City, Jiangxi Province	30	1	7,200	Teng Zhaohong
Shengli Street, No. 20, Jimo, Shandong Province	40	1	6,000	Li Zhishen
Quyong Road, No. 298, Shanghai City	30	1	7,200	Yao Binglin
Wholesale Market, No. 56, Foshan City, Guangdong Province	60	1	4,800	Zhang Cheng

Location	Area (square metre)	Tenure (years)	Annual rental (RMB)	Lessor
Guangfu Road, No. 299, Changchun City, Jilin Province	40	1	6,000	Zhao Li
Gaoqiao Market, No. 009, Changsha City, Hunan Province	80	1	8,400	Jin Lida
Yanhe Street Market No. 86, Hankou City, Hubei Province	40	1	6,600	Luo Meilin
Shinan Road, No. 606, Kunming City, Yunnan Province	60	1	9,600	Zhou Xiqi
Vegetable Wholesale Market No. 208, Taiyuan City, Shanxi Province	70	1	6,000	Rong Huadong
Nanda Street, Xian City, Shanxi Province	40	1	6,000	Ma Jianchang
Jiefang Road, Zhengzhou City, Henan Province	70	1	6,000	Chen Hui
Sihuan Road No. 102, Beiqu, Beijing City	60	1	8,000	Zhang Xin
Shuijing Street, No. 148, Harbin City, Heilongjiang Province	80	1	8,400	Gao Yuan
Xinhua Road No. 119, Weicheng District, Weifang City, Shandong Province	20	1	4,800	Li Yebang
Taijiang Road No. 189, Fuzhou City, Fujian Province	40	1	6,000	Yao Xinghui
Huancheng Road, Heping District, Shenyang City, Liaoning Province	50	1	7,200	Li Yunchao
Fulu Street No. 88, Nanning City, Guangxi Province	95	1	8,950	Huang Xiaojing
Dongfeng Street, No. 12, Baotou City, Shanxi Province	105	1	6,500	Mi Jiaqi
Longjiang No. 35, Qiqihar City, Heilongjiang Province	45	1	6,000	Chen Li
Xiuying Pier Market, Haikou City, Hainan Province	60	1	5,000	Feng Yuwa
Minnan Wholesale Market, Zhangzhou City, Fujian Province	90	1	5,300	Qiu Ashi
Yongjiu Wholesale Market, No. 81 Datong City, Shanxi Province	60	1	8,200	Liu Shunxing
Tian Qao Market, Xuzhou City, Jiangsu Province	55	1	7,500	Yang Yan
Agriculture Trade Centre, 5 District, No. 17 Wenzhou City, Zhejiang Province	50	1	7,500	Cheng Ruiguang
Food Canteen No. 1, Baoshan Wholesale Market, Liaoning Province	45	1	6,000	Liu Tao
West Wing Yingbin Building, Qinhuangdao Train Station, Hebei	70	1	6,000	Li Guoqing
Huang's Wholesale Market, Jiujiang City, Jiangxi Province	100	1	7,000	Ma Lihua

Location	Area (square metre)	Tenure (years)	Annual rental (RMB)	Lessor
North Gate, Xingguang Market, Shengfang County, Tianjin City	70	1	4,500	Ma Fuquan

The lease agreements in relation to all the above properties are for a term of 1 year starting from 1 January 2001 and ending on 31 December 2001. Under the agreements, our Group may, and has priority to, renew the leases in accordance with the terms of the lease agreements.

Fixed assets

Fixed assets of our Group are as follows:-

Fixed assets	Estimated useful life	— As at 30 June 2000 —		
		Cost	Accumulated Depreciation	Net book Value
		S'\$000	S'\$000	S'\$000
Leasehold buildings	10 years	19,020	7,469	11,551
Leasehold improvements	10 years	3,476	1,341	2,135
Plant and machinery	5 years	10,787	8,221	2,566
Furniture, fixture and office equipment	5 years	298	236	62
Motor vehicles	5 years	705	332	373
		34,286	17,599	16,687

Note:-

Figures in Singapore dollars are calculated based on an exchange rate of S\$1.00 = RMB4.774 as at 30 June 2000.

No valuation has been made on the fixed assets of our Group for the purpose of inclusion in this Prospectus. There are no environmental regulations that would affect our utilisation of our fixed assets.

The following table sets out the production capacity and utilisation rate of our Group's production plants:-

Production plant for	Location	Estimated maximum annual production capacity	Gross Floor Area (sq.m.)	Average Utilisation Percentage FY1997	Average Utilisation Percentage FY1998	Average Utilization Percentage FY1999	Average Utilisation Percentage For the Six Months ended 30 June 2000
Processed Meat Products	Linyi, Shandong Province	120,000 tonnes	17,711	21.3%	39.9%	65.9%	98.8%
Fresh/Chilled and Frozen Pork Products (including Cold Storage facilities)	Linyi, Shandong Province	1,250,000 heads	36,828	17.0%	36.0%	54.0%	84.8%
Animal feeds	Linyi, Shandong Province	100,000 tonnes	3,700	27.4%	35.0%	53.5%	68.4%
Pig rearing	Linyi, Shandong Province	150,000 heads	31,707	51.6%	57.5%	84.3%	63.2%

Utilities Supplies

1. Electricity

We have access to two separate supply grids for electricity, the national supply grid and the local supply grid. In the event that supply from one source is disrupted, electricity from the other source will be re-directed to our facilities. Should both supply lines fail or be disrupted, we have our own back-up generator which is able to provide an emergency electricity supply of up to 20% of the total electricity we normally require to run all our production operations.

2. Water

All the water that is required by our production operations and other purposes is supplied by underground water. We have built 4 deep-water wells on our premises to access the underground water. Alternatively, tap water is also supplied by the local utilities board.

Insurance

Our Group maintains a number of insurance policies with the People's Insurance (Property) Company China Ltd (Luo Zhuang District Branch). These policies provide insurance coverage for our Group's fixed assets against damage caused by accidents and natural disasters such as fire.

Our Group also contributes to the Retirement Insurance Schemes administered by the Luo Zhuang District, Linyi Workers' Insurance Office under the Labour Department of Shandong Province.

Our Group does not maintain any product liability insurance or insurance against business interruption. Our Directors believe that such insurance policies are not generally available in the PRC.

EMPLOYEES

We have approximately 1,700 employees as at 30 November 2000. We set out below the total number of our employees and the various departments in which they serve for FY1997, FY1998, FY1999 and up to June 2000:—

Department	FY1997	FY1998	FY1999	30 June 2000
Production	998	1232	1205	1224
Human Resource & Administration	51	55	62	70
Accounts	28	32	38	42
Sales & Marketing	89	135	182	200
Quality Control	55	68	72	77
Research & Development	11	19	28	30
Business Planning	8	8	8	9
Market Research	2	3	3	5
Others	58	60	65	72
Total	1,300	1,612	1,663	1,729

We consider our relationship with our employees to be good. We have not experienced any strikes or work stoppages by our employees.

COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths include the following:–

1. We have well-established quality control systems that ensure the high quality of our products

We place great importance on implementing and enforcing stringent quality control checks at all stages of our production processes. From our feed production to our pig rearing, abattoir operations and sausage production, the quality of the raw materials we use and the processes we employ must comply with strict standards so that our final products are of consistently high quality. Please refer to “*BUSINESS — Quality Control*” on pages 67 to 70 of this Prospectus for further discussion on our systems of quality control.

In 1999, Jiang Quan was awarded the ISO 9002 certification for its abattoir and food processing operations. Our Directors believe that Jiang Quan is the first abattoir in the PRC to attain ISO 9002 certification. This is a testament to our emphasis on and commitment to quality control and the quality of our products.

In addition, we have won numerous provincial and national awards that recognise our well-established quality control systems and the high quality of our products. Some of these awards include the “Certificate of Reliable Quality Product” awarded by the PRC Technology and Information Institution, “Certificate of Total Quality Control” awarded by the Ministry of Agriculture and “Certificate of Recommendation” awarded by the PRC Food industry Association. Please refer to “*BUSINESS — Awards*” on page 76 of this Prospectus for details of awards we have received.

2. We have a well-recognised brand name in the PRC

Since we began producing sausages in 1993, we have focused in building up brand recognition for our “Jiangquan” brand of processed meat products, especially in the Eastern and Central regions of the PRC. We have expanded our product range under our “Jiangquan” brand by introducing new variety of products like our “King of Kings” sausages and our “AD Calcium” sausages. Our marketing and promotion efforts have helped broaden our consumer base and increased consumer-awareness of our range of products under our “Jiangquan” brand. We believe that we have been successful in building up a well-recognised brand name of our processed meat products, which are evidenced by (i) the enlargement of our dealership and retailer base from approximately 700 authorised dealers and retailers in 1997 to approximately 3,200 authorised dealers and retailers as at 30 June 2000; and (ii) significant increase in turnover of our processed meat products from RMB201.3 million for FY1997 to RMB484.5 million for FY1999.

3. We have an extensive sales and distribution network in the PRC

We have established an extensive sales and distribution network in the PRC. As at 30 November 2000, our sales and distribution network in the PRC comprises:–

- 40 sales offices;
- 75 Class 1 provincial authorised dealers;
- 796 Class 2 city authorised dealers; and
- Approximately 2,800 Class 3 authorised retailers (appointed by the Class 2 authorised city dealers) throughout PRC.

Our extensive network covers most of the provinces and major cities in the PRC. We believe that our extensive network enhance our competitiveness as it gives us extensive market presence in the PRC. In addition, it enables us to have better access to information on consumers’ tastes and preferences in different parts of the PRC through feedback collected from our sales offices and dealers.

4. We place strong emphasis on research and development

To enhance our competitiveness, we have placed strong emphasis on our research and development efforts. Our research and development efforts cover most aspects of our processes and operations. Our researchers and experts are well-qualified professionals who undertake research in their specific fields. Our research and development team comprises professionals such as veterinarians, animal nutritionists, nutritionists, ex-university lecturers and researchers.

Our research and development achievements include the development of (i) different types of animal feeds that fulfil all the nutritional requirements of different animals; (ii) effective vaccination procedures against diseases to prevent disease outbreaks in our pig farm; (iii) better quality of pigs through cross-breeding; and (iv) our range of processed meat products through new product development and innovation such as our “AD Calcium” sausage, which is fortified with minerals and vitamins.

Please refer to “*BUSINESS — Research and Development*” on page 74 of this Prospectus for more details on our research and development efforts and achievements.

5. Our production operations are integrated

We have achieved integration of our production operations namely, our animal feed production and pig rearing and our abattoir operations and production of processed meat products. Feed that is consumed by our pigs is produced by our feed production facilities and all of the pork used to produce our sausages is supplied by our abattoir. We believe that our strategy of integrated operations would enhance our competitiveness by (i) ensuring supply of our raw materials; (ii) better control over our quality of our raw materials and our products; and (iii) reducing of cost and enhancing our profit margins.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table provides information regarding our Directors, Executive Officers and other key employees as of the date of this Prospectus:–

Name	Age	Address	Position
Executive Directors			
David Yip Wai Sun	37	Flat E, 8/F, Block 1, Mount Heaven No.3 Liu To Road, Tsing Yi Hong Kong	Chairman and Managing Director
Wang Tingbao	38	Shenquan Village, Luozhuang District Linyi City, Shandong Province PRC	Vice Chairman
Wang Wenguang	31	Shenquan Village, Luozhuang District Linyi City, Shandong Province PRC	General Manager
Independent Directors			
Ho Wah Onn	51	16 Kingsmead Road Singapore 267967	Director
Sitoh Yih Pin	37	6 Fernwood Terrace Singapore 458539	Director
Executive Officers			
Ran Xiangliang	37	Shenquan Village, Luozhuang District Linyi City, Shandong Province PRC	Chief Operating Officer
Lee Kam Wan	30	2106 On Mei House, Cheung On Est., Tsing Yi, Hong Kong	Chief Financial Controller
Yu Xiaoyan	31	Shenquan Village, Luozhuang District Linyi City, Shandong Province PRC	Accounts Manager

Save for Wang Tingbao who is the uncle of Wang Wenguang, none of the Directors or Executive Officers are related to each other or the substantial shareholders.

None of our Directors and Executive Officers have any arrangement or understanding with substantial shareholder, customers, suppliers or others, pursuant to which any person referred to above was selected as a Director or member of senior management.

Our Directors' and Executive Officers' working and business experience are set out below:–

Our Directors

David Yip Wai Sun

He has been appointed as our Chairman on 30 August 2000. He is also the founder of our Group and has served as the chairman of Jiang Quan since its incorporation in 1993. He is responsible for our Group's overall corporate policies and business development. He was a sales executive of China National Light Industrial Import & Export Corporation in Beijing from 1987 to 1988 and was promoted to manager in 1989. In 1990, he was appointed as a director and the General Manager of Round & Square Metal Company, a Hong Kong company engaged in the trading of metal products such as lead ingots, cooper cathodes and copper wire rods. In 1991, he was also appointed as the Managing Director of Denson Holding Limited, a Hong Kong company engaged in the trading of steel products. Upon the incorporation of Post-Ante in 1993, he was appointed as one of its directors. Mr Yip graduated from the University of International Economics and Business in Beijing in 1987 with a bachelor degree in International Trade.

Wang Tingbao

He has been appointed as Vice Chairman of our Board of Directors on 30 August 2000. He is also our co-founder. From 1990 to 1993, he served as assistant manager of Luozhuang Ceramic Factory, which is involved in the trading of ceramics and craft and has served as the vice chairman of Jiang Quan's board of directors since its incorporation in 1993. He oversees our Group's investment planning as well as research and development. A graduate of Yishui Medical College, he worked in the Linyi Hospital of Coal Mining from 1985 to 1990 as a medical doctor. In 1999, he obtained a Master degree in Economic Management from the Beijing Industry and Commerce University.

Wang Wenguang

He has been appointed as our Director in 30 August 2000. He is also our General Manager and one of our co-founder. He has served as the general manager of Jiang Quan since its incorporation in 1993. From 1991 to 1993, he was Manager of Linyin Foreign Trade and Refrigeration Company, a company involved in the trading and storage of frozen food. His responsibilities include overseeing our Group's productions and operations, as well as its sales and marketing strategies. He graduated from the Shandong Industrial University in 1990 after majoring in Management Engineering.

Ho Wah Onn

He has been appointed as an Independent Director of our Company in December 2000. He graduated from the University of Singapore in 1973 with an LL.B(Hons). After graduation, he commenced working life with a merchant bank affiliated to the Chase Group doing corporate finance work. He later moved to become a corporate planner in a public listed international conglomerate headquartered in London where he was responsible for the Group's investment strategy and acquisitions, reporting and taking instructions through the Group Executive Chairman. He was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1977. In 1977 he joined law firm Netto Low & Partners as a partner, and in 1985 he established and was a founding partner of the law firm Haridass Ho & Partners. He specialises in legal work relating to banking and corporate finance, mergers and acquisitions and property matters.

Sitoh Yih Pin

He has been appointed as an Independent Director of our Company in December 2000. He graduated from the National University of Singapore in 1987 with a Bachelor of Accountancy degree (Honours) and joined KPMG as an auditor. In 1994, he established and was a founding partner of certified public accounting firm, Tan & Sitoh Associates. He holds memberships in various organisations including the Board of Directors of the Chinese Development Assistance Council, the Supervisory Panel of the Feedback Unit of the Ministry of Community Development and the Governing Council of the Singapore Institute of Directors. He sits on the board of directors of several public listed companies. He is also an Associate member of the Institute of Chartered Accountants in Australia.

Our Executive Officers

Ran Xiangliang

He joined Jiang Quan in 1995 as a senior engineer and has since 1997 served as Jiang Quan's Chief Operating Officer. He is in-charge of our Group's general administration. He graduated from Shandong Industrial University in 1983 with a Bachelor degree in Electrical Engineering. From 1983 to 1985, he worked as an electrical engineer with Harbin Aeroplane Manufacturing Company. His varied work experience also includes working as a factory department manager in the Linyi Chemical Fibre Factory from 1985 to 1992, and as a manager at the Linyi City Silk Company from 1992 to 1995.

Lee Kam Wan

He joined our Group in June 2000 and serves as our Chief Financial Controller and Company Secretary. As Chief Financial Officer, he is in charge of our Group's finances and accounts. He obtained a Bachelor degree (Honours) in Business Administration from the Chinese University of Hong Kong in 1994. Mr Lee started his career with Kwan Wong Tan & Fong, an auditing firm in 1994. Subsequently, he was an accounting supervisor with Yearland Development Limited in 1996. He worked as an auditor with Ernst & Young and Deloitte Touche Tohmatsu from 1997 to 2000 before joining our Group. He is a Certified Management Accountant and is a member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Society of Accountants.

Yu Xiaoyan

She has served as Jiang Quan's Accounts Manager since 1993 and she is responsible for Jiang Quan's finances and accounts. She was the head of Shandong Luozhuang Group's Accounts Department from 1987 to 1993. Shandong Luozhuang Group is engaged in construction materials, coal, textiles, ceramics and manufacturing. She graduated from Shandong Finance College in 1990, and was conferred by PRC Ministry of Finance as a qualified accountant in 1998.

Senior Management

Li Yuehe

He joined Jiang Quan in 1997 and has since then served as its Human Resource & Administration Manager. He graduated from Shandong Teachers University in 1991 after majoring in Chinese Language. From 1991 to 1997 he worked in the Linyi City Textile Mill as an administration manager.

Liu Jiuxue

He joined Jiang Quan in 1997 and was appointed as the head of Jiang Quan's quality control department in that same year. As the head of the quality control department, he supervises the quality control systems and procedures for all of Jiang Quan's different production operations. He is also Jiang Quan's chief resident veterinarian and oversees the performance of the other veterinarians employed by Jiang Quan. His responsibilities also include participating in the management of our abattoir operations. Prior to joining Jiang Quan, he was the head of the Refrigeration and Processing Department of Linyi Food Products Co from 1981 to 1991. He was a lecturer in the Business School of Shandong from 1976 to 1981. He is trained as a veterinarian and he graduated from Hangzhou Business College in 1976 with a bachelor degree in Agriculture.

Li Shifu

He joined Jiang Quan in 1993 after graduating from Yantai Grain School. He is the head of Jiang Quan's Productions Department and, as the manager of our sausage production factory, is also responsible for overseeing its production operations.

Wang Jinsheng

He joined Jiang Quan in 1996 as supervisor of the sales and marketing department and since 1997 serves as the head of Jiang Quan's sales and marketing department. He graduated from the Luozhuang District Central High School in 1990, and was enlisted with the People's Liberation Army from 1990 to 1995.

Wang Qiyi

He joined Jiang Quan in 1995 as Manager of our sausage factory and since 1997 has served as the head of Jiang Quan's research and development department. He is a graduate of Zhengzhou University and holds a Bachelor degree in Food Engineering. From 1991 to 1995, he was a production supervisor in Shandong Weifang Juling Food Company.

Liu Chengwen

He has served as the manager of our abattoir since 1997. He graduated from Shandong Business School in 1977, and from 1977 to 1997 he worked at Yishui Abattoir.

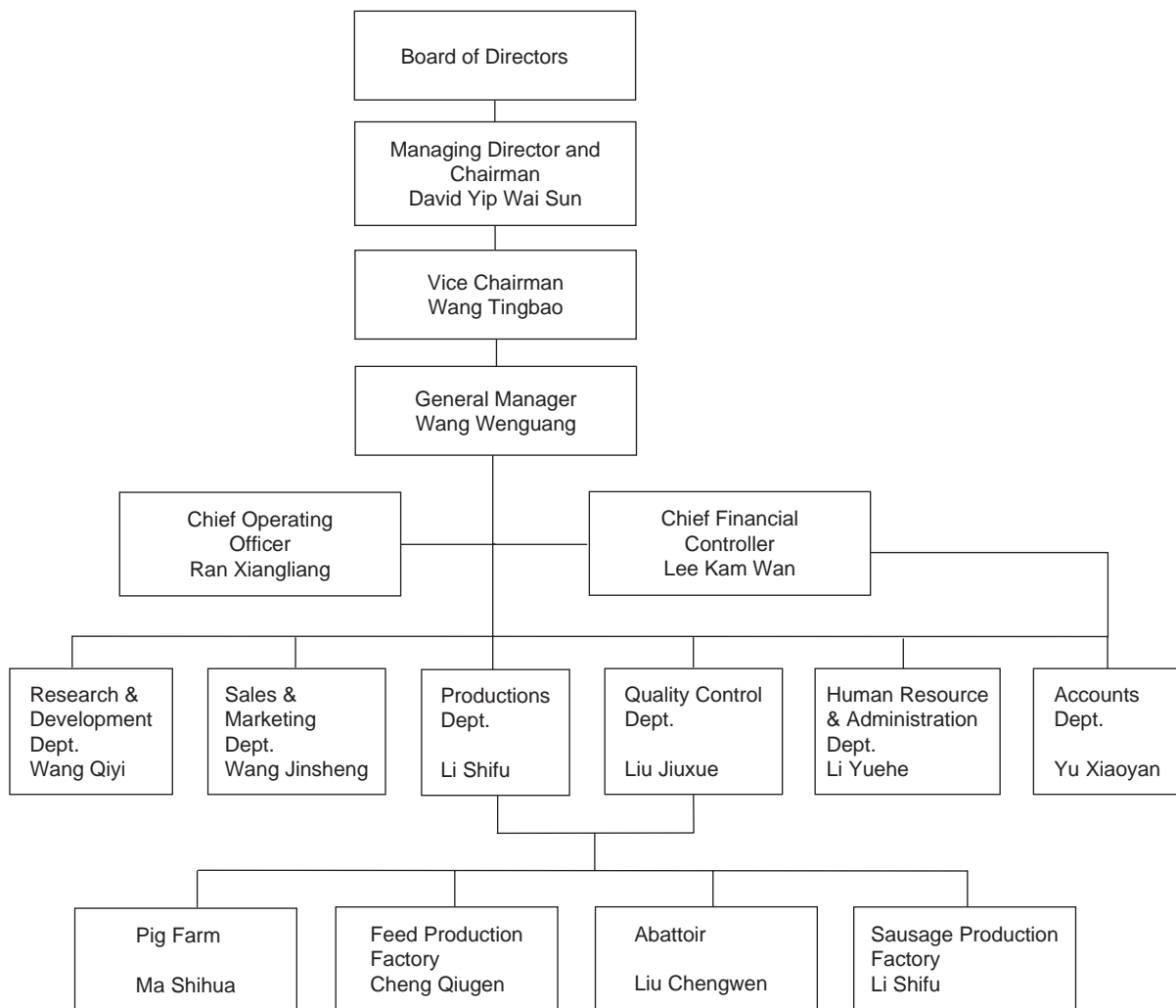
Ma Shihua

He joined Jiang Quan in 1995 and since 1997 has served as the manager of our pig farm. He was a technician and a supervisor at Luozhuang Ceramic Factory One from 1989 to 1992, and from 1992 to 1995 he was an assistant manager at Linyi Eastern Material Trading Company. He graduated from Luozhuang High School in 1989.

Cheng Qiugen

He joined Jiang Quan in 1995 as one of our resident veterinarians and since 1997 has served as the manager of our feed production factory. A graduate of Jiangxi Agriculture University, he was a production manager at Shandong Jiuxian Time Feed Company from 1987 to 1990.

The following chart shows our management reporting structure as at the date of this Prospectus:-



There are no arrangements and/or understanding between our substantial Shareholders, customers, suppliers or any other persons, pursuant to which any of our Directors or members of our senior management was appointed as a Director or member of our senior management.

COMPENSATION

The compensations paid to our Directors for services rendered to us and our subsidiaries on an aggregate basis and in remuneration bands during FY1999 (being the last full financial year) were as follows:—

	FY1999 S\$	FY1998 S\$
(a) Aggregate Directors' Remuneration		
Executive Directors	151,000	151,000
Non-executive Directors	—	—
Total	<u>151,000</u>	<u>151,000</u>

Note: the figures are rounded to the nearest thousand and are translated based on an exchange rate of S\$1.00 = RMB4.772 as at 31 December 2000.

(b) Number of Directors' in Each Remuneration Bands

S\$500,000 and above	—	—
S\$250,000 to S\$499,999	—	—
S\$0 to S\$249,999	3	3
Total	<u>3</u>	<u>3</u>

No amount was set aside or accrued to provide for pension, retirement or similar benefits for all of our Directors and Executive Officers during FY1999.

The total remuneration paid to our Directors (who are also the controlling shareholders of our Group) and their relative working in our Group for FY1999 is approximately RMB770,000 (approximately 0.4% of our profit before tax and remunerations for Directors and their relatives working in our Group).

SERVICE AGREEMENTS

Save as set out below, none of our Directors have entered into service agreements with us.

Each of our Executive Directors, David Yip Wai Sun, Wang Tingbao and Wang Wenguang has entered into service agreements with us, for an initial period of three years commencing from 1 February 2001. Their terms of service shall be renewed for successive periods of one year each, unless terminated by not less than 3 months' notice in writing by either party to the service agreements. Under the terms of the service agreements, they will be paid a monthly salary of HK\$50,000. Their annual salary may be revised upwards by no more than 10% at the discretion of the Board of Directors. We may pay them discretionary management bonuses for any financial year, which, together with the discretionary bonuses payable to our Executive Officers, shall not exceed 5% of the audited consolidated or combined net profit of our Group for that financial year (after tax and minority interests and payment of such bonuses, but before extraordinary items). The bonus, at the discretion of the Board of Directors, would be paid based on the Directors, respective individual work performance. A Director may not vote on any resolution of the Board regarding the amount of bonus payable to him. There is no provision for benefits for termination of employment of our Directors under the service agreements.

Executive Officers

For the financial year ended 31 December 1999 our Executive Officers received an aggregate amount of RMB240,000 as compensation from our Group.

Each of our Executive Officers, Ran Xiangliang, Lee Kam Wan and Yu Xiaoyan has entered into service agreements with us, for an initial period of three years commencing from 1 February 2001. Their terms of service shall be renewed for successive periods of one year each, unless terminated by not less than 3 months' notice in writing by either party to the service agreements. Under the terms of the service agreements, Ran Xiangliang, Lee Kam Wan and Yu Xiaoyan are entitled to a monthly salary of HK\$30,000, HK\$40,000 and HK\$30,000 respectively. Their annual salary may be revised upwards by no more than 20% at the discretion of the Board of Directors. In addition, Lee Kam Wan is also entitled, for each financial year ending on 31 December, to a bonus equivalent to one month's salary. There is no provision for benefits for termination of employment of our Executive Officers under the service agreements.

Had the service agreements for our Directors and Executive Officers been effective since 1 January 1999, the total remuneration payable to our Directors and Executive Officers for FY1999 would have been HK\$3,040,000 (RMB3,253,000) (approximately 1.67% of our profit before tax and remunerations for Directors and Executive Officers) instead of RMB960,000 (approximately 0.49% of our profit before tax and remunerations for Directors and Executive Officers) and the profit before tax would have been RMB191,773,000 instead of RMB194,066,000.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

We recognise the importance of corporate governance and the offering of high standards of accountability to our shareholders. Our Board of Directors has established an Audit Committee that is chaired by Ho Wah Onn, an independent Director, and includes Sitoh Yih Pin, our other independent Director and David Yip Wai Sun, our Managing Director. Our Audit Committee is responsible for reviewing:—

- our financial and operating results and accounting policies;
- our financial statements and our consolidated financial statements before their submission to the full Board of Directors and the external auditors' report on those financial statements;
- the co-operation given by our management to our auditors;
- our external audit plans and the results of our external auditors' examination and evaluation of our internal accounting control system;
- the re-appointment of our external auditors;
- transactions with parties related to us; and
- generally undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

PRINCIPAL SHAREHOLDERS

OWNERSHIP STRUCTURE

The shareholders of our Company and their respective shareholdings immediately before and after the Invitation are set out below:–

Before the Invitation

The shareholders of the Company and their respective direct and indirect shareholdings immediately before the Invitation are set out below:–

	Direct Interests		Indirect Interests*	
	Number of Shares registered in the names of Directors and substantial shareholders	%	Number of Shares in which Directors and substantial shareholders are deemed to have an interest	%
David Yip Wai Sun	175,644,784	21	585,482,620	70
Wang Tingbao	50,184,224	6	585,482,620	70
Wang Wenguang	25,092,112	3	—	—
Chinese Glory	585,482,620	70	—	—
Total	836,403,740	100	—	—

*Our Executive Directors, David Yip Wai Sun, Wang Tingbao and Wang Wenguang own 70%, 20% and 10% of Chinese Glory respectively. David Yip Wai Sun and Wang Tingbao are deemed to be interested in the shareholding of Chinese Glory in our Company by virtue of their interests of 70% and 20% respectively in Chinese Glory.

After the Invitation

The shareholders of the Company and their respective direct and indirect shareholdings immediately after the Invitation are set out below:–

	Direct Interests		Indirect Interests*	
	Number of Shares registered in the names of Directors and substantial shareholders	%	Number of Shares in which Directors and substantial shareholders are deemed to have an interest	%
David Yip Wai Sun	175,644,784	18.2	585,482,620	60.5
Wang Tingbao	50,184,224	5.2	585,482,620	60.5
Wang Wenguang	25,092,112	2.6	—	—
Chinese Glory	585,482,620	60.5	—	—
Public	130,550,000	13.5	—	—
Total	966,953,740	100.0	—	—

*Our Executive Directors, David Yip Wai Sun, Wang Tingbao and Wang Wenguang own 70%, 20% and 10% of Chinese Glory respectively. David Yip Wai Sun and Wang Tingbao are deemed to be interested in the shareholding of Chinese Glory in our Company by virtue of their interests of 70% and 20% respectively in Chinese Glory.

No Shares will be allotted to any of our Directors, substantial shareholders or their associates as part of the Invitation.

Our Company has only issued ordinary shares of HK\$0.25. The voting rights of our shareholders are set out on pages 163 to 167 of this Prospectus. In particular, our shareholders do not have different voting rights. Save as disclosed there is no change in percentage ownership of our Existing Shareholders since our incorporation.

As at the date of this Prospectus, we are not aware of any Existing Shareholders, Directors or members of our management, supervisory or administrative bodies that intend to subscribe in the Invitation. In addition, to the best of our knowledge, save for two potential investors, we are not aware of any other person that intends to subscribe for more than 5% of the Invitation Shares. The two potential investors are not related to our Directors and substantial shareholders and they will not be substantial shareholders of our Company after their intended subscription.

MORATORIUM

To demonstrate their commitment to our Group, our Company's substantial shareholders, namely David Yip Wai Sun, Wang Tingbao, Wang Wenguang and Chinese Glory, who will in aggregate hold 836,403,740 ordinary shares in our Company, representing approximately 86.5% of our Company's enlarged issued and paid-up capital after the Invitation, have undertaken not to dispose of or transfer any part of their direct and indirect interests in our Company for a period of six months from the date of our Company's admission to the Official List of SGX-ST, and for a period of six months thereafter, will not reduce their/its interest to below 50% of their/its shareholding as at the date of this Prospectus.

Furthermore, each of David Yip Wai Sun, Wang Tingbao, Wang Wenguang who owns 70%, 20% and 10% respectively of the issued share capital in Chinese Glory, has given his undertaking that he will not dispose of or transfer any part of his respective interest in Chinese Glory for a period of 12 months commencing from the date of admission to the Official List of the SGX-ST.

The moratorium will not apply to any shares borrowed from David Yip Wai Sun in connection with the over-allotment and stabilisation transactions that the Manager may effect, although such borrowed shares will become subject to the moratorium upon redelivery to David Yip Wai Sun.

INTERESTED PERSON TRANSACTIONS

In general, transactions between our Group and any of its interested persons (namely, the directors, chief executive officers or the substantial shareholders of our Company or the associates of such directors, chief executive officers or substantial shareholders) are known as interested person transactions. Save as disclosed below and under “Restructuring Exercise” at page 37 of this Prospectus, our Group does not have any transactions with any of its interested persons. Subsequent to our listing, we will comply with Chapter 9A of the Listing Manual in relation to any future interested person transaction.

Sale of Pork Products to Jiang Quan Hotel

Wang Wentao, the nephew of one of our Directors and shareholders, Wang Tingbao, is the owner of Jiang Quan Hotel in Linyi. We are one of Jiang Quan Hotel’s suppliers of pork and no formal contract was entered into between our Group and Jiang Quan Hotel in relation to the supply of pork. We supply pork to Jiang Quan Hotel when an order for pork is placed by the hotel and the pork is sold at our prevailing retail price. In FY 1999, the sale of pork products by our Group to Jiang Quan Hotel amounted to RMB49,000, while total sales for the 6 months ended 30 June 2000 was RMB156,000.

The above transactions were carried out on an arm’s length basis and on terms which we negotiated by the respective parties on normal commercial terms.

Catering and accommodation expenses paid to Jiang Quan Hotel

Our Group’s employees and advisors have stayed at the Jiang Quan Hotel and all room, food and beverage and other charges and/or expenses incurred by them during their stay at Jiang Quan Hotel were paid by our Group. The rates and charges charged by Jiang Quan Hotel were either commercially competitive or were in accordance with rates and charges publicly quoted by Jiang Quan Hotel. Such catering and accommodation expenses paid to Jiang Quan Hotel by our Group for the six months ended 30 June 2000 amounted to RMB411,000.

Shareholder’s Loans by David Yip Wai Sun

Shareholder’s loans by David Yip Wai Sun to our Group amounts to RMB3.7 million as at 30 June 2000, and the interest rate per annum charged for the loan is based on the prevailing market short-term (less than 1 year) interest rate quoted by the Bank of China in the PRC. The loan is made at normal commercial terms.

As at 30 November 2000, the shareholder’s loan was fully repaid by our Group.

Save as disclosed under “Restructuring Exercise” on page 37 and above:–

- (a) No Director, substantial shareholder or Executive Officer of our Group has any interest, direct or indirect, in any transactions to which the Company was or is to be a party.
- (b) No Director, substantial shareholder or Executive Officer of our Group has any interest, direct or indirect, in any company carrying on the same business or carrying on a similar trade as our Group.
- (c) No Director, substantial shareholder or Executive Officer of our Group has any interest, direct or indirect, in any enterprise or company that is our Group’s customer or supplier of goods or services.

DESCRIPTION OF ORDINARY SHARES

SHARE CAPITAL

Our Company was incorporated in Bermuda on 14 August 2000 under the Bermuda Act as an exempted company with limited liability. At the date of incorporation, the authorised share capital of our Company was HK\$100,000 divided into 1,000,000 ordinary shares of HK\$0.10 each. We have only one class of shares, namely the ordinary shares of par value HK\$0.10. Our Company's constitution is its Memorandum of Association and its Bye-laws. Our Company has not established a place of business in Singapore as at the date of this Prospectus.

On 30 August 2000, 1,000,000 ordinary shares of HK\$0.10 each in the share capital of the Company were allotted and issued nil paid, as to 700,000 shares to Chinese Glory, 210,000 shares to Messrs David Yip Wai Sun, 60,000 shares to Wang Tingbao and 30,000 shares to Wang Wenguang.

Pursuant to resolutions passed by Chinese Glory, Messrs David Yip Wai Sun, Wang Tingbao and Wang Wenguang, being all shareholders of the Company, on 15 January 2001, the Company approved the following:–

- (a) the consolidation of every five ordinary shares of HK\$0.10 each in the authorised and issued share capital of the Company into one ordinary share of HK\$0.50 each;
- (b) an increase in the authorised share capital of the Company from HK\$100,000 to HK\$500,000,000 by the creation of an additional 999,800,000 ordinary shares of HK\$0.50 each; and
- (c) the Restructuring Exercise (including the crediting of the nil paid ordinary shares which were allotted and issued to Chinese Glory, Messrs David Yip Wai Sun, Wang Tingbao and Wang Wenguang, as fully paid-up), details of which are set out on page 37 of this Prospectus, under “Restructuring Exercise”.

Pursuant to resolutions passed on 15 January 2001 by all shareholders of our Company, the shareholders approved *inter alia* the following:–

- (a) the adoption of a new set of Bye-laws of the Company; and
- (b) the service agreements between the Executive Directors and the Executive Officers and ourselves and the remuneration payable to the independent Directors.

Pursuant to resolutions passed by all shareholders of our Company on 22 February 2001, the Company approved the subdivision of each of the issued shares of HK\$0.50 each into two ordinary shares of HK\$0.25 each.

Pursuant to resolutions passed by all shareholders of the Company on 15 January 2001 (as amended by a resolution passed by all shareholders on 29 January 2001 and a resolution passed by all shareholders on 9 March 2001) the shareholders approved the allotment and issue of 130,550,000 New Shares on the basis that the New Shares when issued and fully paid will rank *pari passu* in all respects with the existing issued shares of our Company, which are the subject of the Invitation. Pursuant to the resolution passed by all Shareholders on 9 March 2001, the shareholders also approved the allotment and issue of 17,050,000 New Shares in the event that the Over-allotment Option granted to OUB is exercised. Such Shares issued pursuant to the exercise of the Over-allotment Option will rank *pari passu* in all respects with the existing issued Shares of our Company.

Pursuant to the resolutions in writing referred to above, the shareholders also authorised the Directors to issue further Shares (in addition to the New Shares) (whether by way of rights, bonus or otherwise) from time to time provided that the aggregate number of such shares to be issued does not exceed 50 per cent. of the issued share capital of the Company for the time being and provided that the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20 per cent. of the issued share capital of the Company for the time being, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law or the bye-laws of the Company to be held, whichever is the earlier.

Details of the issued and paid-up share capital of our Company since 14 August 2000, being the date of incorporation of our Company, and its issued and paid-up share capital immediately after the Invitation are as follows:—

Date of Issue	Purpose of Issue	Par Value (HK\$)	Issue Price/ Consideration (HK\$)	Number of shares	Resultant issued Share capital (HK\$)
30 August 2000	Issued nil-paid ordinary shares of HK\$0.10 each	0.10	—	1,000,000	—
15 January 2001	Share consolidation	0.50	—	200,000	—
19 January 2001	Issued fully paid-up ordinary shares of HK\$0.50 each upon the completion of the Restructuring Exercise	0.50	209,000,935	418,001,870	209,000,935
19 January 2001	Credited as fully paid at par the 200,000 ordinary shares of HK\$0.50 that were issued nil-paid on 30 August 2000	0.50	100,000	—	100,000
22 February 2001	Subdivision of shares	0.25	—	836,403,740	—
	Pre-Invitation issued share capital	0.25	—	836,403,740	209,100,935
—	New Shares to be issued for public subscription	0.25	—	130,550,000	32,637,500
	Post-Invitation issued share capital	0.25	—	966,953,740	241,738,435

The authorised share capital and the shareholders' equity of our Company as at the date of this Prospectus before and after adjustments to reflect the issue of New Shares are set forth below. These statements should be read in conjunction with the Accountants' Report set out on pages 104 to 124 of this Prospectus.

	As at 30 August 2000 HK\$	After the Restructuring Exercise HK\$	After the Invitation HK\$
Authorised Share Capital			
Ordinary shares	100,000	500,000,000	500,000,000
Shareholders' Equity			
Issued share capital	—	209,100,935	241,738,435
Share premium	—	—	125,410,100
	—	209,100,935	367,148,535

TAXATION

The discussion below is not intended to constitute a complete analysis of all tax consequences relating to ownership of the Shares. Prospective purchasers of the Shares should consult their own tax advisers concerning the consequences of their particular situations. This description is based on laws, regulations and interpretations as now in effect and available as of the date of this Prospectus. The laws, regulations and interpretations, however, may be change at any time, and any change could be retroactive to the date to the issuance of the Shares.

BERMUDA LAW

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28 March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

SINGAPORE LAW

Income Tax

General

Singapore tax resident taxpayers are subject to Singapore income tax on:-

- Income accruing in or derived from Singapore; and
- Foreign income received in Singapore.

A company is resident in Singapore if the control and management of its business is exercised in Singapore. An individual is resident in Singapore in a year of assessment if, in the preceding year, he was physically present or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore.

Non-Singapore resident corporate taxpayers, subject to certain exceptions, are subject to Singapore income tax only on:-

- Income that is accrued in or derived from Singapore; and
- Foreign income received in Singapore.

Non-Singapore resident individuals, subject to certain exceptions, are subject to Singapore income tax only on income accruing in or derived from Singapore.

The corporate tax rate in Singapore is 25.5% for the year of assessment 2001 (i.e. the financial year ended in 2000). The recent Budget has proposed that the corporate tax rate be reduced to 24.5% with effect from the year of assessment 2002 (i.e. the financial year ended in 2001)

Subject to any applicable tax treaty, non-Singapore resident taxpayers are generally subject to withholding tax at the Singapore corporate tax rate, currently 25.5%, on certain types of income derived from Singapore or 15% in the case of interest, royalty and rental of movable property received from Singapore.

Gains on Disposal of the Shares

Singapore does not impose tax on capital gains. However, gains or profits may be construed to be of an income nature and subject to tax, especially if they arise from activities which the Inland Revenue Authority of Singapore regards as the carrying on of a trade in Singapore, or if they are short-term gains from the sale of real property or shares in unlisted companies with substantial real property or real property-related assets in Singapore. Thus, any gains or profits from the disposal of the Shares are not taxable in Singapore unless the seller is regarded as carrying on a trade in securities in Singapore, in which case the disposal profits would be taxable as trading profits rather than capital gains.

Stamp Duty

There is no stamp duty payable in respect of the issuance and holding of the Shares. Where existing Shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the instrument of transfer of the shares at the rate of \$2 for every \$1,000 of the consideration for, or market value of, the Shares, whichever is higher. The stamp duty is borne by the purchaser unless there is an agreement to the contrary. Where an instrument of transfer is executed outside Singapore or no instrument of transfer is executed, no stamp duty is payable on the acquisition of the Shares. Stamp duty may be payable if the instrument of transfer is received in Singapore.

Estate Duty

In the case of an individual who is not domiciled in Singapore, Singapore estate duty is imposed on the value of most movable and immovable properties situated in Singapore. Thus, an individual holder of the Shares not domiciled in Singapore at the time of his death will be subject to Singapore estate duty on the value of any Shares held by the individual upon the individual's death. Such a shareholder will be required to pay Singapore estate duty to the extent that the value of the Shares, and any other assets, for example, the separate exemption limit for residential properties, any excess will be taxed at a rate equal to 5% on the first \$12,000,000 of the individual's Singapore chargeable assets and thereafter at a rate of 10%.

Prospective purchasers of the Shares who are individuals, whether or not domiciled in Singapore, should consult their own tax advisers regarding Singapore estate duty consequences of their investment.

CLEARANCE AND SETTLEMENT

Upon listing and quotation on SGX-ST, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of the Shares through SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts with the CDP, as amended from time to time.

Our Shares will be registered in the name of CDP and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts with CDP. Persons named as direct securities account holders and Depository Agents in the Depository Register maintained by the CDP, rather than CDP, will be treated, under our Bye-laws and the Bermuda Act, as members of our Company in respect of the number of Shares credited to their respective Securities Accounts.

Persons holding the Shares in Securities Account with CDP may withdraw the number of the Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Bye-laws. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing the Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S\$10.00 is also payable where the Shares are withdrawn in the name of the person withdrawing the Shares or S\$0.20 per S\$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10.00 is payable upon the deposit of each instrument of transfer with CDP. A fee of S\$10.00 is also chargeable as stamp duty on each instrument of transfer.

Transactions in the Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in Shares on the SGX-ST is payable at the rate of 0.05% of the transaction value up to a maximum of S\$100.00 per transaction. The clearing fee, deposit fee and Share withdrawal fee are subject to Singapore Goods and Services Tax of 3%.

Dealings of the Shares will be carried out in Singapore dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third business day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with any CDP Depository Agent. A CDP Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

DIRECTORS' REPORT

12 March 2001

The Shareholders
United Food Holdings Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Dear Sirs

This report has been prepared for inclusion in the prospectus to be dated 12 March 2001 (the "Prospectus") in connection with the invitation in respect of 130,550,000 new ordinary shares of HK\$0.25 each (the "Shares") in the capital of United Food Holdings Limited (the "Company"). On behalf of the Directors of the Company, I report that, having made due inquiry in relation to the period between 30 June 2000, the date to which the last audited pro forma consolidated financial statements of the Group were made up, and the date hereof (being a date not earlier than 14 days before the issue of the Prospectus):-

- (a) the business of the Company and each of its subsidiaries has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the date of incorporation of the Company which adversely affect the trading or the value of the assets of the Company or any of its subsidiaries;
- (c) the current assets of the Company and its subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees given by the Company or its subsidiaries; and
- (e) save as disclosed on page 35 and page 103 of the Prospectus, there has been no change in the published reserves or any unusual factors affecting the profits of the Company and its subsidiaries since 30 June 2000, the date to which the last audited pro forma consolidated financial statements of the Group were made up.

Yours faithfully
for and on behalf of
the Board of Directors

David Yip Wai Sun
Chairman and Managing Director
United Food Holdings Limited

**LETTER FROM THE REPORTING ACCOUNTANTS IN RELATION TO
THE PRO FORMA CONSOLIDATED PROFIT ESTIMATE OF THE GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000**

12 March 2001

The Board of Directors
United Food Holdings Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Dear Sirs

This letter has been prepared for inclusion in the Prospectus of United Food Holdings Limited (the "Company") dated 12 March 2001 (the "Prospectus") in connection with the Invitation in respect of 130,550,000 new ordinary shares of HK\$0.25 each in the capital of the Company, payable in full upon application.

We have examined the pro forma consolidated profit forecast of the Company and its subsidiary companies (the "Group") for the financial year ended 31 December 2000 in accordance with the International Standard on Auditing applicable to the examination of prospective financial information. The Directors are solely responsible for the forecast including the assumptions on which the forecast is based. The forecast forms the basis of the pro forma consolidated profit estimate for the financial year ended 31 December 2000 made by the Directors on page 49 of the Prospectus.

The pro forma consolidated profit forecast includes the results as shown in the audited pro forma consolidated financial statements of the Group for the six months ended 30 June 2000.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention to cause us to believe that these assumptions do not provide a reasonable basis for the pro forma consolidated profit forecast. Furthermore, in our opinion, the forecast, so far as the accounting policies and calculations are concerned, is properly prepared on the basis of the assumptions, is consistent with the accounting policies normally adopted by the Group, and is presented in accordance with International Accounting Standard.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Singapore

Tan Wee Kim
Partner

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

C. T. Kwok
Partner

**LETTER FROM THE REPORTING ACCOUNTANTS IN RELATION TO
THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR THE ELEVEN MONTHS ENDED 30 NOVEMBER 2000**

12 March 2001

The Board of Directors
United Food Holdings Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Dear Sirs

This letter has been prepared for inclusion in the Prospectus of United Food Holdings Limited (the "Company") dated 12 March 2001 (the "Prospectus") in connection with the Invitation in respect of 130,550,000 new ordinary shares of HK\$0.25 each in the capital of the Company, payable in full on application.

We have reviewed the unaudited pro forma consolidated financial statements of the Company and its subsidiary companies (the "Group") for the eleven months ended 30 November 2000 as set out on page 103 of the Prospectus. These financial statements are the responsibility of the Directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to enquiries of Group personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, we are not aware of any material modifications that should be made to the unaudited pro forma consolidated financial statements in order for such information to be in conformity with the accounting policies normally adopted by the Group.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Singapore

Tan Wee Kim
Partner

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

C. T. Kwok
Partner

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE ELEVEN MONTHS ENDED 30 NOVEMBER 2000

The Directors confirm that the unaudited pro forma consolidated profit and loss account of the Group for the eleven months ended 30 November 2000 and the unaudited pro forma consolidated balance sheet of the Group as at 30 November 2000 set out below have been prepared on the accounting policies consistent with those in the Accountants' Report, on pages 104 to 124 of this Prospectus.

Unaudited pro forma consolidated profit and loss account for the eleven months ended 30 November 2000

	RMB'000
Turnover	1,415,921
Profit before tax	288,126
Tax	(52,653)
Net profit attributable to shareholders	235,473

Unaudited pro forma consolidated balance sheet as at 30 November 2000

Fixed assets	73,563
Current assets	432,379
Current liabilities	(131,731)
Net current assets	300,648
Net assets	374,211
Pro forma shareholders' equity	374,211

ACCOUNTANTS' REPORT

12 March 2001

The Board of Directors
United Food Holdings Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Dear Sirs,

A. INTRODUCTION

This report has been prepared for inclusion in the prospectus dated 12 March 2001 (the "Prospectus") in connection with the invitation (the "Invitation") in respect of 130,550,000 new ordinary shares of HK\$0.25 each (the "Invitation Shares") in the capital of United Food Holdings Limited (the "Company").

The Invitation Shares in respect of 130,550,000 new ordinary shares of HK\$0.25 each will be offered to the public as follows:

- (a) 9,550,000 offer shares (the "Offer Shares") at S\$0.315 for each Offer Share by way of public offer, payable in cash upon application; and
- (b) 121,000,000 placement shares (the "Placement Shares") at S\$0.315 for each Placement Share by way of placement, payable in cash upon application.

B. THE COMPANY

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda on 14 August 2000 as an exempted company with limited liability under the name of United Food Holdings Limited. At the date of incorporation, the authorised share capital of the Company was HK\$100,000 divided into 1,000,000 ordinary shares of HK\$0.10 each. On 30 August 2000, 1,000,000 ordinary shares of HK\$0.10 each were issued to the subscribers at par and nil paid.

The principal activity of the Company is investment holding. It was formed to take over the other companies of the Group (as defined below), which are principally engaged in the businesses of production and sale of processed meat products, production and sale of fresh, chilled and frozen pork products, pig rearing and animal feed production in the People's Republic of China (the "PRC").

Pursuant to a restructuring exercise, on 15 January 2001, the Company acquired the entire issued share capital of Post-Ante Trading Limited to become the Group's holding company. The purchase consideration was based on the consolidated net tangible asset value of approximately RMB223,738,000 of Post-Ante Trading Limited and its subsidiary companies as at 31 December 1999. The purchase consideration was satisfied by (a) the allotment and issue of 418,001,870 ordinary shares of HK\$0.50 each in the Company, credited as fully paid and (b) the credit as fully paid of 200,000 ordinary shares of HK\$0.50 each in the Company (which were consolidated from the 1,000,000 ordinary shares of HK\$0.10 each allotted and issued nil paid on 30 August 2000) to the former shareholders of Post-Ante Trading Limited.

The particulars of the subsidiary companies of the Company upon completion of the restructuring exercise are set out in Section C below.

Pursuant to resolutions passed on 15 January 2001 by all the shareholders of the Company, the shareholders approved the following:

B. THE COMPANY (*continued*)

- (a) the consolidation of every five ordinary shares of HK\$0.10 each in the authorised and issued share capital of the Company into one ordinary share of HK\$0.50 each;
- (b) an increase in the authorised share capital of the Company from HK\$100,000 to HK\$500,000,000 by the creation of an additional 999,800,000 ordinary shares of HK\$0.50 each; and
- (c) the restructuring exercise as mentioned above.

Pursuant to resolutions passed on 15 January 2001 by all the shareholders of the Company, the shareholders approved *inter alia* the following:–

- (a) the adoption of a new set of Bye-laws of the Company; and
- (b) the service agreements between the executive directors and the executive officers and the Company and the remuneration payable to the independent directors.

Pursuant to resolutions passed by all the shareholders of the Company on 22 February 2001, the Company approved the subdivision of each of the authorised and issued shares of HK\$0.50 each into two ordinary shares of HK\$0.25 each.

Pursuant to resolutions passed by all the shareholders of the Company on 15 January 2001 (as amended by a resolution passed by all the shareholders on 29 January 2001 and a resolution passed by all the shareholders on 9 March 2001) the shareholders approved the allotment and issue of 130,550,000 new ordinary shares on the basis that the new ordinary shares when issued and fully paid will rank *pari passu* in all respects with the existing issued shares of the Company, which are the subject of the Invitation. Pursuant to the resolution passed by all the shareholders on 9 March 2001, the shareholders also approved the allotment and issue of 17,050,000 new ordinary shares in the event that the Over-allotment Option granted is exercised. Such shares issued pursuant to the exercise of the Over-allotment Option will rank *pari passu* in all respects with the existing issued shares of the Company.

At the date of this report, the issued and paid-up share capital of the Company is HK\$209,100,935 comprising 836,403,740 ordinary shares of HK\$0.25 each. Upon listing, the issued and paid-up share capital of the Company, excluding any shares which may be issued pursuant to the exercise of the Over-allotment Option, will be HK\$241,738,435 comprising 966,953,740 ordinary shares of HK\$0.25 each.

C. THE PRO FORMA GROUP

At the date of this report, the Company had the following subsidiary companies (referred to collectively with the Company as the “Group” or the “pro forma Group”):

Name of company	Date and place of incorporation/ establishment	Paid-up share/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Held by the Company				
Post-Ante Trading Limited (“Post-Ante”)	21 June 1993 British Virgin Islands (the “BVI”)	US\$200	100%	Investment holding
Held by Post-Ante				
Linyi Jiangquan Meat Products Co., Ltd. (“Jiang Quan”)	19 October 1993 The PRC	US\$4,000,000	100%	Production and sale of processed meat products, production and sale of fresh, chilled and frozen pork products, pig rearing and animal feed production
Globe Bright Limited	15 March 2000 Hong Kong	HK\$100	100%	Dormant

Neither of the above subsidiary companies is listed on any stock exchange.

C. THE PRO FORMA GROUP (*continued*)

On 21 June 1993, Post-Ante was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. On 28 June 1993, 100 ordinary shares of US\$1 were issued at a consideration of US\$2,000,000 for cash for working capital purpose. On 22 April 1996, another 100 ordinary shares of US\$1 each were issued at a consideration of US\$2,000,000 for cash for working capital purpose.

On 19 October 1993, Jiang Quan was established as a wholly foreign-owned enterprise with a registered capital of US\$2,000,000 in the PRC. On 25 April 1996, the registered capital of Jiang Quan was increased from US\$2,000,000 to US\$4,000,000. At the date of this report, the registered capital of Jiang Quan was fully paid up. The term of operations of Jiang Quan is 15 years commencing from 19 October 1993.

On 15 March 2000, Globe Bright Limited was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each of which 2 ordinary shares of HK\$1 each were issued at par for cash. On 3 April 2000, 98 ordinary shares were issued at par for cash.

D. BASIS OF PREPARATION OF PRO FORMA FINANCIAL INFORMATION

The pro forma financial information of the Group presents the historical information as if the Group as described above had been in existence since the beginning of the periods covered in this report.

The pro forma financial information set out in this report is expressed in Renminbi (“RMB”) and presents the Pro Forma Statement of Group Results for each of the three financial years ended 31 December 1999 and the six months ended 30 June 2000, the Summarised Pro Forma Balance Sheets of the Group as at 31 December 1997, 1998, 1999 and 30 June 2000, and the Pro Forma Statement of Net Assets as at 30 June 2000 of the Group and of the Company. The pro forma financial information has been prepared on the assumption that the current Group structure, as outlined above, had been in existence throughout the periods covered by the report, or since the respective dates of establishment/incorporation of the companies in the Group, if later. The pro forma financial information is based on the audited consolidated financial statements of Post-Ante and its subsidiary companies and is presented on the basis of the accounting policies set out in Section I of this report.

All material intra-Group transactions and balances have been eliminated in the preparation of the pro forma financial information.

The objective of the pro forma financial information of the Group is to show what the historical information might have been had the Group existed at an earlier date. However, the pro forma financial information of the Group is not necessarily indicative of the results of the operations or the related effects on the financial position that would have been attained had the above-mentioned Group actually existed earlier.

No audit was performed for the financial statements of the Company and Globe Bright Limited as they are newly incorporated companies. Ernst & Young Hong Kong has performed an independent review of all the relevant transactions of the Company and Globe Bright Limited since their dates of incorporation up to the date of this report.

The financial statements of Jiang Quan for each of the three financial years ended 31 December 1999, which were prepared under applicable accounting regulations in the PRC, were audited by Shan Dong Lin Yi Certified Auditors Office, a firm of certified public accountants in the PRC, for the PRC tax reporting purposes. The auditors’ reports on these financial statements of Jiang Quan for each of the three financial years ended 31 December 1999 were unqualified.

No audit was performed for the financial statements of Post-Ante since its date of incorporation because its financial statements are not required to be audited under the law of the BVI.

D. BASIS OF PREPARATION OF PRO FORMA FINANCIAL INFORMATION *(continued)*

For the purpose of this report, Ernst & Young Hong Kong has performed an independent audit on the consolidated financial statements of Post-Ante and its subsidiary companies for each of the three financial years ended 31 December 1999 and the six months ended 30 June 2000.

The auditors' reports on the consolidated financial statements of Post-Ante and its subsidiary companies for each of the three financial years ended 31 December 1999 and the six months ended 30 June 2000 were unqualified.

E. PRO FORMA STATEMENT OF GROUP RESULTS

The Pro Forma Statement of Group Results for each of the three financial years ended 31 December 1999 and the six months ended 30 June 2000, prepared on the basis set out in Section D above, are as follows:

	Notes	— Year ended 31 December —			Six months ended
		1997	1998	1999	30 June
		RMB'000	RMB'000	RMB'000	2000
					RMB'000
Turnover	J1	466,080	685,450	1,012,822	791,110
Cost of sales		(360,838)	(515,030)	(755,940)	(584,880)
Gross profit		105,242	170,420	256,882	206,230
Other revenue		1,079	1,860	1,650	1,075
Selling and distribution costs		(16,070)	(36,676)	(53,634)	(37,860)
Administrative expenses		(7,011)	(8,506)	(9,040)	(4,987)
Other operating expenses		(344)	(450)	(590)	(276)
Profit from operating activities	J2	82,896	126,648	195,268	164,182
Finance costs	J3	(7,129)	(3,251)	(1,202)	(650)
Profit before tax		75,767	123,397	194,066	163,532
Tax	J4	—	(22,599)	(35,311)	(30,098)
Net profit attributable to shareholders of the Company		75,767	100,798	158,755	133,434
Dividends		30,000	65,000	85,000	50,000
Earnings per share — basic (RMB)*		9.1 cents	12.1 cents	19.0 cents	16.0 cents

*These pro forma earnings per share were computed based on the pre-Invitation number of shares of 836,403,740.

F. STATEMENT OF ADJUSTMENTS

The pro forma financial information set out in this report has been prepared based on the audited financial statements of the companies in the Group as if the Group was already in existence on 1 January 1997 based on the restructuring exercise set out in Section B.

Based on the restructuring exercise, the Group, except for the Company, was formed with effect from 1 January 1997. The Company's principal activity is to act as the holding company of the other companies in the pro forma Group. No income or expense has been earned or incurred by the Company since 1 January 1997. Therefore, there is no difference between the operating profit for each of the three financial years ended 31 December 1999 and the six months ended 30 June 2000 shown in the audited consolidated financial statements of Post-Ante and its subsidiary companies, and the operating profit for the same periods as set out in Section E "Pro Forma Statement of Group Results".

G. SUMMARISED PRO FORMA BALANCE SHEETS OF THE GROUP

The Summarised Pro Forma Balance Sheets of the Group, as at 31 December 1997, 1998, 1999 and as at 30 June 2000, prepared on the basis set out in Section D above, are as follows:

	As at 31 December			As at
	1997	1998	1999	30 June
	RMB'000	RMB'000	RMB'000	2000
Fixed assets	113,704	106,845	89,973	79,662
Current assets	94,977	154,354	305,287	372,519
Current liabilities	(94,496)	(111,216)	(171,522)	(145,009)
Net current assets	481	43,138	133,765	227,510
	114,185	149,983	223,738	307,172
Pro forma shareholders' equity	114,185	149,983	223,738	307,172

The movements in the pro forma shareholders' equity of the Group for each of the three financial years ended 31 December 1999 and the six months ended 30 June 2000, prepared on the basis set out in Section D above, are as follows:

	Year ended 31 December			Six months
	1997	1998	1999	ended
	RMB'000	RMB'000	RMB'000	30 June
At beginning of year/period	68,418	114,185	149,983	2000
Net profit attributable to shareholders of the Company	75,767	100,798	158,755	RMB'000
Dividends	(30,000)	(65,000)	(85,000)	
At end of year/period	114,185	149,983	223,738	307,172

H. PRO FORMA STATEMENT OF NET ASSETS

The following Pro Forma Statement of Net Assets sets out the net assets of the Group and of the Company as at 30 June 2000:

	Notes	Group RMB'000	Company RMB'000
Non-current assets			
Fixed assets	K1	79,662	—
Investment in subsidiary companies	K2	—	307,172
Current assets			
Inventories	K3	127,803	—
Trade debtors	K4	143,625	—
Prepayments, deposits and other debtors	K5	5,131	—
Cash and bank balances		95,960	—
		<u>372,519</u>	<u>—</u>
Current liabilities			
Trade creditors		20,199	—
Other creditors, deposits received and accruals	K6	54,631	—
Loans from a shareholder	K7	3,674	—
Dividend payable		50,000	—
Tax payable		16,505	—
		<u>145,009</u>	<u>—</u>
Net current assets		<u>227,510</u>	<u>—</u>
		<u>307,172</u>	<u>307,172</u>
Pro forma shareholders' equity		<u>307,172</u>	<u>307,172</u>

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been consistently applied in preparing the pro forma financial information set out in this report, are as follows:—

1. Basis of accounting

The financial statements of the Company and of the Group are prepared under the historical cost convention and in accordance with International Accounting Standards.

The Group's principal operations are conducted in the PRC. Accordingly, the financial statements have been prepared in Renminbi ("RMB"), being the functional currency of all principal companies in the Group.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2. Basis of pro forma consolidation

The financial accounting year of the Company and all its subsidiary companies in the Group is 31 December. The pro forma consolidated financial statements incorporate the financial statements of the Company and all of its subsidiary companies. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Assets, liabilities and operating results of non-PRC companies in the Group are translated into RMB on the basis outlined in paragraph I11 below.

3. Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (b) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

4. Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

5. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over the following estimated useful lives:

Leasehold buildings	10 years or over the lease terms, whichever is shorter
Leasehold improvements	10 years or over the lease terms, whichever is shorter
Plant and machinery	5 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Investment in subsidiary companies

A subsidiary company is a company in which the Company, directly or indirectly, controls more than half of its voting power or paid-up capital or controls the composition of its board of directors.

Investment in subsidiary companies are stated at cost unless, in the opinion of the directors, there have been impairment in values, when they are written down to values determined by the directors.

7. Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

8. Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

9. Tax

PRC corporate income tax is provided at rates applicable to an enterprise in the PRC on the income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or subsequently enacted at the balance sheet date.

10. Retirement benefits

No pension scheme or retirement plan has been sponsored or operated by the Company or its subsidiary companies for its permanent employees in Hong Kong and Singapore.

Pursuant to the relevant regulations of the PRC government, the subsidiary company operating in the PRC mainland has participated in a local municipal government retirement benefit scheme (the "Scheme") whereby the PRC subsidiary company is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the PRC subsidiary company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the profit and loss account as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Foreign currencies

Transactions arising in foreign currencies, including Singapore dollars, during the years/period are translated into RMB at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the operating results of non-PRC companies in the Group are translated into RMB at the applicable rate of exchange ruling at the dates of the transactions and the assets and liabilities of non-PRC companies in the Group are translated into RMB at the applicable rates of exchange ruling at the balance sheet dates. The resulting translation differences, if any, are included in the exchange fluctuation reserve.

12. Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

During each of the three financial years ended 31 December 1999 and the six months ended 30 June 2000, all research and development costs incurred were not significant to the Group and had been charged to the profit and loss account in the years/period when they were incurred.

13. Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

14. Cash and cash equivalent

Cash on hand and in banks is carried at cost.

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

J. NOTES TO PRO FORMA STATEMENT OF GROUP RESULTS

1. Turnover

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts, and after elimination of all significant intra-Group transactions.

An analysis of the Group's turnover and revenue is as follows:

	— Year ended 31 December —			Six months ended
	1997	1998	1999	30 June
	RMB'000	RMB'000	RMB'000	2000
				RMB'000
Sales of goods	466,080	685,450	1,012,822	791,110
Turnover	466,080	685,450	1,012,822	791,110
Interest Income	335	472	447	538
Others	744	1,388	1,203	537
Total revenue	<u>467,159</u>	<u>687,310</u>	<u>1,014,472</u>	<u>792,185</u>

2. Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	— Year ended 31 December —			Six months ended
	1997	1998	1999	30 June
	RMB'000	RMB'000	RMB'000	2000
				RMB'000
Cost of inventories sold	360,838	515,030	755,940	584,880
Depreciation of fixed assets	18,582	20,746	21,316	10,640
Operating lease rentals in respect of land and buildings	1,168	1,261	1,333	738
Directors' remuneration:				
Fees	—	—	—	—
Other emoluments	720	720	720	360
Staff costs (excluding directors' remuneration)	11,965	19,925	21,750	19,483
Less: Retirement scheme contributions	(708)	(1,167)	(1,399)	(951)
Amount included in research and development costs	(312)	(447)	(704)	(528)
	<u>10,945</u>	<u>18,311</u>	<u>19,647</u>	<u>18,004</u>
Retirement scheme contributions	708	1,167	1,399	951
Research and development costs	1,270	1,490	1,982	966
Auditors' remuneration	750	900	1,100	1,000
Provision for doubtful debts	1,400	2,302	2,823	3,028
Interest income	<u>(335)</u>	<u>(472)</u>	<u>(447)</u>	<u>(538)</u>

J. NOTES TO PRO FORMA STATEMENT OF GROUP RESULTS *(continued)*

3. Finance costs

	— Year ended 31 December —			Six months ended 30 June
	1997	1998	1999	2000
	RMB'000	RMB'000	RMB'000	RMB'000
Interest expenses on loans from a shareholder	7,129	3,251	1,202	650

4. Tax

Provisions for the corporate income tax of profits of subsidiary companies operating in countries other than the PRC have been calculated at the rates applicable in the respective jurisdictions, based on existing law and practices, during each of the three financial years ended 31 December 1999 and the six months ended 30 June 2000.

The Group's major operations are in the PRC and are subject to the tax charges applicable to this country.

Jiang Quan, the subsidiary company of the Company established in the PRC, is subject to PRC corporate income tax calculated at applicable tax rates on the taxable income as reported in the PRC audited financial statements adjusted for tax based on prevailing tax laws.

In accordance with various approval documents issued by the State Tax Bureau and the Local Tax Bureau of the PRC, Jiang Quan was exempted from the state and local corporate income tax of the PRC for the first two profitable financial years of operation starting from 1996 and thereafter is entitled to a 50% relief from the state corporate income tax of the PRC for the following three financial years. Accordingly, Jiang Quan is subject to the reduced tax rate of 18% for the three financial years from 1 January 1998 to 31 December 2000. Upon expiry of the tax relief period, the usual PRC corporate income tax rate of 33%, comprising state corporation income tax rate of 30% and local corporate income tax rate of 3%, is applicable to Jiang Quan.

No deferred tax has been provided as the Group did not have any significant timing differences at the balance sheet dates.

A reconciliation of the expected tax expense with the actual tax expense is presented below:

	— Year ended 31 December —			Six months ended 30 June
	1997	1998	1999	2000
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before tax	75,767	123,397	194,066	163,532
Tax at the applicable tax rate of 33%	25,003	40,721	64,042	53,966
Non-deductible expenses	710	1,057	1,293	1,353
Tax exemption of Jiang Quan	(25,713)	(19,179)	(30,024)	(25,221)
Actual PRC corporate income tax	—	(22,599)	(35,311)	(30,098)

J. NOTES TO PRO FORMA STATEMENT OF GROUP RESULTS *(continued)*

5. Related party transactions

- (a) During the reporting periods, the Group had the following significant related party transactions:

	Notes	— Year ended 31 December —			Six months ended
		1997	1998	1999	30 June 2000
		RMB'000	RMB'000	RMB'000	RMB'000
Catering and accommodation expenses paid to a related company	(i)	—	—	—	411
Sales of finished goods to a related company	(ii)	—	—	49	156
Interest expense paid to a shareholder	(iii)	7,129	3,251	1,202	650

Notes:

- (i) The directors consider that the catering and accommodation expenses paid to Jiang Quan Hotel, a related company owned by a nephew of Mr. Wang Tingbao, a shareholder and director of the Company, were made according to the prices and conditions similar to those offered to other customers of Jiang Quan Hotel.
- (ii) The directors consider that the sales of finished goods to Jiang Quan Hotel were made according to the prices and conditions similar to those offered to other customers of the Group.
- (iii) The interest expenses were paid to Mr. Yip Wai Sun David, a shareholder and director of the Company, in respect of the loans advanced to the Group at interest rates ranging from 5.6% to 10.0%.
- (b) During each of the three financial years ended 31 December 1999 and the six months ended 30 June 2000, Mr. Yip Wai Sun David made advances to the Group. The loans amounted to approximately RMB50,849,000, RMB6,743,000, RMB46,800,000 and RMB3,674,000 as at 31 December 1997, 1998, 1999 and 30 June 2000 respectively. The loans from a shareholder were unsecured, bore interest at rates ranging from 5.6% to 10.0% and were fully repaid subsequent to 30 June 2000.
- (c) At the date of this report, the directors consider that Chinese Glory Investments Limited, a company incorporated in the British Virgin Islands, to be the Company's ultimate holding company.

In the opinion of the directors, the above transactions of (a) and (b) were incurred in the ordinary course of business of the Group.

K. NOTES TO PRO FORMA STATEMENT OF NET ASSETS

1. Fixed assets

Group

	Leasehold buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2000	90,801	16,596	51,347	1,243	3,366	163,353
Additions	—	—	151	178	—	329
At 30 June 2000	90,801	16,596	51,498	1,421	3,366	163,682
Accumulated depreciation:						
At 1 January 2000	31,088	5,570	34,430	1,046	1,246	73,380
Provided during the period	4,569	831	4,818	83	339	10,640
At 30 June 2000	35,657	6,401	39,248	1,129	1,585	84,020
Net book value:						
At 30 June 2000	55,144	10,195	12,250	292	1,781	79,662

The Group's leasehold buildings are all situated in the PRC and are held under medium term leases.

2. Investments in subsidiary companies

	Company RMB'000
Unquoted shares, at cost	307,172

The details of the subsidiary companies as at the date of this report are set out in Section C.

3. Inventories

	Group RMB'000
Raw materials	49,861
Work in progress	6,835
Finished goods	71,107
	127,803

Neither of the above inventories are carried at its net realisable value.

4. Trade debtors

	Group RMB'000
Trade debtors	153,153
less: Provision for doubtful debts	(9,528)
	143,625

The movement in provision for doubtful debts during the six months ended 30 June 2000 was as follows:

At 1 January 2000	6,500
Provision during the period	3,028
At 30 June 2000	9,528

K. NOTES TO PRO FORMA STATEMENT OF NET ASSETS (continued)

5. Prepayments, deposits and other debtors

	Group RMB'000
Prepayments and other debtors	1,608
Deposits	3,523
	<u>5,131</u>

6. Other creditors, deposits received and accruals

	Group RMB'000
Other creditors	13,334
Deposits received	1,384
Accrued operating expenses	39,913
	<u>54,631</u>

7. Loans from a shareholder

The amounts were unsecured, bore interest at approximately 5.7% per annum and were fully repaid subsequent to 30 June 2000.

8. Share capital

	Company	
	HK\$'000	RMB'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.25 each	500,000	535,000
	<u>500,000</u>	<u>535,000</u>
Issued and fully paid:		
836,403,740 ordinary shares of HK\$0.25 each	209,101	223,738
	<u>209,101</u>	<u>223,738</u>

The above represents the pre-Invitation authorised, issued and paid-up share capital of the Company after the restructuring exercise and the subdivision of ordinary share set out in Section B.

9. Statutory reserve

In accordance with relevant PRC regulations, Jiang Quan, being a wholly foreign-owned enterprise established in the PRC, is required to appropriate not less than 10% of its profit after tax to the statutory reserve until the balance of the reserve reaches 50% of its registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against the accumulated losses, if any, of Jiang Quan.

As at 31 December 1998, the statutory reserve of Jiang Quan reached 50% of its registered capital. For the financial year ended 31 December 1999 and the six months ended 30 June 2000, the directors of Jiang Quan did not recommend any appropriation of profit after tax to this statutory reserve.

K. NOTES TO PRO FORMA STATEMENT OF NET ASSETS (continued)

9. Statutory reserve (continued)

The movements of the statutory reserve for each of the three years ended 31 December 1999 and the six months ended 30 June 2000 are set out below:

	— Year ended 31 December —			Six months ended
	1997	1998	1999	30 June 2000
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	3,597	11,280	17,000	17,000
Movement during the year/period	7,683	5,720	—	—
At end of year/period	<u>11,280</u>	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>

10. Operating lease commitments

The Group leases certain properties under lease agreements. As at 30 June 2000, total commitments for lease payments for all leases were as follows:

	Group
	RMB'000
Within one year	1,709
In the second to fifth years, inclusive	5,931
Over five years	<u>41,067</u>
	<u>48,707</u>

11. Capital commitments

The Group and the Company did not have any significant capital commitments as at 30 June 2000.

12. Fair values of financial instruments

As at 30 June 2000, the Group's financial assets mainly consisted of cash and bank balances, trade debtors and other debtors. The Group's financial liabilities mainly consisted of trade creditors, other creditors and loans from a shareholder.

(a) Interest rate risk

The interest rate and the terms of repayment of loans from a shareholder are disclosed in note K6.

(b) Credit risks

All the Group's cash and cash equivalents are deposited with PRC banks.

The carrying amounts of trade debtors included in the Pro Forma Statement of Net Assets represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant exposure to credit risk. The Group has no significant concentration of credit risk.

(c) Fair values

The fair values of cash and bank balances, trade debtors, other debtors, trade creditors, other creditors and loans from a shareholder are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

K. NOTES TO PRO FORMA STATEMENT OF NET ASSETS *(continued)*

13. Segment information

The Group's operating businesses are organised and managed separately according to the nature of products, with each segment representing a strategic business segment that offers different products in the PRC market. The processed meat product segment manufactures and distributes processed pork products such as pre-cooked and consumer-ready sausages.

The frozen pork product segment operates the Group's abattoir in order to carry out the business of pig slaughtering and the sale of fresh, chilled and frozen pork products.

The pig rearing segment refers to the rearing of pigs in the Group's pig farm in the PRC for the sales of pure breed and cross breed pigs.

The feed production segment manufactures and sells animal feeds such as pig feeds and chicken feeds in the PRC.

The Group generally accounts for intersegment transfers at costs.

All the Group's revenue, expenses, operating results, assets and liabilities and capital expenditures are attributable to single geographical region in the PRC.

For the financial year ended 31 December 1997

	Processed meat products RMB'000	Frozen pork products RMB'000	Pig rearing RMB'000	Feed production RMB'000	Elimination RMB'000	Consolidated RMB'000
Segment revenue						
Net sales to external customers	201,254	192,403	28,558	43,865	—	466,080
Intersegment sales	—	12,551	2,452	7,238	(22,241)	—
Other revenue	404	340	—	—	—	744
Total revenue	<u>201,658</u>	<u>205,294</u>	<u>31,010</u>	<u>51,103</u>	<u>(22,241)</u>	<u>466,824</u>
Segment net profit	<u>36,352</u>	<u>33,430</u>	<u>5,805</u>	<u>9,956</u>	<u>—</u>	<u>85,543</u>
Unallocated corporate expenses						(2,982)
Interest income						335
Profit from operating activities						82,896
Finance costs						(7,129)
Profit before tax						75,767
Tax						—
Net profit attributable to shareholders						<u>75,767</u>

As at 31 December 1997

Segment assets	<u>94,480</u>	<u>62,384</u>	<u>33,220</u>	<u>18,597</u>		<u>208,681</u>
Segment liabilities	10,563	5,351	965	6,018		22,897
Unallocated corporate liabilities						71,599
Consolidated total liabilities						<u>94,496</u>
Capital expenditures	<u>933</u>	<u>3,797</u>	<u>1,190</u>	<u>1,311</u>		<u>7,231</u>
Depreciation	<u>8,517</u>	<u>5,307</u>	<u>3,291</u>	<u>1,467</u>		<u>18,582</u>
Non-cash expenses	<u>1,000</u>	<u>300</u>	<u>—</u>	<u>100</u>		<u>1,400</u>

K. NOTES TO PRO FORMA STATEMENT OF NET ASSETS (continued)

13. Segment information (continued)

For the financial year ended 31 December 1998

	Processed meat products	Frozen pork products	Pig rearing	Feed production	Elimination	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue						
Net sales to external customers	313,125	277,659	32,022	62,644	—	685,450
Intersegment sales	—	33,228	4,504	8,967	(46,699)	—
Other revenue	883	236	269	—	—	1,388
Total revenue	<u>314,008</u>	<u>311,123</u>	<u>36,795</u>	<u>71,611</u>	<u>(46,699)</u>	<u>686,838</u>
Segment net profit	<u>58,261</u>	<u>49,324</u>	<u>5,729</u>	<u>16,193</u>	<u>—</u>	<u>129,507</u>
Unallocated corporate expenses						(3,331)
Interest income						472
Profit from operating activities						126,648
Finance costs						(3,251)
Profit before tax						123,397
Tax						(22,599)
Net profit attributable to shareholders						<u>100,798</u>

As at 31 December 1998

Segment assets	<u>114,378</u>	<u>96,148</u>	<u>32,575</u>	<u>18,098</u>		<u>261,199</u>
Segment liabilities	43,503	7,464	2,170	3,833		56,970
Unallocated corporate liabilities						54,246
Consolidated total liabilities						<u>111,216</u>
Capital expenditures	<u>10,493</u>	<u>2,074</u>	<u>1,009</u>	<u>311</u>		<u>13,887</u>
Depreciation	<u>10,198</u>	<u>5,617</u>	<u>3,375</u>	<u>1,556</u>		<u>20,746</u>
Non-cash expenses	<u>500</u>	<u>1,700</u>	<u>2</u>	<u>100</u>		<u>2,302</u>

K. NOTES TO PRO FORMA STATEMENT OF NET ASSETS (continued)

13. Segment information (continued)

For the financial year ended 31 December 1999

	Processed meat products	Frozen pork products	Pig rearing	Feed production	Elimination	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue						
Net sales to external customers	484,457	403,902	36,902	87,561	—	1,012,822
Intersegment sales	—	44,333	14,105	12,886	(71,324)	—
Other revenue	551	529	123	—	—	1,203
Total revenue	<u>485,008</u>	<u>448,764</u>	<u>51,130</u>	<u>100,447</u>	<u>(71,324)</u>	<u>1,014,025</u>
Segment net profit	<u>90,342</u>	<u>79,990</u>	<u>6,305</u>	<u>21,926</u>	<u>—</u>	<u>198,563</u>
Unallocated corporate expenses						(3,742)
Interest income						447
Profit from operating activities						<u>195,268</u>
Finance costs						(1,202)
Profit before tax						<u>194,066</u>
Tax						(35,311)
Net profit attributable to shareholders						<u>158,755</u>

As at 31 December 1999

Segment assets	<u>165,558</u>	<u>160,148</u>	<u>36,270</u>	<u>33,284</u>		<u>395,260</u>
Segment liabilities	42,837	11,810	2,969	4,241		61,857
Unallocated corporate liabilities						109,665
Consolidated total liabilities						<u>171,522</u>
Capital expenditures	<u>713</u>	<u>1,081</u>	<u>658</u>	<u>1,992</u>		<u>4,444</u>
Depreciation	<u>10,531</u>	<u>5,571</u>	<u>3,491</u>	<u>1,723</u>		<u>21,316</u>
Non-cash expenses	<u>523</u>	<u>2,000</u>	<u>—</u>	<u>300</u>		<u>2,823</u>

K. NOTES TO PRO FORMA STATEMENT OF NET ASSETS (continued)

13. Segment information (continued)

For the six months ended 30 June 2000

	Processed meat products	Frozen pork products	Pig rearing	Feed production	Elimination	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue						
Net sales to external customers	372,646	325,173	34,719	58,572	—	791,110
Intersegment sales	—	42,332	7,038	13,214	(62,584)	—
Other revenue	278	259	—	—	—	537
Total revenue	<u>372,924</u>	<u>367,764</u>	<u>41,757</u>	<u>71,786</u>	<u>(62,584)</u>	<u>791,647</u>
Segment net profit	<u>75,502</u>	<u>69,102</u>	<u>7,120</u>	<u>14,351</u>	<u>—</u>	<u>166,075</u>
Unallocated corporate expenses						(2,431)
Interest income						538
Profit from operating activities						164,182
Finance costs						(650)
Profit before tax						163,532
Tax						(30,098)
Net profit attributable to shareholders						<u>133,434</u>

As at 30 June 2000

Segment assets	175,514	195,177	38,513	42,734		451,938
Unallocated corporate assets						243
Consolidated total assets						<u>452,181</u>
Segment liabilities	50,125	13,172	3,143	4,640		71,080
Unallocated corporate liabilities						73,929
Consolidated total liabilities						<u>145,009</u>
Capital expenditures	—	146	5	—		151
Unallocated corporate capital expenditures						178
Total capital expenditures						<u>329</u>
Depreciation	<u>5,298</u>	<u>2,605</u>	<u>1,766</u>	<u>971</u>		<u>10,640</u>
Non-cash expenses	<u>2,900</u>	<u>—</u>	<u>—</u>	<u>128</u>		<u>3,028</u>

L. SUBSEQUENT EVENTS

Subsequent to 30 June 2000, the following events occurred:

- (a) The Company was incorporated on 14 August 2000 to become the listing vehicle of the Group.
- (b) On 15 December 2000, Post-Ante declared a special dividend of RMB35,000,000 to its then shareholders for the year ending 31 December 2000.
- (c) The companies now comprising the Group undertook a restructuring exercise in connection with the Invitation, the details of which are set out in Section B.

M. NET TANGIBLE ASSETS BACKING

The net tangible assets backing of the Group for each ordinary share of HK\$0.25 each is based on the Pro Forma Statement of Net Assets of the Group as at 30 June 2000 after taking into account the proceeds and estimated expenses arising from the issue of new shares, which is the subject of the Invitation:

	Group RMB'000
Net tangible assets	
Net tangible assets as at 30 June 2000	307,172
Add: Estimated proceeds from the issue of 130,550,000 new shares of HK\$0.25 each at S\$0.315 per share which is the subject of the Invitation	179,630
Less: Estimated expenses arising from the issue of new shares	(28,632)
Net tangible assets after issue of new shares	<u>458,170</u>
	Number of ordinary shares
Issued share capital	
Issued and allotted nil paid share capital as at 30 August 2000	<u>1,000,000</u>
Consolidation of every five ordinary shares into one ordinary share	200,000
Issue of shares pursuant to the restructuring exercise set out in Section B	418,001,870
	<u>418,201,870</u>
Subdivision of every one ordinary share into two ordinary shares and pre-Invitation	836,403,740
Issue of 130,550,000 new shares of HK\$0.25 each which is the subject of the Invitation	130,550,000
Post-Invitation	<u>966,953,740</u>
	RMB
Net tangible assets backing for each ordinary share of HK\$0.25 each	
— after subdivision of ordinary share but before the issue of new shares	<u>0.37</u>
— after subdivision of ordinary share and the issue of new shares	<u>0.49</u>

N. DIVIDENDS

No dividend has been declared or paid by the Company since the date of its incorporation. The dividends declared by a subsidiary company, Post-Ante, to its then shareholders during each of the three financial years ended 31 December 1999 and the six months ended 30 June 2000 amounted to RMB30,000,000, RMB65,000,000, RMB85,000,000 and RMB50,000,000, respectively.

On 15 December 2000, Post-Ante declared a special dividend of RMB35,000,000 to its then shareholders for the year ending 31 December 2000.

O. AUDITED FINANCIAL STATEMENTS

No audited financial statements of the Company and the Group have been prepared for any period subsequent to 30 June 2000.

Yours faithfully,

ERNST & YOUNG
Certified Public Accountants
Singapore

Tan Wee Khim
Partner

Yours faithfully,

ERNST & YOUNG
Certified Public Accountants
Hong Kong

C.T. Kwok
Partner

GENERAL AND STATUTORY INFORMATION

INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. The names, ages, addresses, and positions of all our Directors and our Executive Officers are set out under “*Directors and Executive Officers*” on page 86 of this Prospectus.

Our Independent Directors are Ho Wah Onn and Sitoh Yih Pin.

Our Audit Committee comprises Ho Wah Onn, Sitoh Yih Pin and David Yip Wai Sun. The Chairman of our Audit Committee is Ho Wah Onn.

2. The business and working experience of our Directors are set out under “*Our Directors*” on pages 86 and 89 of this Prospectus.
3. The present and past directorships (held in the five years preceding the date of this Prospectus) held by our Directors and Executive Officers in other companies are as follows:–

Directors

Name	Present Directorships	Past Directorships
David Yip Wai Sun	Denson Holding Limited Round and Square Metal Co. Chinese Glory Investments Limited Globe Bright Limited Post-Ante Trading Limited Linyi Jiangquan Meat Products Co., Ltd	—
Wang Tingbao	Chinese Glory Investments Limited Globe Bright Limited Post-Ante Trading Limited Linyi Jiangquan Meat Products Co., Ltd	—
Wang Wenguang	Chinese Glory Investments Limited Globe Bright Limited Post-Ante Trading Limited Linyi Jiangquan Meat Products Co., Ltd	—
Ho Wah Onn	SC Global Developments Ltd Jade Technologies Singapore Ltd Gainluck Enterprise Pte Ltd Aw It Haw Foundation Lidher Holdings (Singapore) Pte Ltd Frobel Pte Ltd Flextrade Pte Ltd LC Smartech (Singapore) Pte Ltd Princeton Resources Pte Ltd	Trodac Trading Pte Ltd Kanesin (Singapore) Pte Ltd LC Holdings & Services Pte Ltd Jade Holdings Pte Ltd Superasia Aviation (Singapore-II) Pte Ltd GE/FITCH Singapore Pte Ltd

Name	Present Directorships	Past Directorships
Sitoh Yih Pin	AQA Associates Pte Ltd Asia Quest Associates Pte Ltd Chinese Development Assistance Council Cytech Software Limited Fin2Biz.com Pte Ltd KS Tech Ltd Labroy Marine Limited Lian Beng Group Ltd Meiban Plastic Ltd Nera Telecommunications Ltd Singapore Institute of Directors Takenaka Partners Globalink Pte Ltd Tan & Sitoh Management Consultants Pte Ltd TSA Recruitment Consultants Pte Ltd TSA Capital Pte Ltd U T Direct.com Pte Ltd	ABC Consultants (Singapore) Pte Ltd Greenvest Pte Ltd Kaki Bukit Industrial Park Pte Ltd Mountamount (Singapore) Pte Ltd OM Global Ventures Pte Ltd Onemedhub.com Pte Ltd

Executive Officers

Lee Kam Wan	—	Selbo International Company Limited
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4. The business and working experience of our Executive Officers are set out under “*Our Executive Officers*” on pages 86 to 89 of this Prospectus.
5. None of our Directors or Executive Officers,
 - (a) was in the last 10 years involved in a petition under any bankruptcy laws in any jurisdiction filed against him.
 - (b) was in the last 10 years a partner in any partnership involved in a petition under any bankruptcy laws in any jurisdiction filed against him in the last 10 years, while he was a partner of that partnership.
 - (c) was in the last 10 years a director or executive officer of any corporation involved in a petition under any bankruptcy laws in any jurisdiction filed against it while he was a director or executive officer of that corporation.
 - (d) has any unsatisfied judgements outstanding against him.
 - (e) has been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty punishable with imprisonment for 3 months or more, or charged for violation of any securities laws. Further, no Director or Executive Officer is subject to any such pending criminal proceeding.
 - (f) has been convicted of any offence, in Singapore or elsewhere, involving a breach of any securities or financial market laws, rules or regulations.
 - (g) has received any judgement against him in any civil proceeding in Singapore or elsewhere in the last 10 years involving fraud, misrepresentation or dishonesty. No Director or Executive Officer is subject to any such pending civil proceeding.

- (h) has been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any corporation.
 - (i) has ever been disqualified from acting as a director of any company, or from taking part in any way directly or indirectly in the management of any company.
 - (j) has ever been subject to any order, judgement or ruling of any court of competent jurisdiction, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity.
 - (k) has, to his knowledge, in Singapore or elsewhere, been concerned with the management or conduct of affairs of any company or partnership which has been investigated by an inspector appointed under the provisions of the Act, or other securities enactments or by any other regulatory body in connection with any matter involving the company or partnership occurring or arising during the period when he was so concerned with the company or partnership.
6. The aggregate remuneration paid to our Directors for services rendered in all capacities to our Company and our subsidiaries for the financial year ended 1999 was \$151,000. For FY2000, the aggregate remuneration payable to Directors by our Group is estimated to be \$151,000.
 7. Save as disclosed under "*Service Agreements*" on pages 90 and 91 of this Prospectus, there are no existing or proposed service contracts between our Directors or Executive Officers and our Company or any of our subsidiaries.
 8. Save as disclosed in "*Directors and Executive Officers*" on page 86 of this Prospectus, none of our Directors and Executive Officers are related by blood or marriage with one another nor are they so related to any substantial shareholders of our Company.
 9. There is no shareholding qualification for Directors.
 10. No option to subscribe for shares in, or debentures of, our Company or any of our subsidiaries has been granted to, or was exercised by, any of our Directors or Executive Officers.
 11. Save as disclosed under "*Interested Person Transactions*" on page 94 of this Prospectus, no Director or expert is interested, directly or indirectly, in the promotion of, or in, any assets which have, within the two years preceding the date of this Prospectus, been acquired or disposed of by or leased to, our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.
 12. None of our Directors or Executive Officers or substantial shareholders of our Company has any substantial interest, direct or indirect, in any company carrying on a similar trade as our Company or our subsidiaries.

13. The interests of our Directors and substantial shareholders in our Shares as at the date of this Prospectus are as follows:–

Directors	Direct Interests		Indirect Interests	
	Number of Shares registered in the names of Directors and Substantial Shareholders	%	Number of Shares in which Directors and Substantial Shareholders are deemed to have an interest	%
David Yip Wai Sun	175,644,784	21	585,482,620	70
Wang Tingbao	50,184,224	6	585,482,620	70
Wang Wenguang	25,092,112	3	—	—
Substantial shareholders				
Chinese Glory Investments Limited ¹	585,482,620	70		
Total	836,403,740	100		

Note:–

- (1) Our Executive Directors, David Yip Wai Sun, Wang Tingbao and Wang Wenguang own 70%, 20% and 10% of Chinese Glory respectively. David Yip Wai Sun and Wang Tingbao are deemed to be interested in the shareholding of Chinese Glory in our Company by virtue of their interests of 70% and 20% respectively in Chinese Glory.

14. No sum or benefit has been paid or is agreed to be paid to any Director or expert, or to any firm in which such Director or expert is a partner or any corporation in which such Director or expert holds shares or debentures, in cash or shares or otherwise, by any person to induce him to become, or to qualify him as, a director, or otherwise for services rendered by him or by such firm or corporation in connection with the promotion or formation of our Company within the two years preceding the date of this Prospectus.
15. None of our Directors has any interest in any existing contract or arrangement which is significant in relation to the business of our Company and our subsidiaries, taken as a whole.

SHARE CAPITAL

16. As at the date of this Prospectus, there is only one class of shares in the capital of our Company. There are no founder, management or deferred shares. The rights and privileges attached to our Shares are stated in the Bye-laws of our Company, a selected extract of which is set out on pages 156 to 171 of this Prospectus.
17. Save as disclosed herein and under “Share Capital” on pages 95 and 96 of this Prospectus and on page 37 in connection with the Restructuring Exercise, there were no changes in the issued and paid-up share capital of our Company and our subsidiaries within the two years preceding the date of this Prospectus:–

Globe Bright Limited

Date of Issue	Number of shares issued	Par value	Issue price/ Consideration/Purpose	Resultant issued share capital
15 March 2000	2	HK\$1.00	Issued upon incorporation	HK\$2
3 April 2000	98	HK\$1.00	Issued for cash	HK\$100

18. Save as disclosed in paragraph 17 above, no shares in, or debentures of, our Company or any of our subsidiaries have been issued, or are proposed to be issued, as fully or partly paid for cash or for a consideration other than cash, within the two years preceding the date of this Prospectus.
19. No person has been, or is entitled to be, granted an option to subscribe for shares in, or debentures of, our Company or any of our subsidiaries.

BYE-LAWS

20. The provisions in the Bye-Laws of our Company relating to, *inter alia*, the remuneration, voting rights on proposals, arrangements or contracts in which the Directors are interested, borrowing powers of the Directors, the restrictions on the transferability of shareholdings, the voting rights and dividend rights of members of the Company are set out under "Appendix 3: MEMORANDUM AND SELECTED BYE-LAWS OF OUR COMPANY" of this Prospectus.

BANK BORROWINGS AND WORKING CAPITAL

21. Save as disclosed on page 35 of this Prospectus and in the Accountants' Report, our Group had no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities as at 30 November 2000.
22. In the opinion of our Directors, there is no minimum amount which must be raised by the issue of the New Shares in order to provide, wholly or in part, the sums required to be provided in respect of each of the following:–
 - (a) the purchase price of any property purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue of the New Shares;
 - (b) estimated expenses (including underwriting and placement commission and brokerage) for the Invitation payable by our Company;
 - (c) the repayment of any money borrowed by our Company in respect of any of the foregoing matters; and
 - (d) working capital.

Although no minimum amount must be raised by the Invitation in order to provide for the items set out above, the estimated amount to be provided for the items set out in paragraph (b) above is approximately S\$6.0 million. Such amount is proposed to be provided out of the proceeds of the Invitation.

Our Directors are of the opinion that our Group has adequate working capital for our requirements.

MATERIAL CONTRACTS

23. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by our Company and our subsidiaries within the two years preceding the date of this Prospectus and are or may be material:–
 - (a) An agreement dated 9 March 2001 entered into between our Company and CDP pursuant to which CDP agreed to act as central depository for our Company's securities for trades in the securities of our Company through the SGX-ST.
 - (b) The Management and Underwriting Agreement dated 12 March 2001 entered into between our Company and OUB referred to in paragraph 25 on page 130 of this Prospectus.
 - (c) The Placement Agreement dated 12 March 2001 entered into between our Company and OUB referred to in paragraph 26 on page 130 of this Prospectus.

- (d) Share Purchase Agreement dated 15 January 2001 made between the shareholders of Post-Ante and the Company pursuant to which the Company acquired the entire issued and paid-up share capital of Post-Ante, consisting of 200 existing ordinary shares of US\$1.00 each at a consideration to be satisfied by (i) the allotment and issue, credited as fully paid, 418,001,870 ordinary shares of HK\$0.50 each of the Company to Chinese Glory, Messrs David Yip Wai Sun, Wang Tingbao and Wang Wenguang and (ii) the crediting as fully paid the 200,000 nil-paid ordinary shares of HK\$0.50 each of the Company registered in the names of Chinese Glory, Messrs David Yip Wai Sun, Wang Tingbao and Wang Wenguang.
- (e) Deed of Indemnity dated 15 January 2001 made between Chinese Glory, Messrs David Yip Wai Sun, Wang Tingbo and Wang Wenguang and our Company, pursuant to which Chinese Glory, Messrs David Yip Wai Sun, Wang Tingbao and Wang Wenguang agreed to indemnify our Company jointly and severally against the payment of estate duties and taxation liabilities with respect to the Share Purchase Agreement referred to in paragraph 23(d) above.

LITIGATION

- 24. Neither our Company nor any of our subsidiaries is engaged in any litigation as plaintiff or defendant in respect of any claims or amounts which are material in the context of the Invitation and our Directors have no knowledge of any proceedings pending or threatened against our Company or any of our subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of our Company or any of our subsidiaries.

MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

- 25. Pursuant to the Management and Underwriting Agreement dated 12 March 2001 (the "Management and Underwriting Agreement") made between our Company and OUB, our Company appointed OUB to manage the Invitation and underwrite the 9,550,000 Offer Shares. OUB will receive a management fee, payable by our Company. OUB will also receive an underwriting commission of 2.00 per cent. of the Issue Price for the Offer Shares, payable by our Company for subscribing for or procuring subscribers for any Offer Shares not subscribed for by the public pursuant to the Invitation and will pay or procure payment to our Company for such Offer Shares. OUB may, at its absolute discretion, appoint one or more sub-underwriters to sub-underwrite the Offer Shares.
- 26. Pursuant to the Placement Agreement dated 12 March 2001 (the "Placement Agreement") made between our Company and OUB, OUB agreed to subscribe for or procure subscribers for the 121,000,000 Placement Shares for a placement commission of 2.00 per cent. of the Issue Price for the Placement Shares, to be paid by our Company.
- 27. Brokerage will be paid by our Company at the rate of 1.0 per cent. of the Issue Price for each Offer Share and at the rate of 1.5 per cent. of the Issue Price for each Placement Share. In respect of the Offer Shares, the brokerage will be paid to OUB, members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of successful applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications at their respective ATMs. In respect of the Placement Shares, the brokerage will be paid to OUB.

28. The Management and Underwriting Agreement may be terminated by OUB (a) at any time on or before the close of the Application List on the occurrence of certain events which event or events shall in the opinion of OUB (1) result or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or elsewhere or (2) be likely to prejudice the success of the offer, subscription of the Invitation Shares (whether in the primary market or in respect of dealings in the secondary market) or (3) make it impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated in the Management and Underwriting Agreement or (4) be likely to have an adverse effect on the business, trading position, operations or prospects of our Company or of the Group as a whole or (5) be such that no reasonable underwriter would have entered into the Management and Underwriting Agreement or (6) make it uncommercial or otherwise contrary to or outside the usual commercial practices of underwriters in Singapore for OUB to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement; or (b) in the event that the Placement Agent fails to receive subscriptions and payments for at least 85% of the Placement Shares by 6.00 p.m. on 13 March 2001. In such an event we reserve the right, at our absolute discretion, to cancel the Invitation and any application moneys received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicants for Placement Shares by ordinary post or telegraphic transfer at the applicants' own risk within 5 Market Days of the termination of the Invitation.
29. The Placement Agreement is conditional upon the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement.
30. In the event that the Management and Underwriting Agreement is terminated, we reserve the right, at our absolute discretion, to cancel the Invitation.

MISCELLANEOUS

31. The nature of the business of our Company is stated on pages 57 to 67 of this Prospectus. As at the date of this Prospectus, the corporations which by virtue of Section 6 of the Companies Act are deemed to be related to our Company are set out below:-

Holding Company

Chinese Glory Investments Limited (British Virgin Islands)

Subsidiaries

Linyi Jiangquan Meat Products Co., Ltd. (PRC)

Post-Ante Trading Limited (British Virgin Islands)

Globe Bright Limited (Hong Kong)

32. The time of opening of the Application List is set out on page 12 of this Prospectus.
33. The amount payable on application is \$0.315 for each New Share.
34. Save as disclosed on page 96 under "Share Capital", there has been no previous issue of Shares by our Company or offer for sale of our Shares to the public within the two years preceding the date of this Prospectus.

35. The expenses in connection with the Invitation, including underwriting commission, placement commission, brokerage, management fee and other expenses in relation to the Invitation, is approximately \$6.0 million. The Share Registrar's charges and the listing fee and other incidental fees payable to the SGX-ST for the listing application are payable by our Company. All other expenses are payable by our Company. The expenses of \$6.0 million can be broken down as follows:–

	\$'000
Listing fee	21
Professional fees	3,233
Underwriting and placement commission and brokerage	1,439
Miscellaneous expenses	<u>1,307</u>
Total estimated expenses in connection with the Invitation	<u><u>6,000</u></u>

36. No amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the date of this Prospectus or is proposed or intended to be paid or given to any promoter at any time in respect of this Invitation.
37. Save as disclosed on page 130 of this Prospectus under "Management, Underwriting and Placement Arrangements", no commissions, discounts or brokerages have been paid or other special terms granted by us within the two years preceding the date of this Prospectus or is payable by us to any Director, promoter, expert, proposed director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or debentures of, our Company or any of our subsidiaries.
38. No Director or expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the date of this Prospectus, been acquired or disposed of by or leased to our Company or any of our subsidiaries or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.
39. Application moneys received by our Company in respect of successful applications (including successful applications which are subsequently rejected) will be placed in a separate non-interest bearing account with OUB (the "Receiving Bank"). In the ordinary course of business, the Receiving Bank will deploy these moneys in the interbank money market. Pursuant to a letter dated 12 March 2001 (the "Receiving Bank Agreement"), our Company and the Receiving Bank have agreed that our Company will receive a 50.0 per cent. share of any net revenue in excess of \$100,000 earned by the Receiving Bank from the deployment of such moneys in the interbank money market. Any refund of all or part of the application moneys to unsuccessful or partially successful applicants will be made without any interest or any share of revenue or any other benefit arising therefrom.
40. Save as disclosed in this Prospectus, our Directors are not aware of any relevant material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and our subsidiaries.
41. Save as disclosed in this Prospectus, the financial condition and operations of our Group are not likely to be affected by any of the following:–
- (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure;

- (c) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and
 - (d) known trends or uncertainties that have had or that we reasonably expect will have a material favourable or unfavourable impact on revenues or operating income.
42. Saved as disclosed under *"USE OF PROCEEDS"* on page 31 of this Prospectus, no property has been purchased or acquired or is proposed to be purchased or acquired by us which is to be paid for wholly or partly out of the proceeds of the Invitation or the purchase or acquisition of which has not been completed at the date of issue of this Prospectus other than property in respect of which the contract for the purchase or acquisition whereof was entered into in our ordinary course of business, such contract not being made in contemplation of the Invitation nor the Invitation in consequence of the contract.
43. No Shares shall be allotted on the basis of this Prospectus later than six months after the date of this Prospectus.
44. We currently have no intention of changing our auditors or appointing joint auditors after the listing of our Company on the SGX-ST.

CONSENTS

45. The Auditors and Reporting Accountants have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of the Accountants' Report, their letters on the pro forma consolidated profit estimate of the Group for the financial year ended 31 December 2000 and unaudited pro forma consolidated financial statements of the Group for the eleven months ended 30 November 2000, in the form and context in which they are respectively included and references to their name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
46. The Manager, Underwriter and Placement Agent, the Solicitors to the Invitation, the Registrar for the Invitation and the Singapore Share Transfer Agent, the Bermuda Registrar and Share Transfer Agent, the Legal Advisers to the Company on Hong Kong law, the Legal Advisers to the Company on Bermuda law and the Legal Advisers to the Company on PRC law have each given and have not withdrawn their written consents to the issue of this Prospectus with the inclusion herein of their names and references thereto in the form and context in which they respectively appear in this Prospectus and to act in such respective capacities in relation to this Prospectus.

RESPONSIBILITY STATEMENT BY OUR DIRECTORS

47. This Prospectus has been seen and approved by our Directors and they individually and collectively accept full responsibility for the accuracy of the information given herein and confirm, having made all due and reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed herein are fair and accurate in all material respects as of the date hereof and there are no material facts the omission of which would make any statements in this Prospectus misleading and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation and our Group. Our Directors also confirm that the pro forma consolidated profit estimate of our Group for the financial year ended 31 December 2000 and unaudited pro forma consolidated financial statements for the eleven months ended 30 November 2000 have been stated after due and careful enquiry.

STATEMENT BY THE MANAGER

48. The Manager confirms that, having made due and careful enquiry and to the best of its knowledge and belief, this Prospectus constitutes full and true disclosure of all material facts about the Invitation and our Group, it is not aware of any other fact, the omission of which would make any statements herein misleading. It is also satisfied that the pro forma consolidated profit estimate of our Group for the financial year ended 31 December 2000 has been stated by our Directors after due and careful enquiry.

DOCUMENTS AVAILABLE FOR INSPECTION

49. The following documents or copies thereof may be inspected at 80 Raffles Place #58-01, UOB Plaza I, Singapore 048624 during normal business hours for a period of six months from the date of this Prospectus:-
- (a) the Memorandum of Association and Bye-laws of our Company;
 - (b) the letter from the Reporting Accountants in relation to the pro forma consolidated profit estimate of our Group for the financial year ended 31 December 2000 set out on page 101 of this Prospectus;
 - (c) the letter from the Reporting Accountants in relation to the unaudited pro forma consolidated financial statements of our Group for the eleven months ended 30 November 2000 set out on page 102 of this Prospectus;
 - (d) the Directors' Report set out on page 100 of this Prospectus;
 - (e) the Accountants' Report set out on pages 104 to 124 of this Prospectus;
 - (f) the material contracts referred to in paragraph 23 on pages 129 and 130 of this Prospectus;
 - (g) the letters of consent referred to in paragraphs 45 and 46 on page 133 of this Prospectus;
 - (h) the audited financial statements of our Group for each of the three financial years ended 31 December 1997, 31 December 1998 and 31 December 1999 and the six months ended 30 June 2000;
 - (i) Companies Act 1981 of Bermuda; and
 - (j) the letter from the Company's legal advisers on Bermuda Law referred to on page 155 of this Prospectus.

PROCEDURES FOR APPLICATION AND ACCEPTANCE

You are invited to apply and subscribe for the Invitation Shares at the Issue Price for each Offer Share and each Placement Share subject to the following terms and conditions:–

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES AND INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF SHARES WILL BE REJECTED.**
2. Your application for Offer Shares may be made by way of Offer Shares Application Forms or by way of Electronic Applications through ATMs belonging to the Participating Banks (“ATM Electronic Applications”) or through Internet Banking (“IB”) web-sites of the relevant Participating Banks (“Internet Electronic Applications”, which together with ATM Electronic Applications, shall be referred to as “Electronic Applications”). Your application for the Placement Shares may only be made by way of Placement Shares Application Forms. **YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE SHARES.**
3. **You are allowed to submit only one application in your own name for the Offer Shares or the Placement Shares. If you submit an application for Offer Shares by way of an Application Form, you MAY NOT submit another application for Offer Shares by way of an Electronic Application and *vice versa*. A person submitting an application for Offer Shares by way of an ATM Electronic Application may not submit another application for Offer Shares by way of an Internet Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company.**

If you, other than an approved nominee company, have submitted an application for Offer Shares in your own name, you should not submit any other application for Offer Shares, whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company.

If you have made an application for Placement Shares, you should not make any application for Offer Shares either by way of an Application Form or by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company.

Conversely, if you have made an application for Offer Shares either by way of an Electronic Application or by way of an Application Form, you may not make any application for Placement Shares. Such separate applications shall be deemed to be a multiple applications and will be liable to be rejected at the discretion of our Company.

Joint applications shall be rejected. Multiple applications for Invitation Shares will be liable to be rejected at the discretion of our Company. If you submit or procure submissions of multiple share applications (whether for Offer Shares, Placement Shares or a combination), you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities Industry Act, Chapter 289 of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications will be liable to be rejected at the discretion of our Company.

4. We will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships, chops or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks) bear post office box numbers.

5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 6 below.
6. **WE WILL NOT ACCEPT APPLICATIONS FROM NOMINEES EXCEPT THOSE MADE BY APPROVED NOMINEE COMPANIES ONLY.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT A NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (in the case of an application by way of an Application Form), or you will not be able to complete your Electronic Application (in the case of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.
8. **If your address as stated in the Application Form or, in the case of an Electronic Application, in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment will be sent to your address last registered with CDP.**
9. **Our Company reserves the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance. Our Company further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Prospectus and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**
10. Our Company reserves the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of acceptance, due consideration will be given to the desirability of allotting the Invitation Shares to a reasonable number of Applicants with a view to establishing an adequate market for the Shares.

11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted and/or allocated to you. This will be the only acknowledgement of application moneys received and is not an acknowledgement by our Company. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.
12. In the event of an under-subscription for Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

In the event of an under-subscription for Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

In the event of an over-subscription for Offer Shares as at the close of the Application List and Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for Offer Shares will be determined by ballot or otherwise as determined by our Company and approved by the SGX-ST.

13. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted and/or allocated to you pursuant to your application, to authorised operators.
14. Any reference to “you” or the “Applicant” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Application Form or by way of an Electronic Application and a person applying for the Placement Shares through the Placement Agents.
15. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the “Enter” or “OK” or “Confirm” or “Yes” key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking “Submit” or “Continue” or “Yes” or “Confirm” on the IB web-site screen (as the case may be) in accordance with the provisions of this Prospectus, you:–
 - (a) irrevocably offer to subscribe for the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Issue Price and agree that you will accept such Invitation Shares as may be allotted and/or allocated to you subject to the conditions set out in this Prospectus and the Memorandum of Association and Bye-laws of our Company; and
 - (b) warrant the truth and accuracy of the information provided in your application.
16. Our acceptance of applications will be conditional upon, *inter alia*, our Company being satisfied that:–
 - (a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares and the Invitation Shares on a “when issue” basis on the Official List of SGX-ST; and
 - (b) the Management and Underwriting Agreement and the Placement Agreement referred to on page 130 of this Prospectus have become unconditional and have not been terminated.
17. We will not hold any application in reserve.

18. We will not allot shares on the basis of this Prospectus later than six months after the date of this Prospectus.
19. Additional terms and conditions for applications by way of Application Forms are set out on pages 138 to 140 of this Prospectus.
20. Additional terms and conditions for applications by way of Electronic Applications are set out on pages 141 to 145 of this Prospectus.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

You shall make an application by way of Application Forms made on and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under the section on “*PROCEDURES FOR APPLICATION AND ACCEPTANCE*” on pages 135 to 138 of this Prospectus, as well as the Memorandum of Association and Bye-laws of our Company.

1. Your application must be made using the **WHITE** Application Forms for Offer Shares, the **BLUE** Application Forms for Placement Shares accompanying and forming part of this Prospectus. We draw your attention to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. **Our Company reserves the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances.**
2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms except those under the heading “FOR OFFICIAL USE ONLY” must be completed and the words “NOT APPLICABLE” or “N.A.” should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. You must make your application, in the case of individuals, in your full names appearing in your identity cards (if applicants have such identification documents) or in your passports and, in the case of corporations, in your full names as registered with a competent authority. An Applicant, other than an individual, completing the Application Form under the hand of an official must state the name and capacity in which that official signs. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Company’s Share Registrar. Our Company reserves the right to require you to produce documentary proof of identification for verification purposes.
5. (a) You must complete Sections A and B and sign page 1 of the Application Forms.
(b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Forms. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Forms with particulars of the beneficial owner(s).
(c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Forms, your application is liable to be rejected.

6. You, whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted, will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.
7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "**UNITED FOOD SHARE ISSUE ACCOUNT**" crossed "A/C PAYEE ONLY", with your name and address written clearly on the reverse side. Applications accompanied by ANY OTHER FORM OF PAYMENT MAY NOT BE ACCEPTED. We will reject remittances bearing "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings. No acknowledgement of receipt will be issued by our Company or the Manager for applications and application moneys received.
8. Unsuccessful applications and those not successfully balloted or accepted and expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within three Market Days after the close of the Application List at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application moneys, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List. In the event that the Invitation is cancelled by us following the termination of the Management and Underwriting Agreement and/or the Placement Agreement, the application moneys received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within 5 Market Days of the termination of the Invitation.
9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
10. By completing and delivering the Application Form, you agree that:-
 - (a) in consideration of our Company having distributed the Application Form to you and agreeing to close the Application List at 12.00 noon on 22 March 2001 or such other time or date as our Directors may, in consultation with the Manager, decide and by completing and delivering the Application Form, you agree that:-
 - (i) your application is irrevocable; and
 - (ii) your remittance will be honoured on first presentation and that any moneys returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
 - (b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (c) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company; and
 - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application.

Applications for Offer Shares

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:–
 - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with your remittance in the **WHITE** envelope "A" provided;
 - (b) in the appropriate spaces on **WHITE** envelope "A":–
 - (i) write your name and address;
 - (ii) state the number of Offer Shares applied for; and
 - (iii) affix adequate Singapore postage;
 - (c) SEAL **WHITE** ENVELOPE "A";
 - (d) write, in the special box provided on the larger **WHITE** envelope "B" addressed to **OVERSEAS UNION BANK LIMITED, 1 RAFFLES PLACE, OUB CENTRE, SINGAPORE 048616**, the number of Offer Shares for which the application is made; and
 - (e) insert **WHITE** envelope "A" into **WHITE** envelope "B", seal **WHITE** envelope "B" and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND at your own risk to OVERSEAS UNION BANK LIMITED, 1 RAFFLES PLACE, OUB CENTRE, SINGAPORE 048616**, to arrive by **12.00 noon on 22 March 2001 or such other time as our Company may, in consultation with OUB, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances are liable to be rejected.
4. **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

Applications for Placement Shares

1. Your application for Placement Shares must be made using the **BLUE** Placement Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. The completed **BLUE** Placement Shares Application Form and your remittance with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to OVERSEAS UNION BANK LIMITED, 1 RAFFLES PLACE, OUB CENTRE, SINGAPORE 048616**, to arrive by **12.00 noon on 22 March 2001 or such other time as our Company may, in consultation with OUB, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.
4. Alternatively, you may remit your application moneys by electronic transfer to the account of **Overseas Union Bank Limited, Singapore, Raffles Place Branch, Current Account No. 89-44264-8, in favour of "UNITED FOOD SHARE ISSUE ACCOUNT"** for the number of Placement Shares applied for by 12.00 noon on 22 March 2001. If you remit you application moneys via electronic transfer, you should fax a copy of the remittance advice to **Overseas Union Bank Limited at fax no. 534 2232/438 1175 for the attention of Corporate Finance Department to arrive by 12.00 noon on 22 March 2001.**

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB web-site screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. Currently, OUB, DBS Bank and UOB are the only Participating Banks through which Internet Electronic Applications can be made. For illustration purposes, the procedures for Electronic Applications through ATMs of OUB and the IB web-site of OUB are set out respectively in the “Steps for Electronic Applications through ATMs of OUB” and the “Steps for Internet Electronic Applications through the IB web-site of OUB” (the “Steps”) appearing on pages 145 to 148 of this Prospectus. The Steps set out the actions that you must take at an ATM or the IB web-site of OUB to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to “you” in the additional terms and conditions for Electronic Applications and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB web-site of a relevant Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs of that Participating Bank. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with and an IB User Identification (“User ID”) and a Personal Identification Number/Password (“PIN”) given by a relevant Participating Bank. The Steps set out the actions that you must take at ATMs or the IB web-site of OUB to complete an Electronic Application. The actions that you must take at ATMs or the IB web-sites of other Participating Banks are set out on the ATM screens or the IB web-site screens of the relevant Participating Banks. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip (“Transaction Record”), confirming the details of your Electronic Application. Upon completion of your Internet Electronic Application, there will be an on-screen confirmation (“Confirmation Screen”) of the application which can be printed out for your record. The Transaction Record or your printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or if you do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your ATM Electronic Application liable to be rejected.

You must ensure, when making an Internet Electronic Application, that your mailing address is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise your application is liable to be rejected.

You shall make an Electronic Application on the terms and subject to the conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out under the section on “*PROCEDURES FOR APPLICATION AND ACCEPTANCE*” on pages 135 to 148 of this Prospectus as well as the Memorandum of Association and Bye-Laws of our Company.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating the ATM for your Electronic Application:–
 - (a) **that you have received a copy of this Prospectus (in the case of ATM Electronic Applications only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;**
 - (b) **that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CPF Investment Account number, CDP Securities Account number, and application details (the “Relevant Particulars”) by the relevant Participating Bank to the Share Registrar, CDP, SCCS, our Company, and the Manager (the “Relevant Parties”); and**

- (c) **that this is your only application for Offer Shares and it is made in your own name and at your own risk.**

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM unless you press the “Enter” or “Confirm” or “Yes” or “OK” key in the ATM or click “Confirm” or “OK” on the IB web-site screen. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, such confirmation, by pressing the “Enter” or “Confirm” or “Yes” key, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(4) of the Banking Act (Chapter 19) of Singapore to the disclosure by that Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS BENEFICIAL OWNER.**

YOU SHOULD MAKE ONLY ONE ELECTRONIC APPLICATION FOR OFFER SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR INVITATION SHARES, WHETHER AT THE ATMS OR THE IB WEB-SITES (IF ANY) OF ANY PARTICIPATING BANK OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER SHARES OR PLACEMENT SHARES ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR OFFER SHARES AND VICE VERSA.

3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed. **Any Electronic Application, which does not conform, strictly to the instructions set out in this Prospectus or on the screens of the ATM or the IB web-site through which your Electronic Application is being made shall be rejected.**

You may make an Electronic Application at the ATM of any Participating Bank for Offer Shares using cash only by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

4. You irrevocably agree and undertake to subscribe for and to accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted to you in respect of your Electronic Application. In the event that our Company decides to allot any lesser number of such Offer Shares or not to allot any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “Confirm” or “Yes” key on the ATM or clicking “Confirm” or “OK” on the IB web-site screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted to you and your agreement to be bound by the Memorandum of Association and Bye-laws of our Company.
5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application moneys will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within three Market Days after the close of the Application List. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application moneys, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List.

Responsibility for timely refund of application moneys from Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any moneys to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted to you before trading the Offer Shares on SGX-ST. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company or the Manager assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your ATM Electronic Application is made through the ATMs of Keppel TatLee Bank Limited, and is unsuccessful, it is expected that a computer generated notice will be sent to you by Keppel TatLee Bank Limited (at your address stated in the records of Keppel TatLee Bank Limited as at the date of your ATM Electronic Application) by ordinary post at your own risk within three Market Days after the close of the Application List.

If your ATM Electronic Application is made through the ATMs of DBS (including its POSBank Services division), the OCBC Group, UOB Group or OUB, and is unsuccessful, no notification will be sent by such Participating Bank.

If your Internet Electronic Application made through the IB web-site of OUB, DBS Bank or UOB Group is unsuccessful, no notification will be sent by such Participating Bank.

If you make ATM Electronic Applications through the ATMs of the following banks, you may check the results of your Electronic Applications as follows:–

Bank	Telephone	Available at ATM	Operating Hours	Service expected from
OUB	1800 224 2000	OUB Personal Banking	Phone Banking:– 24 hours a day	Evening of the balloting day
		<i>www.oub2000.com.sg</i>	Internet Banking:– 24 hours a day	Evening of the balloting day
		OUB Mobile Buzz	OUB Mobile Buzz:– 24 hours a day	Evening of the balloting day
DBS Bank	1800 222 2222 327 4767	Internet Banking/ Internet Kiosk <i>www.dbs.com.sg</i>	24 hours a day	7 p.m. on the balloting day
Keppel TatLee Bank Limited	222 8228	ATM	ATM — 24 hours a day	ATM — Evening of the balloting day
			Phone Banking:– Mon-Fri: 0800–2200 Sat: 0800–1500	Phone Banking:– 8 a.m. on the day after the balloting day
OCBC	1800 363 3333	ATM	ATM — 24 hours a day Phone Banking:– 24 hours a day	Evening of the balloting day
UOB	1800 533 5533 1800 222 2121	ATM (Other Transactions — “IPO Enquiry”) <i>www.uobcyberbank.com.sg</i>	ATM — 24 hours a day	6 p.m. on the balloting day
			Phone Banking:– 24 hours a day	

If you make your Internet Electronic Application through the IB web-site of OUB, DBS Bank or UOB, you may check the result through the same channels listed in the table above in relation to ATM Electronic Application made at ATMs of OUB, DBS Bank or UOB.

If you make your Electronic Applications through the ATMs or IB web-site of OUB, and have activated your OUB Mobile Buzz service, you will be notified of the results of your Electronic Application via your mobile phone.

If you make your Electronic Applications through the ATMs or IB web-site of UOB, you may check the results of your application through UOB CyberBank, UOB Group’s ATMs or UOB Phone Banking services.

7. Electronic Applications shall close at **12.00 noon on 22 March 2001** or such other time as our Company may, in consultation with OUB, decide. An Internet Electronic Application is deemed to be received only upon its completion, that is, when there is an on-screen confirmation of the application.
8. You are deemed to have irrevocably requested and authorised our Company to:–
 - (a) register the Offer Shares allotted to you in the name of CDP for deposit into your Securities Account;
 - (b) send the relevant Share certificate(s) to CDP;
 - (c) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application moneys, should your Electronic Application be rejected, by automatically crediting your bank account with your Participating Bank with the relevant amount within three Market Days after the close of the Application List; and
 - (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application moneys, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.
9. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks and if, in any such event, our Company, the Manager and/or the relevant Participating Bank does not receive your Electronic Application, or data relating to your Electronic Application is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Manager and/or the relevant Participating Bank for Offer Shares applied for or for any compensation, loss or damage.
10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. Our Company will reject any application by any person acting as nominee.
11. All your particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after the time of the making of your Electronic Application, you shall promptly notify your Participating Bank.
12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment and/or allocation will be sent to your address last registered with CDP.

13. By making and completing an Electronic Application, you are deemed to have agreed that:–
- (a) in consideration of our Company making available the Electronic Application facility, through the Participating Banks acting as agents of our Company, at the ATMs and the IB web-sites (if any):–
 - (i) your Electronic Application is irrevocable; and
 - (ii) your Electronic Application, the acceptance by our Company and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (b) none of our Company, the Manager or the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to our Company or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond our respective controls;
 - (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and not otherwise, notwithstanding any payment received by or on behalf of our Company; and
 - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application.

Steps for Electronic Applications through ATMs and the IB web-site of OUB

The instructions for Electronic Applications will appear on the ATM screens and the IB web-site screens. For illustration purposes, the steps for making an Electronic Application through an ATM belonging to OUB or through the IB web-site of OUB are shown below. Instructions for Electronic Applications on the ATM screens and the IB web-site screens (if any) of the Participating Banks, other than OUB, may differ from those represented below.

Owing to space constraints on OUB's ATM screen, the following terms will appear in abbreviated form:–

“&”	:	and
“A/C”	:	Account
“CDP”	:	The Central Depository (Pte) Limited
“CDP A/C”	:	CDP Account
“CPF”	:	The Central Provident Fund Board
“CPF Inv A/C”	:	CPF Investment Account
“Mgrs”	:	Manager
“NETS”	:	Network for Electronic Funds Transfer
“No.”	:	Number
“NRIC/PP No.”	:	National Registration Identity Card/Passport Number
“PR”	:	Permanent Resident
“S\$”	:	Singapore Dollars
“SCCS”	:	Securities Clearing & Computer Services (Pte) Ltd
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

Steps for an ATM Electronic Application for Offer Shares

- Step 1 : Insert your personal ATM Autocash Card
- 2 : Select Language Choice
- 3 : Enter your Personal Identification Number
- 4 : Select "Cash Card/Other Services"
- 5 : Select "Securities/Unit Trust"
- 6 : Select "Electronic Share Application"
- 7 : Select "UFH"
- 8 : Select the type of bank account to debit your application moneys
- 9 : Press the "YES" key to confirm that you have read the following messages:–
- A copy of prospectus/document is available at various Participating Banks.
 - Where applicable, a copy of this prospectus has been lodged with and registered by the Registrar of Companies & Businesses in Singapore who takes no responsibility for its contents.
- 10 : Press the "YES" key again to confirm that:–
- (1) I have read, understood & agreed to all the terms & conditions of the application & prospectus/document.**
 - (2) I consent to disclosure of my name, NRIC/PP No., nationality, PR status, CPF Inv A/C, CDP A/C and application details to the Registrar, CDP, SGX-ST, SCCS, CPF, NETS, Issuer & the Manager.**
- 11 : Select "Fixed Price"
- 12 : Press the "YES" key to confirm that:–
- **This is my only application and is made in my name & at my own risk.**
- 13 : Select your nationality and permanent resident status
- 14 : Press the "YES" key to confirm your NRIC/Passport No.
- 15 : Press the "YES" key to confirm your CDP Securities A/C No. or enter your own CDP Securities A/C No. (12 digits)
- 16 : Enter No. of Shares applied for
- 17 : Check the details of your application on screen and press the "YES" key to confirm application
- 18 : Remove the Transaction Record; this is for your reference only

Owing to space constraints on OUB's IB web-site screens, the following terms will appear in abbreviated form:–

“CDP”	:	The Central Depository (Pte) Limited
“CPF”	:	The Central Provident Fund
“NRIC”	:	National Registration Identity Card
“PR”	:	Permanent Resident
“SGD” or “\$”	:	Singapore Dollars
“SCCS”	:	Securities Clearing & Computer Services (Pte) Ltd
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

Steps for an Internet Electronic Application through the IB web-site of OUB

- Step 1 : Connect to OUB web-site
- 2 : Login to OUB Personal Internet Banking
- 3 : Enter your IB User ID and PIN
- 4 : Select “Investment”
- 5 : Select “Electronic Securities Application”
- 6 : Select “IPO”
- 7 : Click “Yes” to declare that you are in Singapore and have a mailing address in Singapore
- 8 : Select “UFH”
- 9 : Click “Yes” to confirm that:–
- (1) I have read, understood and agreed to all terms and conditions of the application and prospectus/document.**
 - (2) I consent to the disclosure of my name, NRIC/Passport Number, address, nationality, PR status, CPF Investment account number, CDP securities account number and application details to the registrars, CDP, SGX-ST, SCCS, CPF, Issuer and the Manager; and**
 - (3) This application is made in my own name and at my own risk. For FIXED price securities application, this is my only application. For TENDER price securities application, this is my only application at the selected tender price.**
- 10 : For Fixed price securities applications, Click “Continue”.
For applications for securities with Fixed price and Tender price tranches, click “Fixed price” to make a fixed price application and click “Tender price” to make a tender price application.
- 11 : Fill in details for securities application and click “Continue”

- 12 : For Fixed price securities applications, enter the quantity of securities applied for and click "Continue"
For Tender price securities applications, enter tender price and quantity of securities applied for and click "Continue"
- 13 : Check details for your application, your NRIC/Passport Number, and quantity of securities on the screen and click "Confirm" to confirm your application.
- 14 : Print Confirmation Screen (optional) for your reference and retention only

SUMMARY OF BERMUDA COMPANY LAW

1. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:–

(a) Share capital

The Companies Act 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”, to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:–

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:–
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

However, only premiums arising on the same class of shares can be used to pay up bonus shares or in providing for the premiums payable on redemption of shares referred to in (i) and (iii) above respectively.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, 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, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs. In addition, the Companies Act expressly permits the grant of financial assistance where (i) the financial assistance does not reduce the company's net assets or, to the extent the net assets are reduced, such financial assistance is provided for out of funds of the company which would otherwise be available for dividend or distribution; (ii) an affidavit of solvency is sworn by the directors of the company; and (iii) the financial assistance is approved by resolution of shareholders of the company.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be affected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased will be treated as cancelled and the company's issued, but not its authorised, capital will be diminished accordingly.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) **Protection of minorities**

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) **Management**

The Companies Act contains no specific restrictions 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 interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company.

(g) **Accounting and auditing requirements**

The Companies Act requires a company to 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 in respect of 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.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least seven days before the general meeting of the company at which the financial statements are to be tabled.

(h) **Auditors**

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than 7 days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) **Exchange control**

An exempted company is usually designated as “non-resident” for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and warrants by the company and the subsequent transfer of such shares and warrants. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and warrants in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

Permission of the Bermuda Monetary Authority will normally be granted for the issue and transfer of shares and warrants to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as the shares and warrants are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as “resident” for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) **Taxation**

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28th March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) **Stamp duty**

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) **Loans to directors**

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a 20 per cent. interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day. The register of members of a company is open for inspection by members without charge and to members of the general public for a fee. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may require a copy of the register of members or any part thereof which must be provided within fourteen days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two hours in each day by members of the public without charge.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or 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 the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the 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 final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make 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 shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

2. GENERAL

Conyers Dill & Pearmen, the Company's legal advisers on Bermuda Law, have sent to the Company a letter of advice summarising certain aspects of Bermuda Company Law. This letter, together with a copy of the Bermuda Act, is available for inspection as referred to in the paragraph headed "Documents Available For Inspection" on page 134 of this Prospectus. Any person wishing to have a detailed summary of Bermuda 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.

MEMORANDUM AND SELECTED BYE-LAWS OF OUR COMPANY

MEMORANDUM OF ASSOCIATION

Our Memorandum of Association states, *inter alia*, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that our Company is an exempted company as defined in the Bermuda Act. Our memorandum of Association also sets out the objects for which our Company was formed, including acting as an investment holding company, and its powers, including the powers set out in the First Schedule to the Bermuda Act. As an exempted company, our Company will be carrying on business outside Bermuda from a place of business within Bermuda

In accordance with and subject to Section 42A of the Bermuda Act, the Memorandum of Association of our Company empowers it to purchase its own shares and pursuant to its Bye-Laws, this power is exercisable by the Board of Directors upon such terms and subject to such conditions as it thinks fit.

BYE-LAWS

Directors' Fees and Expenses

Bye-law 95

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the general meeting, and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.

Bye-law 96

Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.

Bye-law 97

- (1) Any Director who, upon request by the Board, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such 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 provided for by or pursuant to any other Bye-law.
- (2) The remuneration (including any remuneration under Bye-law 97(1) above) in the case of a Director other than an executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no director whether an executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.

Bye-law 98

The Board shall obtain the approval of the Company in general meeting before paying pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office or for the purpose of providing any such pensions or other benefits, paying any sum in contribution to any scheme or fund or to pay premiums. The Board shall obtain the approval of the Company in general meeting before making any payment to any Director or past Director of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).

Bye-law 99

A Director may:–

- (a) hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and, subject to the relevant provisions of the Act and if applicable any rules or regulations of the Designated Stock Exchange, upon such terms as the Board may determine. Any remuneration (whether by way of salary, commission, participation in profits or otherwise) paid to any Director in respect of any such other office or place of profit shall be in addition to any remuneration provided for by or pursuant to any other Bye-law; and/or
- (b) act by himself or his firm in a professional capacity for the Company (otherwise than as Auditor) and he or his firm may be remunerated for professional services as if he were not a Director; and/or
- (c) continue to be or become a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any other company promoted by the Company or in which the Company may be interested as a vendor, shareholder or otherwise and (unless otherwise agreed) no such Director shall be accountable for any remuneration, profits or other benefits received by him as a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of or from his interests in any such other company. Subject as otherwise provided by these Bye-laws the Directors may exercise or cause to be exercised the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors, executive directors, managers or other officers of such company) or voting or providing for the payment of remuneration to the director, managing director, joint managing director, deputy managing director, executive director, manager or other officers of such other company and any Director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be, or about to be, appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.

Bye-law 100A

Notwithstanding Bye-law 100, no Director shall receive any payment in connection with the transfer of the whole or any part of the undertaking or property of the Company unless the particulars with respect to the proposed payment, including the amount thereof, have been disclosed to the members and the proposed payment has been approved by ordinary resolution at a general meeting.

Executive Directors

Bye-law 90

Notwithstanding Bye-laws 95, 96, 97 and 98, an executive director appointed to an office under Bye-law 89 hereof shall receive such remuneration (whether by way of salary, commission, 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 determine, and either in addition to or in lieu of his remuneration as a Director, but he shall not in any circumstances be remunerated by a commission on or a percentage of turnover.

Alternate Directors

Bye-law 92

An alternate Director shall only be a Director for the purposes of the Act and shall only be subject to the provisions of the Act insofar as they relate to the duties and obligations of a Director when performing the functions of the Director for whom he is appointed in the alternative and shall alone be responsible to the Company for his acts and defaults and shall not be deemed to be the agent of or for the Director appointing him. An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified by the Company to the same extent *mutatis mutandis* as if he were a Director but he shall not be entitled to receive from the Company any fee in his capacity as an alternate Director except only such part, if any, of the remuneration otherwise payable to his appoint or as such appoint or may by Notice to the Company from time to time direct.

Voting Rights on Proposals, Arrangements and Contracts in which the Directors are interested

Bye-law 102

- (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or any other proposal in which he is to his knowledge materially interested, but this prohibition shall not apply to any of the following matters namely:–
 - (a) any contract or arrangement for the giving to such Director any security or indemnity in respect of money lent by him or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
 - (b) any contract or arrangement for 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 has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (c) any contract or arrangement 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 is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (d) any contract or arrangement in which he is interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Company;
 - (e) any contract or arrangement concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates (as defined by the rules, where applicable, of the Designated Stock Exchange) is beneficially interested in (other than through his interest (if any) in the Company) five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest is derived); or
 - (f) any proposal 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 and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

- (2) A company shall be deemed to be a company in which a Director owns five (5) per cent. or more if and so long as (but only if and so long as) he and his associates (as defined by the rules, where applicable, of the Designated Stock Exchange), (either directly or indirectly) are the holders of or beneficially interested in (other than through his interest (if any) in the Company) five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the Director's interest is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder.
- (3) Where a company in which a Director together with his associates (as defined by the rules, where applicable, of the Designated Stock Exchange) holds five (5) per cent. or more is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.

Borrowing Powers

Bye-law 109

The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Act, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Dividend Rights of Members

Bye-law 136

Subject to the Act, the Company in general meeting may from time to time 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. The Company in general meeting may also make a distribution to the Members out of any contributed surplus (as ascertained in accordance with the Act).

Bye-law 137

No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Bye-law 138

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this Bye-law as paid up on the share; and
- (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Bye-law 139

The Board may from time to time pay to the Members such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

Bye-law 140

The Board may deduct from any dividend or other moneys payable to a Member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Bye-law 141

No dividend or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.

Bye-law 142

Any dividend, interest 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 or, in the case of joint holders, addressed to the holder whose name stands first in the Register 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 direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. 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.

Bye-law 143

All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

Bye-law 144

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 and in particular of paid up shares, debentures or warrants to subscribe securities of the Company or any other company, or in any one or more of such ways, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue certificates in respect of fractions of shares, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, and such appointment shall be effective and binding on the Members. The Board may resolve that no such assets shall be made available to Members with registered addresses in any particular territory or territories where, in the absence of a registration statement or other special formalities, such distribution of assets would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the Members aforesaid shall be to receive cash payments as aforesaid. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.

Bye-law 145

- (1) Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on any class of the share capital of the Company, the Board may further resolve either:–
 - (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof if the Board so determines) in cash in lieu of such allotment. In such case, the following provisions shall apply:–
 - (i) the basis of any such allotment shall be determined by the Board;
 - (ii) the Board, after determining the basis of allotment, shall give not less than two (2) weeks' Notice to the holders of the relevant shares of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;
 - (iii) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and
 - (iv) the dividend (or that part of the dividend to be satisfied by the allotment of shares as aforesaid) shall not be payable in cash on shares in respect whereof the cash election has not been duly exercised ("the non-elected shares") and in satisfaction thereof shares of the relevant class shall be allotted credited as fully paid up to the holders of the non-elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company (including profits carried and standing to the credit of any reserves or other special account) as the Board may determine, such sum as may be required to pay up in full the appropriate number of shares of the relevant class for allotment and distribution to and amongst the holders of the non-elected shares on such basis; or
 - (b) that the shareholders entitled to such dividend shall 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. In such case, the following provisions shall apply:–
 - (i) the basis of any such allotment shall be determined by the Board;
 - (ii) the Board, after determining the basis of allotment, shall give not less than two (2) weeks' Notice to the holders of the relevant shares of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;

- (iii) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and
 - (iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on shares in respect whereof the share election has been duly exercised (“the elected shares”) and in lieu thereof shares of the relevant class shall be allotted credited as fully paid up to the holders of the elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company (including profits carried and standing to the credit of any reserves or other special account other than the Subscription Rights Reserve) as the Board may determine, such sum as may be required to pay up in full the appropriate number of shares of the relevant class for allotment and distribution to and amongst the holders of the elected shares on such basis.
- (2) (a) The shares allotted pursuant to the provisions of paragraph (1) of this Bye-law shall rank *pari passu* in all respects with shares of the same class (if any) then in issue save only as regards participation in the relevant dividend or in any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend unless, contemporaneously with the announcement by the Board of their proposal to apply the provisions of sub-paragraph (a) or (b) of paragraph (2) of this Bye-law in relation to the relevant dividend or contemporaneously with their announcement of the distribution, bonus or rights in question, the Board shall specify that the shares to be allotted pursuant to the provisions of paragraph (1) of this Bye-law shall rank for participation in such distribution, bonus or rights.
- (b) The Board may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (1) of this Bye-law, with full power to the Board to make such provisions as it thinks fit in the case of shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the Members concerned). The Board may authorise any person to enter into on behalf of all Members interested, an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.
- (3) The Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the provisions of paragraph (1) of this Bye-law a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.
- (4) The Board may on any occasion determine that rights of election and the allotment of shares under paragraph (1) of this Bye-law shall not be made available or made to any shareholders with registered addresses in any territory where, in the absence of a registration statement or other special formalities, the circulation of an offer of such rights of election or the allotment of shares would or might, in the opinion of the Board, be unlawful or impracticable, and in such event the provisions aforesaid shall be read and construed subject to such determination. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.
- (5) Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Board, may specify that the same shall be payable or distributable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable or distributable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares. The provisions of this Bye-law shall *mutatis mutandis* apply to bonuses, capitalisation issues, distributions of realised capital profits or offers or grants made by the Company to the Members.

Voting rights of Members

Bye-law 65

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Bye-laws, at any general meeting on a show of hands every Member present in person (or being a corporation, is present by a representative duly authorised under Section 78 of the Act), or by proxy shall have one vote, the chairman of the meeting to determine which proxy shall be entitled to vote where a Member (other than the Depository) is represented by two proxies 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 fully paid share of which he is the holder or which he represents and in respect of which all calls due to the Company have been paid, 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 purposes as paid up on the share. A resolution put to the vote of a meeting shall 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:–

- (a) by the chairman of such meeting; or
- (b) by at least three 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
- (c) by 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, or where such a Member has appointed two proxies any one of such proxies, or any proxy appointed by the Depository, or any number or combination of such Members or proxies, holding or representing as the case may be not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
- (d) by 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, or where such a Member has appointed two proxies any one of such proxies, or any proxy appointed by the Depository, or any number or combination of such Members or proxies, holding or representing as the case may be shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Member.

Bye-law 66

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against the resolution.

Bye-law 67

If a poll is duly demanded the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

Bye-law 68

A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken in such manner (including the use of ballot or voting papers or tickets) and either forthwith or at such time (being not later than thirty (30) days after the date of the demand) and place as the chairman directs. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll not taken immediately.

Bye-law 69

The demand for a poll shall not prevent the continuance of a meeting or the transaction of any business other than the question on which the poll has been demanded, and, with the consent of the chairman, it may be withdrawn at any time before the close of the meeting or the taking of the poll, whichever is the earlier.

Bye-law 70

On a poll votes may be given either personally or by proxy.

Bye-law 71

A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

Bye-law 72

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of such meeting shall be entitled to a second or casting vote in addition to any other vote he may have.

Bye-law 73

Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding. Several executors or administrators of a deceased Member in whose name any share stands shall for the purposes of this Bye-law be deemed joint holders thereof.

Bye-law 74

- (1) A Member who is a patient for any purpose relating to mental health or in respect of whom an order has been made by any court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote, whether on a show of hands or on a poll, by his receiver, committee, curator bonis or other person in the nature of a receiver, committee or curator bonis appointed by such court, and such receiver, committee, curator bonis or other person may vote on a poll by proxy, and may otherwise act and be treated as if he were the registered holder of such shares for the purposes of general meetings, provided that such evidence as the Board may require of the authority of the person claiming to vote shall have been deposited at the Office, head office or Registration Office, as appropriate, not less than forty-eight (48) hours before the time appointed for holding the meeting, or adjourned meeting or poll, as the case may be.
- (2) Any person entitled under Bye-law 53 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight (48) hours at least before the time of the holding of the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Board of his entitlement to such shares, or the Board shall have previously admitted his right to vote at such meeting in respect thereof.

Bye-Law 75

No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.

Bye-law 76

If:–

- (a) any objection shall be raised to the qualification of any voter; or
- (b) any votes have been counted which ought not to have been counted or which might have been rejected; or
- (c) any votes are not counted which ought to have been counted;

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be final and conclusive.

Bye-law 77

- (1) Any Member entitled to attend and vote at a meeting of the Company who is the holder of two or more shares shall be entitled to appoint not more than two proxies to attend and vote instead of him at the same general meeting provided that if the Member is the Depository:–
 - (a) the Depository may appoint more than two proxies to attend and vote at the same general meeting and each proxy shall be entitled to exercise the same powers on behalf of the Depository as the Depository could exercise, including, notwithstanding Bye-law 65, the right to vote individually on a show of hands;
 - (b) the Company shall be entitled and bound:–
 - (i) to reject any instrument of proxy lodged if the proxy first named in that instrument, being the Depositor, is not shown in the records of the Depository as at a time not earlier than forty-eight (48) hours prior to the time of the relevant general meeting supplied by the Depository to the Company, to have any shares credited to a Securities Account; and
 - (ii) to accept as the maximum number of votes which in aggregate all the proxies appointed by the Depository in respect of a particular Depositor are able to cast on a poll a number which is the number of shares credited to the Securities Account of that Depositor, as shown in the records of the Depository as at a time not earlier than forty-eight (48) hours prior to the time of the relevant general meeting supplied by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of the Depository; and
 - (iii) the Company shall accept as valid in all respects the form of proxy approved by the Depository (the “CDP Proxy Form”) for use at the date relevant to the general meeting in question notwithstanding that the same permits the Depositor concerned to nominate a person or persons other than himself as the proxy or proxies appointed by the Depository. The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed CDP Proxy Form submitted to it, to have regard to the instructions given by and the notes (if any) set out in the CDP Proxy Form.
- (2) In any case where a form of proxy appoints more than one proxy (including the case where such appointment results from a nomination by a Depositor), the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (3) A proxy need not be a Member. In addition, subject to sub-paragraph (1) of this Bye-law, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise.

Bye-law 78

The instrument appointing a proxy shall be in writing under the hand of the appoint or of his attorney duly authorised in writing or, if the appoint or is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same or, in the case of the Depository, signed by its duly authorised officer by some method or system of mechanical signature as the Depository may deem appropriate. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

Bye-law 79

The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed on behalf of the appointer (which shall, for this purpose, include a Depositor), or a certified copy of such power or authority, shall be delivered to such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified at the Registration Office or the Office, as may be appropriate) not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such date. Delivery of an instrument appointing a proxy shall not preclude a Member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Bye-law 80

Instruments of proxy shall be in any usual or common form (including any form approved from time to time by the Depository) or in such other form as the Board may approve (provided that this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instrument of proxy for use at the meeting. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

Bye-law 81

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument of proxy or of the authority under which it was executed, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office or the Registration Office (or such other place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other document sent therewith) two (2) hours at least before the commencement of the meeting or adjourned meeting, or the taking of the poll, at which the instrument of proxy is used.

Bye-law 82

Anything which under these Bye-laws a Member may do by proxy he may likewise do by his duly appointed attorney and the provisions of these Bye-laws relating to proxies and instruments appointing proxies shall apply *mutatis mutandis* in relation to any such attorney and the instrument under which such attorney is appointed.

Bye-law 83

- (1) Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of Members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member and such corporation shall for the purposes of these Bye-laws be deemed to be present in person at any such meeting if a person so authorised is present thereat.
- (2) If permitted by the Act, where a Member is the Depository (or its nominee, in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Bye-law shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the Depository (or its nominee).
- (3) Any reference in these Bye-laws to a duly authorised representative of a Member being a corporation shall mean a representative authorised under the provisions of this Bye-law.

Rights of Members in the event of Liquidation

Bye-law 163

- (1) If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Act, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the Members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.
- (2) On a voluntary winding up of the Company, no commission or fee shall be paid to a liquidator without the prior approval of Members in general meeting. The amount of such commission or fee shall be notified to all Members not less than seven (7) days prior to the general meeting at which it is to be considered.

Reserves

- 146 Before recommending any dividend, the Board may set aside out of the profits of the Company such sums as it determines as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute.

Variation of Rights

Bye-law 10

Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes, preference capital other than redeemable preference capital may be repaid and the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting and all adjournments thereof all the provisions of these Bye-laws relating to general meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum (other than at an adjourned meeting) shall be two persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class and at any adjourned meeting of such holder, two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters in nominal value of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. The foregoing provisions of this Bye-law shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

Restrictions on Transferability of Shares

Bye-law 46

Subject to these Bye-laws, any Member may transfer all or any of his shares by an instrument of transfer in the form for the time being approved by the Designated Stock Exchange or where the Company is no longer listed on the Designated Stock Exchange, in any other form acceptable to the Board.

Bye-law 47

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository and provided further that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. The Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Nothing in these Bye-laws shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.

Bye-law 48

- (1) The Board may, in its absolute discretion, refuse 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 incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four (4) joint holders or a transfer of any share (not being a fully paid up share) on which the Company has a lien.
- (2) No transfer shall be made to an infant or to a person of unsound mind or under other legal disability.

- (3) The Board in so far as permitted by any applicable law may, upon request by a shareholder and in its absolute discretion, at any time and from time to time transfer any share upon the Register to any branch register or any share on any branch register to the Register or any other branch register. In the event of any such transfer, the shareholder requesting such transfer shall bear the cost of effecting the transfer unless the Board otherwise determines.
- (4) Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the Register shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant Registration Office, and, in the case of any shares on the Register, at the Office or such other place in Bermuda at which the Register is kept in accordance with the Act.
- (5) Save as provided in the Bye-laws, there shall be no restriction on the transfer of fully paid up shares (except where required by law, or the listing rules of the Designated Stock Exchange).

Bye-law 49

Without limiting the generality of the last preceding Bye-law, the Board may decline to recognise any instrument of transfer unless:–

- (a) a fee of such maximum sum as the Designated 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;
- (b) the instrument of transfer is in respect of only one class of share;
- (c) the instrument of transfer is lodged at the Office or such other place in Bermuda at which the Register is kept in accordance with the Act or the Registration Office (as the case may be) 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); and
- (d) if applicable, the instrument of transfer is duly and properly stamped.

Bye-law 50

If the Board refuses to register a transfer of any share, it shall, within one (1) month after the date on which the transfer was lodged with the Company, send to each of the transferor and transferee notice of the refusal, stating the facts which are considered to justify the refusal.

Bye-law 51

The registration of transfers of shares or of any class of shares may, after notice has been given by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange to that effect, be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Board may determine.

Convocation of General Meetings

Bye-law 57

The Board may whenever it thinks fit call special general meetings, and, subject to the Act, Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Act.

Bye-law 58

- (1) An annual general meeting and any special general meeting at which the passing of a special resolution is to be considered may be called by not less than twenty-one (21) clear days' Notice but a general meeting may be called by shorter notice if it is so agreed:—
 - (a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and
 - (b) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

For so long as the shares of the Company are listed on the Designated Stock Exchange at least fourteen (14) days notice of any general meeting shall be given by advertisement in an English daily newspaper in circulation in Singapore and in writing to the Designated Stock Exchange.

- (2) The period of notice shall be exclusive of the day on which it is served or deemed to be served and exclusive of the day on which the meeting is to be held, and the notice shall specify the day, time and place of the meeting and, in case of special business, the general nature of the business. Any notice of a general meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business. The Notice convening an annual general meeting shall specify the meeting as such. Notice of every general meeting shall be given to all Members other than to such Members as, under the provisions of these Bye-laws or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a Member and to each of the Directors and the Auditors.

Bye-law 59

The accidental omission to give Notice of a meeting or (in cases where instruments of proxy are sent out with the Notice) to send such instrument of proxy to, or the non-receipt of such Notice or such instrument of proxy by, any person entitled to receive such Notice shall not invalidate any resolution passed or the proceedings at that meeting.

Application of the Singapore Take-over Laws and Regulations

Bye-law 168

For so long as the shares of the Company are listed on the Designated Stock Exchange, the provisions of Sections 213, 214 and 215 of the Singapore Companies Act, the Tenth Schedule of the Singapore Companies Act and the Singapore Take-over Code on Take-overs and Mergers shall apply, *mutatis mutandis*, to all take-over offers for the Company.

Notification of shareholdings by Directors and Substantial Shareholders

Bye-law 167

- (1) For so long as the shares of the Company are listed on the Designated Stock Exchange, each Director shall, upon his appointment to the Board, give an undertaking to the Company that, for so long as he remains a Director, he shall forthwith notify the Secretary of the particulars of the shares beneficially owned by him at the time of his appointment and of any change in such particulars.
- (2) For so long as the shares of the Company are listed on the Designated Stock Exchange, each Member shall, (a) upon becoming a substantial shareholder of the Company, (b) for so long as he remains a substantial shareholder of the Company, upon a change in his interest or interests in the Company and (c) upon ceasing to be a substantial shareholder of the Company, give the Secretary a notice in writing of (a) the particulars of the shares beneficially owned by him, or (b) the particulars of the change in interests (including the date of change and the circumstances by reason of which that change has occurred), or (c) the particulars of the date and circumstances of the cessation of substantial shareholding, as the case may be, within two (2) days after (a) becoming a substantial shareholder, (b) the date of change in interests, or (c) the date of cessation, as the case may be. For the purposes of this Bye-Law 167(2), the term “substantial shareholder” shall have the same meaning ascribed to it in Section 81(1) and 81(2) of the Companies Act, Chapter 50 of Singapore (the “Singapore Companies Act”) and the term “interest” or “interests” shall have the same meaning ascribed to it in Section 7 of the Singapore Companies Act.
- (3) For so long as the shares of the Company are listed on the Designated Stock Exchange, the provisions of Section 92 of the Singapore Companies Act shall apply.

SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

1. PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents.

The National People's Congress of the PRC ("**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and to enact and amend primary laws governing the state organs, civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may promulgate administrative rules and directives applicable to their own administrative area. These local laws and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council.

Rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council of the PRC or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The power to interpret laws is vested by the PRC Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全国人民代表大会常务委员会关于加强法律解释工作的决议) passed on 10th June, 1981, the Supreme People's Court has the power to give general interpretation on application of laws in judicial proceedings apart from its power to issue specific interpretation in specific cases. The State Council and its ministries and commissions are also vested with the power to give interpretation of the rules and regulations which they promulgated. At the regional level, the power to give interpretation of regional laws is vested in the regional legislative and administration organs which promulgate such laws. All such interpretations carry legal effect.

2. JUDICIAL SYSTEM

The People's Courts are the judicial organs of the PRC. Under the PRC Constitution and the Law of Organisation of the People's Courts of the People's Republic of China (中华人民共和国人民法院组织法), the People's Courts comprise the Supreme People's Courts, the local people's courts, military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, intermediate people's courts and higher people's courts. The basic people's courts are divided into civil, criminal and economic divisions. The intermediate people's courts have divisions similar to those of the basic people's courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions). The judicial functions of people's courts at lower levels are subject to supervision of people's courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same and lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the people's courts of all levels.

The people's courts adopt a two-tier final appeal system. A party may before the taking effect of a judgment or order appeal against the judgment or order of the first instance of a local people's court to the people's court at the next higher level. Judgments or orders of the second instance of the same level and at the next higher level are final and binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's court at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures.

The PRC civil procedures are governed by the Civil Procedure Law of the People's Republic of China (中华人民共和国民事诉讼法) (the "**Civil Procedure Law**") adopted on 9th April, 1991. The Civil Procedure Law contains regulations on the institution of a civil action, the jurisdiction of the people's courts, the procedures in conducting a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's place of domicile. The jurisdiction may also be selected by express agreement by the parties to a contract provided that the jurisdiction of the people's court selected has some actual connection with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or implemented in the jurisdiction selected, or the subject-matter of the proceedings is located in the jurisdiction selected. A foreign national or foreign enterprise is accorded the same litigation rights and obligations as a citizen or legal person of the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the people's court to enforce the judgment, order or award. There are time limits on the right to apply for such enforcement. Where at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other entities, the time limit is six months.

A party seeking to enforce a judgment or order of a people's court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to PRC enforcement procedures by the people's courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the people's court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

3. ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (中华人民共和国仲裁法) (the "**Arbitration Law**") was promulgated by the Standing Committee of the NPC on 31st August, 1994 and came into effect on 1st September, 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee.

A party seeking to enforce an arbitral award of a foreign affairs arbitration body of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of PRC law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award ("New York Convention") adopted on 10th June, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2nd December, 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (1) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

4. FOREIGN EXCHANGE CONTROL

Major reforms have been introduced on the foreign exchange control system of the PRC since 1993.

The People's Bank of China, with the authorisation of the State Council, issued on 28th December, 1993 the Notice on the Further Reform of the Foreign Exchange Control System (中国人民银行关于更进一步改革外汇管理体制的公告) and on 26th March, 1994 the Provisional Regulations on the Settlement, Sale and Payment of Foreign Exchange (结汇、售汇及付汇管理暂行规定) which came into effect on 1st January, 1994 and 1st April, 1994 respectively. On 29th January, 1996, the State Council promulgated the PRC Foreign Exchange Administration Regulations (中华人民共和国外汇管理条例) which took effect on 1st April, 1996 and was revised on 14th January 1997. On 20th June, 1996, the PBOC issued the Administration Regulations on the Sale, Purchase and Payment of Foreign Exchange (结汇、售汇及付汇管理规定), which took effect on 1st July, 1996. On 25th October, 1998, the People's Bank of China and the State Administration for Foreign Exchange issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1st December, 1998, all foreign exchange transactions for foreign-invested enterprises may only be conducted through authorised banks.

These regulations contain detailed provisions regulating the holding, sale and purchase of foreign exchange by individuals, enterprises, economic bodies and social organisations in the PRC.

Under the new regulations, the previous dual exchange rate system for Renminbi was abolished and a unified floating exchange rate system based largely on supply and demand was introduced. The People's Bank of China, having regard to the trading prices between Renminbi and major foreign currencies on the inter-bank foreign exchange market, publishes on each bank business day the Renminbi exchange rates against major foreign currencies.

In general, all organisations and individuals within the PRC, including foreign investment enterprises, are required to remit their foreign exchange earnings to the PRC. In relation to PRC enterprises, their recurrent foreign exchange earnings are generally required to be sold to designated banks unless specifically approved otherwise. Foreign investment enterprises (including sino-foreign equity joint ventures and sino-foreign co-operative enterprises), on the other hand, are permitted to retain certain percentage of their recurrent foreign exchange earnings and the sums retained may be deposited into foreign exchange bank accounts maintained with designated banks. Capital foreign exchange earnings must be deposited into foreign exchange bank accounts maintained with designated banks and can generally be retained in such accounts.

At present, control on the purchase of foreign exchange is being relaxed. Enterprises which require foreign exchange for their current activities such as trading activities and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents without the need for any prior approvals of the State Administration of Exchange Control.

In addition, where an enterprise requires any foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as the distribution of profits by a foreign investment enterprise to its foreign investment party, then, subject to the due payment of tax on such dividends the amount required may be withdrawn from funds in foreign exchange accounts maintained with designated banks, and where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks upon the presentation of the resolutions of the directors on the profit distribution plan of that enterprise.

Despite the relaxation of foreign exchange control over current account transaction, the approval of the foreign exchange administration authority is still required before a PRC enterprise may borrow a loan in foreign currency or provide any foreign exchange guarantee or make any investment outside of the PRC or to enter into any other capital account transaction involving the purchase of foreign exchange.

When conducting actual foreign exchange transactions, the designated banks may, based on the exchange rate published by the People's Bank of China and subject to certain limits, freely determine the applicable exchange rate.

The China Foreign Exchange Trading Centre (“CFETC”) was formally established and came into operation on 1st January, 1994. CFETC has set up a computerised network with sub-centres in several major cities, thereby forming an interbank market in which designated PRC banks can trade in foreign exchange and settle their foreign currency obligations. Prior to 1st December, 1998, enterprises with foreign investment may at their own choice enter into exchange transactions through Swap Centre or through designated PRC banks. From 1st December, 1998 onwards, exchange transactions will have to be conducted through designated banks. Swap Centres became restricted to conducting foreign exchange transactions between authorised banks and inter-bank lending between PRC banks.

5. TAXATION

(a) Income tax on joint ventures

Under the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises (中华人民共和国外商投资企业和外国企业所得税法) (the “**Foreign Enterprises Tax Law**”) adopted by the NPC on 9th April, 1991 and the Implementing Rules of the Foreign Enterprises Tax Law (中华人民共和国外商投资企业和外国企业所得税法实施细则) promulgated by the State Council, which came into effect on 1st July, 1991, foreign investment enterprises (including sino-foreign equity joint ventures, sino-foreign co-operative joint ventures and wholly foreign owned enterprises established in the territory of the PRC) is required to pay a national income tax at a rate of 30% of their taxable income and a local income tax at a rate of three per cent. of their taxable income.

A joint venture engaged in production having a period of operation of not less than ten years shall be exempted from income tax for the first two profit-making years and a 50% reduction in the income tax payable for the next three years. The income tax concession for foreign investment enterprises engaged in the exploitation of resources such as petroleum, natural gas, rare metals and precious metals are regulated separately by the State Council.

Foreign investment enterprises established in special economic zones, foreign enterprises having an establishment in special economic zones engaged in production or business operations and foreign investment enterprises engaged in production in economic and technological development zones may pay income tax at a reduced rate of 15%. Foreign investment enterprises engaged in production established in coastal economic open zones or in the old urban districts of cities where the special economic zones or the economic and technological development zones are located may pay income taxes at a reduced rate of 24%. A reduced income tax rate of 15 per cent. may apply to an enterprise located in such regions which is engaged in energy, communication, harbour, wharf or other projects encouraged by the State.

Losses incurred in a tax year may be carried forward for not more than five years.

The people's governments of provinces, autonomous regions and centrally supervised municipalities may grant exemptions from or reduced local income tax for a foreign investment enterprise engaged in an industry or a project encouraged by the State.

(b) **Value added tax**

The Provisional Regulations of the People's Republic of China Concerning Value Added Tax (中华人民共和国增值税暂行条例) promulgated by the State Council came into effect on 1st January, 1994. Under these regulations and the Implementing Rules of the Provisional Regulations of the People's Republic of China Concerning Value Added Tax (中华人民共和国增值税暂行条例施行细则), value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

Value added tax payable in the PRC is charged on an aggregated basis at a rate of 13 or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of value added tax included in the price or charges, and less any deductible value added tax already paid by the taxpayer on purchases of goods and services in the same financial year.

(c) **Business tax**

With effect from 1st January, 1994, business that provide services (including entertainment business), assign intangible assets or sell immovable property became liable to business tax at a rate ranging from three to twenty per cent. of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

(d) **Tax on dividends from PRC enterprise with foreign investment**

Under the Foreign Enterprises Tax Law, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 20% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Foreign Enterprises Tax Law. The profit derived by a foreign investor from a PRC enterprise with foreign investment is exempted from PRC tax under the Foreign Enterprises Tax Law.

6. WHOLLY FOREIGN-OWNED ENTERPRISE

Wholly foreign-owned enterprises are governed by the Law of the people's Republic of China Concerning Enterprises with Sole Foreign Investments (中华人民共和国外资企业法), which was promulgated on 12th April, 1986 and was revised on 31st October 2000, and its Implementation Regulations promulgated on 12th December, 1990 (together the "**Foreign Enterprises Law**").

(a) **Procedures for establishment of a wholly foreign-owned enterprise**

The establishment of a wholly foreign-owned enterprise will have to be approved by Ministry of Foreign Trade and Economic Co-operation ("MOFTEC") (or its delegated authorities). If two or more foreign investors jointly apply for the establishment of a wholly foreign-owned enterprise, a copy of the contract between the parties must also be submitted to MOFTEC (or its delegated authorities) for its record. A wholly foreign-owned must also obtain a business licence from Store Administration for Industry and Commerce before it can commence business.

(b) **Nature**

A wholly foreign-owned enterprise is a limited liability company under the Foreign Enterprise Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. A foreign investor may make its contributions by instalments and the registered capital must be contributed within the period as approved by MOFTEC (or its delegated authorities) in accordance with relevant regulations.

(c) **Profit distribution**

The Foreign Enterprise Law provides that after payment of taxes, a wholly foreign-owned enterprise must make contributions to a reserve fund and an employee bonus and welfare fund. The allocation ratio for the employee bonus and welfare fund may be determined by the enterprise. However, at least 10 per cent. of the after tax profits must be allocated to the reserve fund. If the cumulative total of allocated funds reaches 50% of an enterprise's registered capital, the enterprise will not be required to make any additional contribution. The enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

7. ABATTOIR OPERATIONS AND THE SLAUGHTERING OF PIGS

Under the PRC's Regulations On Slaughtering Pigs, the regulatory system for abattoirs and pig slaughtering take a three-pronged approach:-

- licence of abattoir
- centralised quarantine system
- uniform taxation system

An abattoir engaged in the slaughter of pigs must obtain a licence (the Permit for Fixed Pig Slaughtering Place) from the People's Government of Luozhuang District, Linyi City designating it as an authorised abattoir. In order to qualify as an authorised abattoir, the abattoir must possess the following:-

- adequate facilities, designated and separate pre-slaughter, slaughter and post-slaughter areas;
- adequate transportation equipment;
- water supply that is sufficient for the scale of the abattoir and which complies with national health standards;
- abattoir personnel who have been issued with certificate of health;
- full time or part time inspectors who are qualified to inspect meat produced by the abattoir;
- necessary facilities for the inspection, sterilisation and disposal of pollutants;
- facilities for the non-harmful disposal of live pigs and meat products; and
- epidemic prevention measures which comply with national requirements.

Quality control checks on the slaughtering process as well as the meat produced are to be carried out simultaneously. Results of all inspections and any disposals of pigs or meat products are to be recorded in registers kept by the abattoir. Only meat products which have passed all inspections and quality control checks by the abattoirs quality control personnel are allowed to leave the abattoir.

Under the PRC Regulations on Slaughtering Pigs, the centralised quarantine system requires abattoirs to obtain a certificate of animal quarantine, and the quarantine of animals is supervised by the Animal and Plant Quarantine Authority.

A uniform tax rate is imposed on all abattoirs.

8. PROCESSING OF MEAT PRODUCTS

In the PRC, regulations relating to the processing of meat products are set out in the PRC Law of Food Hygiene and the Administrative Measures for the Hygiene of Meat and Meat Products. A PRC food processing company is required to obtain a Hygiene Permit from the Hygiene Bureau of Luozhuang District, Linyi City before it may apply to the Ministry of Industry and Commerce for the registration of business licence.

A food processing company may not purchase or use meat which has not been inspected and certified by the Animal Supervision Authority. Even if the meat has been so inspected and certified, it must still satisfy other hygiene requirements. Each food processing companies must have facilities to conduct regular laboratory testing of its products to ensure food safety requirements are met. For instance, the level of contaminants and radioactive substances in the meat products must not exceed national standards.

Food processing companies are required to possess hygienic cold storage facilities, and the proper management of such cold storage facilities must be set out. All storage equipment and packing materials used must also comply with hygiene standards. All meat products which are packaged must be labeled, specifying requisite information such as the name of the product, the place of manufacture, the manufacture date, lot number or code, final consumption date and ingredients.

Any meat products to be exported shall be inspected by the Animal and Plant Quarantine Authority when passing through customs. Only products which have passed such inspections may be exported.

9. ANIMAL FEEDS PRODUCTION

In the PRC, an enterprise which produces animal feeds must have:–

- suitable factory premises, equipment, techniques and storage facilities
- adequate staff, equipment and facilities to carry out quality control checks on production processes
- safe and hygienic premises and facilities which comply with national standards
- pollution prevention measures which satisfy national standards of environmental protection

Producers of animal feeds must implement a system of quality control measures, keep a register of production records as well as product samples.

Animal feed products which pass stringent quality control checks will be awarded with a certificate of quality, and only such products may be sold by animal feed producers.

Materials used for packaging animal feeds must also comply with national safety and hygiene standards. All animal feed products shall be labeled, specifying the name of the product, material ingredients, net weight, manufacture date, expiry date, name and address of the producer/ manufacturer, product code and methods of use.

10. PIG REARING

In the PRC, animal disease prevention includes the prevention, control and extermination of animal diseases and disease outbreaks, as well as the quarantine of animals where necessary. The rearing and sale of animals, and the production and sale of meat and other animal products by farms, abattoirs and meat/food processing companies shall comply with the Law of Animal Disease Prevention stipulated by the Husbandry and Veterinary Administrative Department of the State council.

A system of compulsory immunisation procedures is implemented by the Husbandry and Veterinary Administrative Department of the State council. This system of immunisation procedures must be carried out by all companies and individuals who engage in the rearing and/or sale of animals, and in the production and sale of animal products. All infected animals, animal products and carcasses must be properly disposed of.

The sale of the following animals or animal products are prohibited:–

- those related to an animal disease outbreak occurring in a cordoned-off epidemic area;
- those susceptible to an disease outbreak in an epidemic area;
- those subjected to quarantine inspection according to law but failing to undergo or pass quarantine inspection.
- Those infected with an epidemic disease;
- Those which died of illness or died due to an unidentified cause; and
- Those not listed above but failing to comply with the Law of Animal Disease Prevention.

Supervising agencies for the prevention of animal disease outbreaks shall carry out the quarantine of infected animals. Those which passed the quarantine inspection and are not infected with any diseases will be issued a quarantine certification and, at the same time those animal products, are affixed or sealed with an inspection mark used by the supervising agency. Animals can be sold, transported, participate in displays, shows or contests if they posses such quarantine certificate. Animal products which passes the quarantine certificate and the inspection mark may be sold and transported. The quarantine certificate shall not be transferred, altered or forged.

11. ENVIRONMENTAL PROTECTION REGULATIONS

The Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

An company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their business licences terminated. Companies or 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 the any losses or damages suffered as a result of such environmental pollution.

**SUMMARY OF MATERIAL CHANGES TO THE PRELIMINARY PROSPECTUS
LODGED WITH THE REGISTRAR OF COMPANIES AND BUSINESSES
IN SINGAPORE ON 31 JANUARY 2001**

On 31 January 2001, we registered a preliminary prospectus (the "Preliminary Prospectus") with the Registrar of Companies and Businesses in Singapore. This Prospectus contains several changes to the Preliminary Prospectus and they are as follows:-

- (1) **Subdivision of each of the issued and unissued shares of HK\$0.50 each into two ordinary shares of HK\$0.25 each pursuant to resolutions passed by all shareholders on 22 February 2001 as stated on page 95 of this Prospectus**

As a result of the resolutions, the number of shares pre-Invitation have been increased from 418,201,870 shares of HK\$0.50 each to 836,403,740 shares of HK\$0.25 each.

- (2) **Reduction of the Invitation size from 90,000,000 Shares of HK\$0.50 each to 130,550,000 Shares of HK\$0.25 each and the complete removal of the sale of Vendor Shares from the Invitation**

The offer structure in the Preliminary Prospectus was as follows:-

Invitation in respect of 90,000,000 ordinary shares of HK\$0.50 each comprising 75,000,000 New Shares and 15,000,000 Vendor Shares as follows:-

- (a) 4,500,000 Offer Shares at S\$●●● for each Offer Share by way of public offer; and
(b) 85,500,000 Placement Shares at S\$●●● for each Placement Share by way of placement, payable in full on application.

The offer structure in this Prospectus is as follows:-

Invitation in respect of 130,550,000 New Shares of HK\$0.25 each comprising:-

- (a) 9,550,000 Offer Shares at S\$0.315 for each Offer Share by way of public offer; and
(b) 121,000,000 Placement Shares at S\$0.315 for each Placement Share by way of placement, payable in full on application

A consequence of the changes in (1) and (2) is that earnings per share, NTA per share, historical net operating cash flow per Share, historical price earnings ratio and ratio of Issue Price to historical net operating cash flow per Share figures have been amended accordingly. In addition, the number of shares post-Invitation have been increased from 493,201,870 shares of HK\$0.50 each to 966,953,740 shares of HK\$0.25 each.

- (3) **Granting of Over-allotment Option**

This Prospectus includes the granting of an Over-allotment Option to the Manager as stated on page 14.

- (4) **Insertion of dividend policy for FY2001**

Under "Dividend Policy", this Prospectus states that for FY2001 we expect to recommend and distribute not less than 50% of net profit as dividend.

(5) Changes in the use of proceeds

In view of the reduction in invitation size and the reduced net proceeds, the following uses of proceeds which were stated in the Preliminary Prospectus are not included in this Prospectus:–

- (a) purchase of an additional abattoir;
- (b) increase in capacity of the pig farm;
- (c) purchase of delivery trucks; and
- (d) develop new cross-breeds of pigs.

(6) Changes in the terms of the Management and Underwriting Agreement and the Placement Agreement

Under the Management and Underwriting Agreement, the underwriting commission has been increased from 1.75 per cent to 2.0 per cent of the Issue Price and the number of shares has been changed from 4,500,000 offer shares of HK\$0.50 each to 9,550,000 offer shares at HK\$0.25 each. Under the Placement Agreement, the placement commission has been increased from 1.75 per cent to 2.0 per cent of the Issue Price and the number of shares has been changed from 85,500,000 placement shares of HK\$0.50 each to 121,000,000 placement shares of HK\$0.25 each. Brokerage has also been changed from 1.0 per cent of the Issue Price for each Invitation Share to 1.0 per cent of the Issue Price for each Offer Share and 1.5 per cent of the Issue Price for each Placement Share. The grounds for termination for the Management and Underwriting Agreement have also been amended and it includes the termination of the Management and Underwriting Agreement in the event that the Placement Agent fails to receive subscriptions and payments for at least 85% of the Placement Shares at 6.00 p.m. on 13 March 2001.

(7) Change in the undertaking by Substantial Shareholders in connection with the Singapore Code on Take-overs and Mergers (the “Code”)

It was stated in the Preliminary Prospectus that our substantial shareholders, Chinese Glory and David Yip Wai Sun have each undertaken to the SGX-ST that, as long as they continue to be substantial shareholders of our Company, they will endeavour to persuade potential offerors in connection with a take-over offer for our Company to comply with the requirements of the Act and the Code in the event of any take-over offers for our Company. In this Prospectus, it is stated that our other substantial shareholder, Wang Tingbao, has also given such undertaking to the SGX-ST.

(8) Potential investors who intend to subscribe for more than 5% of the Invitation Shares

As disclosed on page 93 of this Prospectus, save for 2 potential investors, our Company is not aware of any other person who intends to subscribe for more than 5% of the Invitation Shares. The 2 potential investors are not related to our Directors and substantial shareholders and they will not be substantial shareholders of our Company after their intended subscription.

