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SUMPO FOOD HOLDINGS LIMITED

森寶食品控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1089)

CHANGE IN USE OF PROCEEDS

Reference is made to the Prospectus relating to the Share Offer. The Directors wish to announce that, in light of the keep rising costs of debt financing, in order to better utilise the cashflow of the Group, the Company has decided to change the use of part of the unutilised Net Proceeds received from the Share Offer as more particularly set out in this announcement.

USE OF PROCEEDS

Reference is made to: (i) the prospectus (the “**Prospectus**”) issued by Sumpo Food Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 December 2010 in relation to the initial public offering of the shares of the Company by way placing and public offer (the “**Share Offer**”) on the Main Board of The Stock Exchange of Hong Kong Limited; (ii) the annual report of the Company for the year ended 31 December 2010 (the “**Annual Report**”); and (iii) the interim report of the Company for the six months ended 30 June 2011 (the “**Interim Report**”). Unless otherwise stated, capitalized terms used herein shall have the same meaning as defined in the Prospectus.

As stated in the Annual Report, the net proceeds received by the Company from the Share Offer and the over-allotment option were approximately HK\$283.9 million (equivalent to approximately RMB231.7 million) (the “**Net Proceeds**”). As at the date of this announcement, approximately HK\$266.1 million (equivalent to approximately RMB217.2 million) of the Net Proceeds remained unutilised.

The table below has summarised the use of Net Proceeds of the Company:

	Intended use of Net Proceeds (approximate)		Actual use of Net Proceeds as at the date of this announcement (approximate)		Unutilised Net Proceeds as at the date of this announcement (approximate)	
	HK\$ (million)	RMB equivalent (million)	HK\$ (million)	RMB equivalent (million)	HK\$ (million)	RMB equivalent (million)
Establishing new breeder farms	120.1 ⁽¹⁾	98.0	9.3	7.6	110.8	90.4
Establishing new hatching facilities	20.8 ⁽¹⁾	17.0	8.5	6.9	12.3	10.1
Establishing new broiler breeding farms	143.0 ⁽¹⁾	116.7 ⁽²⁾	–	–	143.0	116.7
	<u>283.9</u>	<u>231.7</u>	<u>17.8</u>	<u>14.5</u>	<u>266.1</u>	<u>217.2</u>

Notes:

1. The net proceeds as shown herein are different from the Prospectus due to the change in exchange rate of RMB to HK\$.
2. The net proceeds as shown herein is different from the Prospectus due to the discrepancy between the actual Offer Price of the Share Offer and the mid-point Offer Price as used in the Prospectus when calculating the use of proceeds, as well as taking into account the fully exercise of the over-allotment option on 28 January 2011 as detailed in the Annual Report.

CHANGE IN USE OF PROCEEDS

As additional administrative time is needed for the relevant governmental approvals in relation to obtaining the land use right for constructing the new breeder farms, hatching facility and broiler breeding farms, the expected completion dates of such new facilities would not be as those as contemplated in the Prospectus. Thus, part of the net proceeds reserved for establishing these new facilities could be freed for other immediate business development requirements, in particular, to better equip the new slaughtering and processing plant to meet its expected increasing production volume.

As stated in the Prospectus, the Group originally planned to finance the new slaughtering and processing plant by internal resources and debt financing. In light of the national policy of tightening credit control, the costs of debt financing is soaring, the Directors thus consider that by reallocating part of the unutilised Net Proceeds for the new slaughtering and processing plant and for the Group's working capital and other general corporate purposes, which would save interests expenses arising from debt financing of the Group.

The Board has resolved to change the proposed use of unutilised Net Proceeds in the following manner:

	Original allocation as disclosed in the Prospectus				Revised allocation	
	Intended use of Net Proceeds (approximate)		Unutilized amount of the proceeds from the Share Offer (approximate)		Net proceeds from Share Offer allocated (approximate)	
	HK\$ (million)	RMB equivalent (million)	HK\$ (million)	RMB equivalent (million)	HK\$ (million)	RMB equivalent (million)
Establishing new breeders farms (<i>note</i>)	120.1	98.0	110.8	90.4	39.7	32.4
Establishing new hatching facilities	20.8	17.0	12.3	10.1	7.7	6.3
Establishing new broiler breeding farms (<i>note</i>)	143.0	116.7	143.0	116.7	61.3	50.0
Establishing new slaughtering and processing plant	–	–	–	–	121.3	99.0
Funding the Group's working capital and for general corporate purposes	–	–	–	–	36.1	29.5
	<u>283.9</u>	<u>231.7</u>	<u>266.1</u>	<u>217.2</u>	<u>266.1</u>	<u>217.2</u>

Note: As disclosed in the Prospectus, the Group planned to establish 10 new breeder farms and 10 new broiler breeding farms by the end of 2012. However, the Board now considers establishing the new facilities progressively in stages would better cater the business development of the Group. Thus presently, the Group changed its plan to build 3 and 5 new breeder farms and new broiler breeding farms respectively with the unutilised Net Proceeds so that capital can be freed up for other immediate business needs.

The Group's slaughtering and processing plant will commence its operation in December 2011. The first new breeder farm and the new hatching facility are expected to commence operation in early 2012 and the second and third breeder farms are expected to commence operation in the third quarter of 2012. The new broiler breeding farms will be completed progressively by the end of 2012.

The Board considers that the above change in use of unutilised Net Proceeds will facilitate efficient allocation of financial resources of the Company and strengthen the future development of the Group, and is fair and reasonable and in the interests of the Company and its shareholders as a whole.

By order of the Board
Sumpo Food Holdings Limited
Lin Qinglin
Chairman

Hong Kong, 28 November 2011

In this announcement, unless otherwise specified, conversions of Hong Kong dollars into RMB and vice versa are based on the approximately exchange rate of HK\$1.00 to RMB0.816 for the purpose of illustration only.

As at the date of this announcement, the Board comprises Mr. Lin Qinglin, Mr. Wu Shiming, Mr. Yin Shouhong as executive directors, and Mr. Hu Chung Ming, Mr. Liao Yuan, Mr. Chau On Ta Yuen and Mr. Wei Ji Min as independent non-executive directors.