Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special consideration associated with an investment in the Company before making any investment decision in relation to the Company.

RISKS ASSOCIATED WITH THE GROUP'S BUSINESS OPERATIONS

The fluctuation of product prices may affect the Group's profitability

The Group is exposed to the risk of fluctuation of products' prices due to various factors including the market force of supply and demand which is affected by environmental regulations, animal diseases, seasons and changes of taste or preferences of customers. Since these factors affect the market as a whole, the Group has little or no control over the same.

The following table sets out the average selling prices of the Group's products during the Track Record Period:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB	*RMB*	*RMB*
Average selling prices per kg *(note)*			
Commodity hogs	13.4	12.7	n.a.
Retail pork	18.5	20.9	25.8
Wholesale pork	17.7	18.1	23.6

Note: Average selling prices represent the revenue for the year divided by the sales volume for the year.

The average retail price of pork per kg for the years ended 31 December 2009, 2010 and 2011 were approximately RMB18.5, RMB20.9 and RMB25.8 respectively, representing a percentage increase for the years ended 31 December 2010 and 2011 of approximately 13.0% and 23.4% respectively. The Group has started its wholesale of pork since August 2009. The average wholesale price of pork per kg for the years ended 31 December 2009, 2010 and 2011 were approximately RMB17.7, RMB18.1, and RMB23.6 respectively, representing a percentage increase for the years ended 31 December 2010 and 2011 of approximately 2.3% and 30.4% respectively. For the three months ended 31 March 2012, the average retail price and average wholesale price of pork were approximately RMB26.0 per kg and RMB23.8 per kg respectively.

If the product prices decrease and the Group is unable to reduce its costs accordingly, the Group's revenue and profit may be adversely affected.

For illustrative purpose only, the following table illustrates the sensitivity of the changes in the Group's profit for the year in the event that:

(i) there is a 10% increase or decrease in the average selling prices of the Group's commodity hogs during the Track Record Period:

	Year ended 31 December		
	2009	**2010**	**2011**
Sensitivity rate (%)	10	10	10
Increase or decrease of the Group's profit (RMB'000)	2,746	302	n.a.[(1)]

(ii) there is a 10% increase or decrease in the average selling prices of the Group's pork sold as retail during the Track Record Period:

	Year ended 31 December		
	2009	**2010**	**2011**
Sensitivity rate (%)	10	10	10
Increase or decrease of the Group's profit (RMB'000)	1,426	7,606	23,646

(iii) there is a 10% increase or decrease in the average selling prices of the Group's pork sold as wholesales during the Track Record Period:

	Year ended 31 December		
	2009	**2010**	**2011**
Sensitivity rate (%)	10	10	10
Increase or decrease of the Group's profit (RMB'000)	11,572	36,529	28,288

Note:

(1) The Group did not make any sales of commodity hogs for the year ended 31 December 2011.

The Group's working capital structure and profitability may be affected by the change in business model

Prior to 2009, a majority of the Group's revenue had been generated from the sale of commodity hogs. With a view to further developing the downstream market and transforming into a vertically integrated pork supplier, the Group has established its own slaughterhouse, with a maximum annual slaughtering capacity of approximately 2,000,000 hogs, which was put into operation in August 2009. With the newly added slaughtering facility, the Group has successfully formed a vertically integrated operational platform comprising hog farming, hog slaughtering and production of pork. Since then, the Group has shifted its principal business focus from the sale of commodity hogs to the wholesale of hog carcasses and internal organs as well as retail of pork marketed under the "Putian (普甜)" brand.

The Group recorded net current liabilities of approximately RMB38.5 million as at 31 December 2009 and a net current asset position of approximately RMB23.4 million and RMB27.0 million as at 31 December 2010 and 2011 respectively. The net current liabilities position as at 31 December 2009 was the result of the use of short-term financing, including short-term borrowings and advances from a Shareholder to finance the long-term capital requirements of the Group in relation to the construction of hog farm, slaughterhouse and acquisition of machinery for the production line. The Group's overall gross profit margin decreased from approximately 29.6% for the year ended 31 December 2009 to approximately 18.1% for the year ended 31 December 2010. In addition, due to the increase in the Group's sales driven by the sales of pork to pork product traders since the commencement of the operation of the Group's slaughterhouse in August 2009, the Group's trade receivables also increased from RMB15.3 million as at 31 December 2009 to RMB36.6 million and RMB40.4 million as at 31 December 2010 and 2011 respectively, as the purchasers of commodity hogs of the Group would usually settle the purchase amount upon delivery, whereas pork product traders are usually granted a credit period of around 30 to 90 days from delivery of the Group's pork. The Group is also exposed to the liquidity risk as a significant amount of purchases from hog suppliers were on cash basis which required the Group to settle the payment immediately. The Group may not have sufficient cash flow to settle the payment as required.

The Group's working capital structure and profitability may be subject to further changes in the Group's business focus in the future and the Group cannot assure that such changes will not adversely affect the Group's operations and financial results.

The Group relies heavily on the wholesale to individual pork product traders

Since the commencement of operation of the Group's slaughterhouse in August 2009, wholesale of pork has become a substantial portion of the Group's revenue which accounted for approximately 73.5%, 82.2% and 54.5% of the Group's revenue for the years ended 31 December 2009, 2010 and 2011 respectively. The Group's wholesale customers are mainly individual local pork product traders and the Group expects it will continue to sell majority of its products to these pork product traders. However, the Group has not entered into any long-term contracts of more than one year with them. As at the Latest Practicable Date, the Group has eight pork product traders who have entered into contracts with the Group for a term of one year. There is no assurance that the Group will continue to retain these pork product traders or these pork product traders will maintain or increase their current level of business activities with the Group. If there is any material delay, reduction or cancellation of orders or termination of relationship with any of these pork product traders, the Group's revenue and profitability could be materially and adversely affected. Furthermore, the Group has limited control over the pork product traders on their subsequent sale and distribution of the pork. Should there be any improper use or distribution of the Group's pork by the pork product traders, the Group's reputation may be adversely affected which in turn may result in material impact on the Group's performance.

Consumers' confidence in the Group's products may be affected by market conducts

A major scandal of illegal use of clenbuterol (瘦肉精) has hit the PRC's pork industry when traces of the substance were found in the pork sold by one of the PRC's largest pork production companies in early 2011. Clenbuterol is a class of steroid and additive that stimulates muscle development and burns fat in hogs to produce leaner pork. However, consumption of pork tainted by clenbuterol will cause health problems to consumers. Sales volume of pork shrunk dramatically in the PRC during the week following the scandal due to the lack of consumers' confidence in pork. The price of pork also dropped as a result. For instance, the average retail price of pork per kg decreased from RMB26.2 in March 2011 to RMB23.4 in April 2011, when the incident of use of clenbuterol became a concern of the general public. If any similar incident arises, consumers' confidence in the Group's products and so the Group's revenue may be adversely affected.

Outbreaks of swine diseases and animal diseases could adversely affect the Group's business

There are various swine diseases and animal diseases that affect hogs, including but not limited to, FMD, influenza A (H1N1) and PRRS.

FMD is a major plague of animal farming due to its highly infectious nature. It can spread rapidly throughout animal populations and over long distance by wind. Spread of FMD will be intensified in areas with high population density. Infected hogs are required to be separated. FMD is characterised by blisters inside the mouths that lead to excessive secretion of stringy or foamy saliva and blisters on the feet that may rupture and cause lameness. FMD can be cured with appropriate medication, but the mouths and legs of the infected hogs will no longer be marketable and shall be disposed of after slaughtering.

PRRS is caused by an arterivirus. PRRS causes reproductive failure in breeder hogs and respiratory tract illness in piglets and weaners. Vaccination for PRRS is available, but outbreaks are still possible after hogs have been vaccinated. In mid-2006, there was an outbreak of PRRS in the Fujian Province, mostly among the small-scale hog farms, which resulted in increase in miscarriage by gilts and premature death of piglets and weaners.

As the Group is engaged in the hog breeding and farming operation, outbreaks of animal diseases could adversely affect the operation and performance of the Group. The Group and/or its Contract Farms may be required to quarantine its infected hogs and incur additional costs on medication and vaccination during outbreak of animal diseases. The Group and/or its Contract Farms may also be required to exterminate a large quantity of hogs if any of the hogs is suspected to be carrying animal diseases. Outbreaks of animal diseases could result in serious disruption to the Group's business operation and material adverse effect to the Group's sale of its products.

Further, even though the Group's hog production is not adversely affected by prevailing animal diseases, such animal diseases may affect the confidence of customers in consumption of pork and will lead to a decrease in the price of pork. For example, during the outbreak of influenza A (H1N1) which was alleged to be caused by swine flu in early 2009, the average price of commodity hogs sold by the Group dropped from approximately RMB15.4 per kg in March 2009 to approximately RMB11.1 per kg in May 2009.

The Group relies substantially on the hog suppliers

A continuous and stable supply of hogs (including breeder hogs and commodity hogs) is crucial to the Group's operation. During the Track Record Period, the Group purchased breeder hogs from two suppliers and in general, all of the hogs farmed by the Contract Farms were purchased from hog suppliers. During the Track Record Period, total output of hogs from Contract Farms accounted for approximately 64.1%, 91.0% and 89.6% of the Group's total output of hogs. The Group expects to continue to rely on these suppliers for the supply of breeder hogs and commodity hogs. However, the Group has not entered into any long-term contracts with any of the hog suppliers for a period exceeding two years. In the event that the supply of breeder hogs or commodity hogs is interrupted due to any reasons whatsoever, the Group's production will be adversely affected.

Although the Group has implemented internal control measures for examining the quality of the hogs supplied by its suppliers before purchase and upon the delivery in order to check whether these hogs supplied comply with the standards set by the Group, there is no assurance that all the hogs purchased from the suppliers will be of the same quality as those farmed in the Group's hog farm.

The Group relies substantially on the Contract Farmers to provide hog farming services

The Group's operation depends heavily on a sufficient and stable supply of hog. The Group has engaged Contract Farmers for the provision of hog farming services since April 2009. For the years ended 31 December 2009, 2010 and 2011, the hogs provided by Contract Farmers accounted for approximately 64.1%, 91.0% and 89.6% of the Group's total output of hogs for the respective period. The Contract Farmers are required to provide farming services to the Group at an agreed service fee. The Group has not entered into any contracts with its Contract Farmers for a term of over two years. There is no assurance that the Contract Farmers will continue to provide farming services to the Group.

As at 31 December 2009, 2010 and 2011, 46, 12 and five Contract Farmers were engaged by the Group respectively. The number of Contract Farmers decreased significantly in 2010 due to the promulgation of the Delimit Plan which restricted the operation of local hog farmers including those engaged by the Group. For details of the geographical restrictions, please refer to the section headed "PRC Regulatory Overview" of this prospectus. As at the Latest Practicable Date, the Group had engaged five Contract Farmers, all of which were located in the non-forbidden zone for hog farming. However, there is no assurance that the Group is able to engage sufficient number of qualified Contract Farmers to provide farming services to the Group in the future. In the event that the Group is not able to engage sufficient Contract Farmers, or the Contract Farmers cannot provide sufficient hog farming services to the Group, the Group's production and productivity could be adversely affected.

The Group may encounter fluctuation in the prices or interruption in the supply of direct materials

Hog feeds used for the raising of hogs are either produced by the Group or purchased from feed manufacturers. Costs of direct materials are primarily comprised costs of corn, soya meal, wheat bran, feed premix and procurement cost of hogs.

During the Track Record Period, the average prices for procuring the raw materials per kg and commodity hogs per head are set out below:

	Year ended 31 December				
	2009	**2010**	**Approximate percentage of change**	**2011**	**Approximate percentage of change**
	RMB	*RMB*		*RMB*	
Corn (per kg)	1.85	2.10	13.5%	2.45	16.7%
Soya meal (per kg)	3.46	3.22	(6.9)%	3.20	0.6%
Wheat bran (per kg)	1.75	1.71	(2.3)%	1.71	0%
Feed premix (per kg)	6.39	5.71	(10.6)%	5.72	0.2%
Commodity hogs (per head)	471.24	674.89	43.2%	1,276.08	89.1%

For the three months ended 31 March 2012, the average prices for procuring corn, soya meal, wheat bran, feed premix and commodity hogs were approximately RMB2.51 per kg, RMB3.13 per kg, RMB1.98 per kg, RMB4.46 per kg and RMB1,214.74 per head respectively.

The prices of such raw materials are affected by various factors, including but not limited to the weather conditions and harvest conditions of the raw materials, the policies of the PRC government and market competition.

For the years ended 31 December 2009, 2010 and 2011, the costs of the aforesaid raw materials and feed premix were approximately RMB97.1 million, RMB149.2 million and RMB74.1 million respectively, representing approximately 48.2%, 53.2% and 19.3% of the total purchase of the Group during the same period respectively. The Group has not implemented any specific hedging measures against price fluctuation since to the best knowledge of the Directors, there is no appropriate hedging tool available in the PRC. Accordingly, any significant increase in the prices of the raw materials will increase the costs of purchase and production and should the Group fail to minimise the effect of the increase, there would be an adverse impact on the Group's profitability.

During the Track Record Period, the Group has entered into supply contracts with at least two suppliers in the Fujian Province for each type of raw materials. However, the term of such supply contracts is not longer than two years, there is no assurance that they will continue to supply such raw materials to the Group, and in the event that the supply of raw materials is interrupted due to any reason whatsoever, the Group's production will be adversely affected.

Moreover, the Group purchased commodity hogs from various sources for further farming by the Contract Farmers during the Track Record Period. For the years ended 31 December 2009, 2010 and 2011, approximately 64.1%, 91.0% and 89.6% of the Group's hog output were farmed by Contract Farmers respectively. The fluctuation in the price of commodity hogs may significantly affect the Group's costs of sales.

For the years ended 31 December 2009, 2010 and 2011, the costs of purchasing commodity hogs were approximately RMB96.6 million, RMB116.8 million and RMB300.7 million respectively, representing approximately 47.6%, 39.9% and 78.1% of the total purchase of the Group during the same period respectively. The fluctuation of the average purchase price during the Track Record Period reflected the prevailing market price of hog. Regarding the price fluctuation in commodity hogs, the Group has not implemented any specific hedging measures against the same, and the Directors believe that there is no appropriate hedging tool regarding the same. The Group has not entered into any long-term supply agreement with the suppliers of commodity hogs. If the price of commodity hogs in the PRC continues to increase and the Group is not able to minimise the effect of the increase by raising prices of its products, the Group's profitability may be adversely affected.

For illustrative purpose only, the following table illustrates the sensitivity of the changes in the Group's profit for the year in the event of a 10% change in the prices of direct raw materials during the Track Record Period:

	Year ended 31 December		
	2009	**2010**	**2011**
Sensitivity rate (%)	10	10	10
Increase or decrease of the Group's profit (RMB'000)	10,444	35,349	38,615

Please refer to the paragraph headed "Price trend of pork in the PRC" in the section headed "Industry Overview" of this prospectus for further information on the general price trend of hog and pork and the fluctuation of the prices of hog and pork in the first half of 2011.

The Group relies heavily on market condition in the Fujian Province

During the Track Record Period, all of the Group's sales were made in the Fujian Province. The Group expects that most of the sales will continue to be derived from the market in the Fujian Province in the foreseeable future. In the event of any natural disasters, outbreaks of disease, economic recession or other negative incidents happened in the Fujian Province or the PRC, the Group's sales and results of operation could be adversely affected.

The Group may be subject to product liability

The Group has implemented control measures in its production processes in order to ensure the safety of the Group's products. Nevertheless, there is no guarantee that the Group's products will not be contaminated during the production processes and cause bodily harm or other adverse effects to the customers and end consumers.

As at the Latest Practicable Date, the Group did not maintain any product liability insurance in the PRC. During the Track Record Period, the Group had not received any product liability claim from its customers or end consumers. Nevertheless, any product liability claim made or threatened to be made against the Group in the future, regardless of its merits, could result in costly litigation and adverse publicity and put strain on the Group's administrative and financial resources.

The Group's products may be affected if the Contract Farmers do not follow strictly the control measures prescribed by the Group

The Group has set out various control measures for its Contract Farmers to follow and performs regular inspection on each of the Contract Farms to ensure that its Contract Farmers follow the Group's measures strictly. Nevertheless, the Contract Farmers may deviate from the standardised measures. There is no assurance that the Contract Farmers and/or the Contract Farms will strictly abide by the Group's control measures and produce hogs of the quality as required by the Group.

The Group is subject to competition from other competitors engaging in the same or similar business

The Group is operating in a competitive environment and is subject to competition from existing competitors and new market entrants. Competitive factors in the pork production industry include quality control, technical expertise, production capability and capacity, brand recognition, management, pricing and geographical presence. The Group's existing and prospective competitors include both local and national companies who may have access to greater financial and other resources than the Group does. There is no assurance that the Group will be able to remain competitive in all aspects. Should the Group lose its competitiveness against its existing competitors or new market entrants in any of the abovementioned aspects, there will be an adverse effect on the results of the Group's operations.

The Group may be subject to competition from its wholesale customers

The Group has been selling a substantial portion of its pork to individual pork product traders. Pork sold to individual pork product traders accounted for approximately 73.5%, 82.2%, and 54.5% of the Group's revenue for the years ended 31 December 2009, 2010 and 2011 respectively. Such individual pork product traders will usually resell the Group's pork to end customers, canteens and factories situated at the remote areas of Putian City, whereas the Points of Sales in Putian City were mainly located at urban area in Putian City. Since the Group has limited control over the pork product traders on their subsequent sale and distribution, there is no assurance that they will not sell the pork in the urban areas of Putian City thus directly compete with the Group retail network.

The quality of the Group's products may be affected by the medicine and vaccines used on the hogs

During the production of hogs, the Group shall, and the Contract Farmers are required to, apply the appropriate medicines and vaccines to the hogs for the purpose of prevention and treatment of illness and animal diseases. Although the Group only procures medicines and vaccines from legal suppliers, the Company cannot guarantee the quality of such medicines and vaccines and that the medicines and/or vaccines so applied will not cause any problem to the hogs and the pork. In the event that the Group's products are affected by such medicines and vaccines, which result in general public's concerns in food safety and quality or claims, the Group may face potential liabilities in claims from the relevant governmental authorities, customers and end consumers. The confidence of the Group's customers and end consumers, and in turn the Group's reputation and sales could also be adversely affected.

Tightening of laws and regulations on hog farming and pork production and slaughtering industry would incur additional costs

The Group is subject to relevant laws and regulations in the PRC for engaging in hog farming, pork production and slaughtering industry. As sewage and wastes are produced during the Group's production processes, the Group shall comply with the requirements imposed by the relevant laws and regulations, including but not limited to installation of waste treatment facilities and payment of certain waste disposal fee to the relevant PRC governmental authorities. In the event that the PRC laws, regulations or the policies of the government affecting hog farming, pork production and slaughtering industry are amended and more stringent requirements are imposed on the Group, the Group may incur additional costs to ensure the compliance with such requirements and the Group's business and results of operations could be adversely affected. In addition, there is no assurance that the Group will be able to comply with all relevant laws and regulations affecting the hog and pork production and slaughtering industry in the PRC in future. Failure to comply with such laws and regulations may result in the Group subject to punitive measures, including penalties and liabilities, which could have a material adverse effect on the Group's business, results of operations and financial position.

Failure to obtain and maintain any or all of the required licences, permits and government approvals in the PRC could adversely affect the Group's business and future expansion plans

Under the PRC laws and regulations, the Group is required to obtain and maintain various licences and permits in order to operate its businesses in hogs farming and slaughtering in the PRC. These include, amongst others, "Livestock and Poultry Breeders Production Operation Permit (種畜禽生產經營許可證)" and "Certificate of Designated Location of Slaughterhouse for Hogs (生豬定點屠宰證)". In addition to the above licences and permits, the Group is also required to obtain various government approvals and comply with applicable hygiene and food safety standards in relation to its production processes, premises and products. In the event of any change in the laws and regulations or change in any eligibility criteria for these licences and permits which prohibits the Group from obtaining, maintaining or renewing all or any of these licences, permits and approvals, the Group's business, results of operations and future expansion plans could be adversely affected.

Reliance on certain key executives

The development of the Group was significantly attributable to the contribution of Mr. Cai Chenyang, who is the chairman, chief executive officer and an executive Director of the Company. Mr. Cai Chenyang has served the Group since its commencement of business and has been responsible for overseeing the daily operation of the Group, formulating the overall business strategy for the Group, and identifying business opportunities for the Group.

Although each of the executive Directors has entered into a service contract with the Company for a term of three years, loss of the senior management without suitable replacements, or the inability to attract and retain qualified personnel or the inability of such personnel to perform their responsibilities and duties for any reason, could adversely affect the operation of the Group.

Incidents such as natural disasters may affect the Group's business operations

The Group's business operation is susceptible to natural disasters and other incidents such as flood, fire, power shortage, earthquake and epidemic. As at the Latest Practicable Date, the Group did not maintain any business interruption insurance policy to insure against the risks relating to such incidents. Any losses or damages arising from the above incidents could disrupt the Group's operation.

Counterfeit products and unauthorised use of the Group's trademarks could have a negative impact on the Group's corporate reputation and product image

During the Track Record Period, the Group sold its pork at Points of Sales under trademarks "", "普甜 PUTIAN" and "", all of which have been registered in the PRC and/or Hong Kong under relevant classes. However, the Group cannot guarantee that the registration of its trademarks will be effective against unauthorised use by other parties who may use the Group's trademarks to benefit unfairly from the Group's brand or such counterfeit products may otherwise cause disrepute to the Group's brand. There is no assurance that counterfeiting incidents will not happen in the future, or that the Group will be able to discover each of the counterfeiting incidents that takes place. If these unauthorised users were to use the Group's brand name and logo on counterfeit pork, it could cause significant unexpected loss to the Group's revenue. Unauthorised use of the Group's trademarks and counterfeit products could also potentially lead to claims against the Group if its trademarks are used on defective or otherwise harmful products.

Poor performance of the Group's Points of Sales could adversely affect the Group's image and reputation

As at the Latest Practicable Date, the Group operated 20 direct sales outlets and 54 concession counters at contract supermarkets across the Fujian Province for its pork sold at Points of Sales. The pork sold at these Points of Sales attributable to approximately 6.7%, 10.1% and 22.2% of the Group's revenue for the years ended 31 December 2009, 2010 and 2011 respectively. Poor performance or management of the Points of Sales will have a negative impact on the Group's corporate reputation, product image and performance. They will also cause a reduction of the Group's market share and loss of revenue.

The Group may not have adequate insurance coverage

The Group has maintained insurance coverage for its properties and accident insurance for its employees. However, the Group currently does not maintain any insurance policies against product liability claims, interruptions to business operations, and third party liability claims against claims for personal injury and environmental liabilities. As at the Latest Practicable Date, no product liability claims, interruptions to business operations or third party liability claims had arisen. However, if such events were to occur, the Group's business, financial performance and position will be materially and adversely affected.

The Group recorded net current liabilities during the Track Record Period

The Group recorded net current liabilities of approximately RMB38.5 million as at 31 December 2009, principally because the Group used short-term financing to finance the construction of its hog farm, slaughterhouse and acquisition of machinery for the production line. For further details of the indebtedness and liquidity, financial resources and capital structure of the Group, please refer to the section headed "Financial Information" in this prospectus.

The Group may not be able to maintain the gross profit margins at the levels recorded during the Track Record Period

The Group's gross profit margin decreased from 29.6% for the year ended 31 December 2009 to 18.1% for the year ended 31 December 2010 as a result of the combined effect of the significant decrease in the market prices of hogs and pork in the PRC due to the outbreak of swine diseases in early 2009, the Group's shift of focus to the wholesale of pork business which had a lower profit margin, change in the composition of hogs purchased by the Group and increasing costs of raw materials and commodity hogs. Please refer to the section headed "Risk Factors — Risks associated with the Group's business operations — the Group may encounter fluctuation in the prices or interruption in the supply of direct materials" in this prospectus for the average prices for procuring the raw materials and commodity hogs by the Group during the Track Record Period.

Since August 2010, the Group has purchased more hogs at older age for the Contract Farmers to farm, which are more costly than hogs at younger age, in order to maintain stable and sufficient hog output capacity and counteract the decrease in hog output capacity due to the implementation of the Delimit Plan, which has restricted the operation of local hog farms including those engaged by the Group.

Despite the gross profit margin of the Group increased from 18.1% for the year ended 31 December 2010 to 23.5% for the year ended 31 December 2011, the Group's gross profit margin had overall been decreasing during the year ended 31 December 2011. For instance, the Group's gross profit margin decreased from approximately 26.7% for the six months ended 30 June 2011 to approximately 24.6% for the nine months ended 30 September 2011, and further decreased to approximately 23.5% for the year ended 31 December 2011. The decrease in the Group's gross profit margin during the year 2011 was primarily a result of the fluctuations in market prices of hogs and pork in the PRC during the year. Attributable to the rapid increase in market prices of pork during first half of 2011, at a greater magnitude than the increase in market prices of hogs, the Group benefited from the higher selling prices but relatively low procurement costs and recorded a higher gross profit margin compared to that for year ended 31 December 2010. The increasing market prices of hogs and pork slowed down during the third quarter of 2011 and experienced a rapid drop in the fourth quarter of 2011. As a result, the Group gross profit margin declined due to the lower selling prices and relatively high procurement costs in the second half of 2011.

The sustainability of the Group's gross profit margin depends on various factors, including the selling price and production cost. Selling price may be affected by changes in consumer demand and prevailing market conditions, which are to a large extent beyond the Group's control. The Group cannot guarantee that its gross profit margin will not fluctuate from time to time. If the Group continues to have declining gross profit margin in the future, it cannot assure that it can achieve or maintain profitability in the future.

The Group's financial results are subject to the changes in fair value less costs to sell of its biological assets

According to the Hong Kong Accounting Standard 41 (Agriculture) ("HKAS 41"), the Group is required to reflect movements in the fair value of its biological assets less costs to sell at each reporting date, with any resultant gain or loss recognised in its combined statements of comprehensive income.

A significant part of the Group's assets are biological assets. The valuation of the Group's biological assets were arrived at on the basis of valuation carried out by the Valuer which is a member of the Hong Kong Institute of Valuers and has the appropriate qualifications and experience in carrying out valuation of similar assets.

The Group's biological assets comprising breeder hogs and commodity hogs were of approximately RMB100.2 million, RMB43.7 million and RMB43.1 million as at 31 December 2009, 2010 and 2011 respectively, representing approximately 40.0%, 17.0% and 15.6% of the Group's total assets of approximately RMB250.3 million, RMB256.4 million and RMB273.0 million as at the above dates respectively.

Please refer to the section headed "Financial Information — Critical accounting policies and estimates — Fair value of biological assets" in this prospectus.

The Group recognised a gain/(loss) from the change in fair value less costs to sell of the Group's biological assets of approximately RMB(8.5) million, RMB11.2 million and RMB(2.9) million for each of the years ended 31 December 2009, 2010 and 2011 respectively. The change in fair value of biological assets reflects the prevailing market conditions. There is no assurance that the fair value of the Group's biological assets will not decrease in the future, which would ultimately affect the Group's results of operation.

Seasonal fluctuation in sales of the Group's pork

The Group's business is subject to seasonal fluctuations. There is a usual seasonal pattern for movements in the price of pork in the PRC. Price of pork usually peaks at the period around Chinese New Year. For example, the average selling price of the Group's pork for retail in the month of Chinese New Year were approximately 8.8%, 7.8% and 2.6% higher than the average selling price for the years ended 31 December 2009, 2010 and 2011 respectively. Due to the seasonality of the business, the results of any period of a year are not necessarily indicative of the results that may be achieved for the full year.

Fluctuations in price of substitute products

Fluctuations in the prices of substitute products especially a decrease in prices or relative prices of substitute meat products in the market, can affect the demand for the Group's pork. The Directors consider that beef, mutton and poultry products are the substitutes of the Group's pork. In the first-half of 2011, while the average prices of all pork, beef, mutton and poultry products in the PRC increased compared to the respective average prices in 2010, the rate of increase of average prices for pork products was higher than those of beef, mutton and poultry products. According to the official website of Meat Industry of the PRC, as of August 2011, the average price of pork, beef, mutton and poultry products increased by approximately 57.3%, 11.7%, 20.2% and 19.5% respectively compared to their respective average prices in August 2010, which means the price increase of beef, mutton and poultry products are relatively lower than that of pork products. Should the customers consume less pork due to a larger increase in the price of pork and the Group is unable to adjust the selling prices of its pork in response to the price volatility of substitute products, its sales can be adversely affected. Even if the Group is able to adjust its selling prices, its profit margin may experience contraction and this eventually may impair the profitability of the Group.

The Group may not be able to anticipate and make timely response to the changes in customers' taste and preferences

The Directors believe that the Group's success depends on the level of acceptance by the market of the Group's existing pork. In the past, the Group has focused on the supply of fresh pork. The Group plans to install chilling warehouse at its slaughterhouse in order to produce chilled pork.

The Group cannot assure that the Group's existing and new products will continue to be accepted by the Group's customers in the future. The Group's new products (i.e. chilled pork) may fail to meet the particular tastes or preferences of the Group's customers. The Group's failure to anticipate, identify or react to these particular tastes or changes could adversely affect the sales volume of the Group's products, which could in turn cause the Group to be unable to recover the Group's development, production and marketing costs, thereby leading to a decline in the Group's profitability.

The Group may not be able to renew its existing or obtain new banking facilities and the Group is exposed to interest rate fluctuation.

During the Track Record Period, the Group financed its construction of production facilities and office buildings mainly by bank borrowings of RMB55.0 million, RMB70.0 million and RMB70.0 million as at 31 December 2009, 2010 and 2011 respectively. The Group expects to finance its operations and business development mainly from internal resources and bank borrowings after the Listing.

There is no assurance that the Group would be able to obtain enough funding from banks and other financial institutions to finance its business operations and capital expenditure. In the event that the bank providing the existing banking and credit facilities does not continue to extend similar or more favourable facilities to the Group and the Group fails to obtain alternative banking and credit facilities on comparable terms or at all on a timely basis, its business and financial positions will be adversely affected.

Furthermore, the Group is exposed to interest rate risk arising from bank borrowings on floating rate basis. During the Track Record Period, the amount of interest expenses on bank borrowings increased from approximately RMB3.5 million for the year ended 31 December 2009 to approximately RMB4.2 million for the year ended 31 December 2011 due to increase in bank borrowings to finance its construction of production facilities and office buildings. Therefore, any upward adjustments in interest rates may have an adverse effect on the Group's results for the current and the future financial reporting period. During the Track Record Period, the Group did not use interest rate derivative instruments to hedge interest rate risks.

The Group's results of operation may fluctuate and there is no assurance that profits of the Group will sustain

The Group recorded profit for the year of approximately RMB27.0 million, RMB71.7 million and RMB90.0 million for the years ended 31 December 2009, 2010 and 2011 respectively. Profitability of the Group is influenced by various factors including, but not limited to, general economic environment, market conditions and competition, outbreaks of diseases, costs of raw materials and commodity hogs, governmental policies, consumers' tastes and preferences. As such, there is no assurance that the Group's results of operation will be able to sustain in the future notwithstanding the Directors' and senior management's best endeavour.

The Group may be subject to third party claims for infringement of intellectual property rights

The Group may be unaware of intellectual property rights of the technology, designs and services originally belonging to other third parties who may assert their intellectual property rights against the Group. Any litigation regarding intellectual property could be costly and time consuming. It could also divert the time and effort of management and key personnel from the Group's business operations.

In the event of a successful claim by such third parties, the Group may be subject to payment of significant damages. The Group may further be subject to injunctions against the development and sale of certain of its products and services. These consequences may adversely affect the Group's business and financial results.

The Group's operations are capital intensive, and failure to maintain sufficient working capital may have adverse effect on the Group's business

The Group's operations are capital intensive as a large sum of working capital is required for, among others, the procurement of commodity hogs and raw materials. Suppliers of commodity hogs and raw materials for hog feeds, usually require the Group to settle the payment within 30 days of delivery. On the other hand, the Group usually offers a credit period of not more than 90 days to its wholesale customers and contract supermarkets regarding their purchase or the sales of the Group's pork.

The Group usually funds its working capital from cashflow generated from operating activities and short-term borrowings. As at the Latest Practicable Date, the Group had unutilised banking facilities of approximately RMB88.0 million. If the Group fails to maintain sufficient working capital through operation, collection of account receivables in time, short-term loans or bank loans and financing, the Group may not have sufficient working capital for its daily operations and the Group's financial position may be adversely affected.

The Group's owned and leased properties in the PRC may be subject to legal irregularities

As at the Latest Practicable Date, the Group had yet to obtain or was in the process of applying for the relevant building ownership certificates for 23 buildings of the Group's hog farm of an aggregate gross floor area of approximately 11,000 square meters. As advised by the PRC Legal Advisers, there will be no legal impediment for the Group to obtain the relevant building ownership certificate. Nevertheless, there is no assurance that these relevant approvals and building ownership certificates will be successfully obtained.

As at the Latest Practicable Date, Fujian Tianyi had yet to enter into a formal lease agreement with the landlord regarding one property occupied by the Group as the Group's direct sales outlet in Fuzhou City, and 13 of the lessors of the Group's leased properties in the PRC were unable to produce relevant documents to demonstrate their respective ownership or legal title to the property. As advised by the PRC Legal Advisers, if the relevant lessors are not the owner or do not possess legal use right of the properties, the lease agreements may be considered invalid by the relevant authorities. Moreover, 18 lease agreements entered into in the PRC are not registered pursuant to the Administrative Measures for Commodity House Leasing《商品房屋租賃管理辦法》. As advised by the PRC Legal Advisers, the Group may apply for the registration on its own, however, the relevant authorities did not accept the registration of the lease agreements by the Group's own initiative. Pursuant to the Administrative Measures for Commodity House Leasing《商品房屋租賃管理辦法》, the relevant authorities may order the parties to the lease agreement to register the lease agreement and, should they fail to do so, the relevant authorities may impose a fine in the range of RMB1,000 to RMB10,000. As at the Latest Practicable Date, the Group had not been notified by the relevant authorities that (i) the lease agreements of the said 13 leased properties are invalid; or (ii) the Group should effect registration procedures with its leased agreements.

Nevertheless, the Group may not be able to continue to use and occupy the leased properties and may also incur relocation costs for moving to alternative sites. There is no assurance that the Group will be able to effectively mitigate the possible adverse effects that may be caused by loss of such leased properties. The potential loss of such properties, in particular, the direct sales outlets, may cause interruptions to the Group's business and daily operations, and the results of operations may be adversely affected.

Fujian Tianyi did not make full contribution to employee social insurance and housing provident fund in the PRC

Due to high turnover of the Group's employees and different level of acceptance of the social security system among them, Fujian Tianyi has not made full contribution payment to employee social insurance and housing provident fund in accordance with the relevant PRC rules and regulations. As advised by the PRC Legal Advisers, for the outstanding contribution in respect of the employee social insurance payable prior to 1 July 2011, should the relevant local administrative authorities require Fujian Tianyi to pay the outstanding contributions within the prescribed time limit and Fujian Tianyi fails to do so, Fujian Tianyi would have to pay, in addition to its unpaid contribution, a maximum overdue penalty of 0.2% per day on the unpaid contribution from the date when the amount becomes overdue to the date when the full payment is made. For the unpaid contribution since 1 July 2011, Fujian Tianyi may be ordered to pay the unpaid contribution and an overdue penalty of 0.05% per day on the unpaid contribution from the date when the amount becomes overdue to the date when the full payment is made.

As regards the housing provident fund, according to the PRC Legal Advisers, Fujian Tianyi may be ordered by the relevant housing provident fund management centre to pay the outstanding contributions within a prescribed time limit. If Fujian Tianyi failed to do so, the relevant housing provident fund management centre might force Fujian Tianyi to pay the outstanding contribution.

RISKS ASSOCIATED WITH CONDUCTING BUSINESS IN THE PRC

Substantially all of the Group's operations and assets are in the PRC and all of the Group's revenue are derived from its operation in the PRC. Accordingly, the Group's financial performance, position and prospects are subject to the political, social, legal and economic conditions of the PRC, including the following risks.

The Group is subject to the political and social conditions of the PRC

Since 1970s, the PRC government has been undergoing a series of reforms, with emphasis on its political systems. Such reforms have resulted in significant economic growth and social progress and many of such reforms are expected to be refined and improved. Other political and social factors may also lead to further readjustment and refinement of the reform measures. There is no assurance that such reform measures introduced by the PRC government will have a favourable effect on the operations of the Group. The Group's performance may be adversely affected by changes in the PRC political and social conditions resulting from changes in the policies adopted by the PRC government.

The Group is subject to the legal system of the PRC

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, including but not limited to, foreign investment, corporate organisation, taxation, with a view to developing a comprehensive system of commercial laws. Despite the legal development during the past decades, the legal system of the PRC still has to be improved. In particular, enforcement of existing laws and contracts may sometimes be difficult. The Group cannot predict with certainty the effect of future legal development in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the inconsistencies between local rules and regulations and the national laws. In addition, the legal system of the PRC is sometimes affected by the government policies.

The Group is subject to the economic conditions of the PRC

The economy of the PRC has been transformed from a planned economy to a market economy with socialist characteristics. There is no certainty that the PRC government's pursuit for economic reforms will not be slowed down. However, as the PRC legal system matures, there is no assurance that changes in its legislation or the related interpretation will not have an adverse effect on the business and prospects of the Group. In particular, the financial position and results of operations may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to the Group.

The operating subsidiary, Fujian Tianyi, may not be able to continue to enjoy preferential tax treatments

During the Track Record Period, Fujian Tianyi is entitled to the following preferential tax treatments:

(i) pursuant to the PRC Value-Added Tax Provisional Regulations (中華人民共和國增值稅暫行條例), issued on 13 December 1993, effective on 1 January 1994, amended on 10 November 2008 and effective on 1 January 2009, VAT exemption with respect to the sale of self-produced agricultural products by agricultural producers;

(ii) pursuant to the Ministry of Finance's Notice on Value-Added Tax Exemption on Organic Fertiliser Products (中國財政部關於有機肥產品免徵增值稅的通知) (Order [2008] No.056), issued on 29 April 2008, effective on 1 June 2008, VAT exemption with respect to the production and sale (wholesale and retail) of organic fertiliser products; and

(iii) pursuant to the PRC Enterprise Income Tax Implementation Regulations (中華人民共和國企業所得稅法實施條例), issued on 6 December 2007, effective on 1 January 2008, EIT exemption with respect to the income derived from the farming of livestock and poultry.

The Group has been engaging and will continue to engage Contract Farmers for farming of the Group's hogs at the Contract Farms. As advised by the PRC Legal Advisers, no sale and/or purchase of hogs and/or hog products was contemplated under the farming contracts and the Group shall be considered as engaging in the business of sales of self-produced agricultural products, therefore Fujian Tianyi is exempted from VAT. In addition, the Group's revenue was derived from raising of the livestock during the Track Record Period and therefore exempted from EIT. For the preferential tax treatment, which does not need for approval but registration, the local competent tax authority is entitled to make their judgement whether Fujian Tianyi is entitled to enjoy the relevant tax exemption. Accordingly, as relevant tax exemption has been registered with local competent tax authority, the PRC Legal Advisers further advised that the Group shall be entitled to the relevant tax exemption regarding EIT and VAT as mentioned above.

Nevertheless, there is no assurance that such preferential tax laws will not be revoked in the future, in which case the Group may be subject to additional tax payments. Should Fujian Tianyi be ordered to pay VAT, the Group's pro-forma profits for the year ended 31 December 2009, 2010 and 2011 would have been approximately RMB31.6 million, RMB52.3 million and RMB74.5 million respectively. Should Fujian Tianyi be ordered to pay EIT, the Group's pro-forma profits for the year ended 31 December 2009, 2010 and 2011 would have been approximately RMB17.3 million, RMB55.5 million and RMB67.5 million respectively, and should Fujian Tianyi be ordered to pay both VAT and EIT, the Group's pro-forma profits would have been approximately RMB21.9 million, RMB36.1 million and RMB52.0 million respectively for the same period.

Tax laws and tax arrangements on dividend distribution may materially and adversely affect the results of the operations and financial condition of the Group and gains on sale of the Shares may be subject to withholding taxes under PRC tax laws

Under the PRC Enterprise Income Tax Law (the "EIT Law"), a withholding income tax of 20% is applicable to dividends derived from sources within the PRC paid by foreign-invested PRC enterprises to their non-PRC parent companies, whereas pursuant to the implementation rules of the EIT Law a reduced withholding income tax of 10% applies to the same case. Similarly, any gain realised on transfer of shares of foreign-invested PRC enterprises by foreign investors is subject to a 10% PRC income tax if such gain is regarded as an income derived from sources within the PRC. Due to the arrangements between the PRC and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income dated 21 August 2006 (the "Arrangement"), a company incorporated in Hong Kong receiving dividends from a PRC subsidiary will be subject to a withholding income tax of 5% if it holds 25% or more interest in that particular PRC subsidiary or a withholding income tax of 10% if it holds less than 25% interest in that subsidiary.

China Modern has been paying a withholding income tax of 5% on dividends it receives from Fujian Tianyi. However, there is no guarantee that it will be able to continue to enjoy this preferential withholding income tax rate in the future. Pursuant to a tax notice promulgated by SAT on 27 October 2009, tax treaty benefits will be denied to "conduit" or shell companies without business substance and a beneficial ownership analysis based on the "substance-over-the-form" principle will be used to determine whether or not any tax treaty benefits can be granted. Under the said tax notice, it is unclear whether the above principle applies to dividends paid to the Group from its PRC subsidiary through its Hong Kong subsidiary. It is also possible that under the tax notice, the Group's Hong Kong subsidiary would not be considered as the "beneficial owner" of any such dividends paid. In such case, dividends paid to China Modern will be subject to a withholding income tax of 10% rather than 5%. If the preferential withholding income tax treatment of 5% no longer applies to China Modern due to change in the terms of the Arrangement or for any other reasons mentioned above, the Group's financial condition and results of operations could be adversely affected.

Government regulation of currency conversion and the fluctuation of RMB could materially and adversely affect the Group's ability to pay dividends in foreign currencies and the value of the dividends payable on its Shares

Substantially the Group's revenue is denominated in RMB which is currently not a freely convertible currency. The Group will have to convert portion of these revenues into other currencies in order to make payments on declared dividends, if any, on the Shares. The PRC government imposes controls on the convertibility of the RMB into foreign currencies. Under the existing foreign exchange regulations in the PRC, provided that the Group satisfies certain procedural requirements, Fijian Tianyi, will be permitted to, without prior approval from SAFE or its local counterparts, make payments in foreign currencies of current account transactions including profit distributions, interest payments and expenditure from trade related transactions. However, capital account transactions must be approved by or registered with SAFE or its local counterparts.

The PRC government, however, may, at its discretion, restrict access in the future to foreign currencies for current account transactions. If this were to occur, the PRC subsidiaries of the Group might not be able to pay dividends in foreign currencies to its shareholders. In addition, the value of the

RMB is subject to changes in the PRC government's policies and depends to a large extent on the PRC domestic and international economic and political developments. Any depreciation of the RMB would adversely affect the value of, any declared dividends on the Shares in foreign currencies.

The Group may be subject to the PRC taxation pursuant to the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business (關於企業重組業務企業所得稅處理若干問題的通知) and the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfer by Non-PRC Resident Enterprises (關於加強非居民企業股權轉讓所得企業所得稅管理的通知)

The Ministry of Finance and the SAT jointly issued, on 30 April 2009, the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business (關於企業重組業務企業所得稅處理若干問題的通知) ("Circular 59"), which became effective retrospectively on 1 January 2008. Pursuant to Circular 59 and the relevant rules and regulations, the transfer of equity interests in certain PRC subsidiaries held by offshore subsidiaries of a group to other offshore subsidiaries of the same group may be subject to a 10% EIT on capital gains which may be determined as the difference between the fair value of the equity interest transferred and the cost of investment.

On 10 December 2009, the SAT issued the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfer by Non-PRC Resident Enterprises (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) ("Circular 698"), which became effective retrospectively on 1 January 2008. Circular 698 clarified how the capital gains should be calculated regarding the equity transfer of a resident enterprise by non-resident enterprises directly or indirectly. For transfers of equity interest in a PRC resident enterprise between related parties, the PRC tax authorities have the discretion to make adjustment to the taxable capital gains if the transfer price is deemed not being determined on an arm's length basis. In addition, if a non-resident foreign investor indirectly transfers equity interests in a PRC resident enterprise by selling equity interests in an offshore holding company which is located in a jurisdiction where offshore income tax rate is lower than 12.5% or offshore income is not taxable, it requires that the vendor of the foreign holding company (which holds, directly or indirectly, equity interest in a PRC resident enterprise) to make a submission to the PRC tax authorities within 30 days after signing of the equity transfer agreement, if certain conditions are met. The SAT is entitled to redefine the nature of such indirect equity transfer and impose enterprise income tax on the seller of the foreign target company if it determines that such indirect transfer is carried out without reasonable commercial intention and evades enterprise income tax by abusing corporate structures.

Since the year ended 31 December 2010 and up to the Latest Practicable Date, in preparation for the Global Offering, the Group underwent the Reorganisation. For further details of the Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

As advised by the PRC Legal Advisers, it is the duty for the seller(s) of the foreign target company to make submission to the relevant PRC tax authorities to report the equity transfer agreement and to settle the amount of tax payable on such transfer. The PRC subsidiary of the Group, Fujian Tianyi, shall be responsible to assist tax authorities for collecting such tax from the transferor if the transfer of shares is deemed to be reported according to above circulars. The PRC Legal Advisers further advised that it is currently unclear how the relevant PRC tax authorities will implement or enforce the above notices and whether such enterprise income tax on capital gains will be subject to any further change resulting in any materially adverse impact on the Group.

The PRC regulations of loans and investment by offshore holding companies to PRC entities may hinder the Group from using the proceeds of the Global Offering to make additional capital contributions or loans to Fujian Tianyi

Any capital contributions or loans the Group, as an offshore holding company, makes to Fujian Tianyi, the Group's operating subsidiary in the PRC, are subject to the PRC regulations. The Group cannot guarantee that it will be able to complete all the relevant necessary government registrations or obtain all required government approvals on a timely basis. Should the Group fail to complete such registrations and obtain such approvals, its ability to utilise the proceeds from the Global Offering, to capitalise Fujian Tianyi or otherwise fund its business operations in the PRC in the manner described in the section headed "Future Plans and Use of Proceeds" in this prospectus may be adversely affected, which could in turn adversely affect the liquidity of Fujian Tianyi and the Group's ability to expand through Fujian Tianyi's operation and its financial position and results of operation.

RISKS ASSOCIATED WITH THE SHARES AND THE GLOBAL OFFERING

Potential conflict of interests between the Controlling Shareholders and other minority Shareholders

Immediately following the Global Offering, the Controlling Shareholders will beneficially hold an aggregate of approximately 51% of the Shares (without taking into account the Shares, if any, to be allotted and issued pursuant to the Share Option Scheme and the Over-allotment Option).

The interests of the Controlling Shareholders may differ from the interests of the other Shareholders. There is no assurance that the Controlling Shareholders will act in the best interests of the Group and the minority Shareholders. In the event of any conflict of interests between the Controlling Shareholders and the minority Shareholders, the Controlling Shareholders will have the power to prevent the Group from proceeding with any proposed transactions at the general meeting which could be beneficial to the Group and other Shareholders, regardless of the underlying reasons.

There is no prior market for the Shares

Prior to the Global Offering, there has been no public market for the Shares. The Offer Price for the Shares will be determined by the Joint Global Coordinators and the Company on Price Determination Date. The Offer Price may not be indicative of the price at which the Shares will trade following the completion of the Global Offering and the Capitalisation Issue. There is no assurance that there will be active trading market for the Shares, or if it exists, that it can be sustained following the completion of the Global Offering and the Capitalisation Issue, or that market prices of the Shares will not fall below the Offer Price. The price and trading volume of the Shares may be highly volatile subject to factors such as:

- investors' perceptions of the Group and its future business plans and prospects;
- change in the Group's senior management;
- unanticipated business interruptions caused by outbreaks of diseases, natural disasters or accidents;
- variations of the Group's operating results and financial position;

- changes in the policies and developments related to the industry in which the Group operates; and

- economics and other general factors.

Issuance of new Shares or equity linked securities may cause dilution in shareholding

The Group may require additional funds due to changes in business conditions or other future developments relating to its existing operations, acquisitions or strategic partnerships. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing Shareholders, the percentage of ownership of the existing Shareholders, the earnings per Share and the net asset value per Share would diminish and/or such securities may have rights, preferences and privileges senior to the Shares.

Future sale of the Shares or major divestment of Shares by any major Shareholder could adversely affect the Share prices

The sale of a significant number of the Shares in the public market after the Global Offering, or the perception that these sales may occur, could adversely affect the market price of the Shares. Except as otherwise described in the sections headed "History, Reorganisation and Corporate Structure — Corporate history — Corporate investors" and "Underwriting — Underwriting arrangements and expenses — Undertakings to the Stock Exchange pursuant to the Listing Rules — Undertaking by the Controlling Shareholders" in this prospectus, there are no restrictions imposed on Controlling Shareholders and corporate investors to dispose of their shareholdings. Any major disposal of Shares by any of the Group's major Shareholders may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for the Group to issue new Shares in the future at a time and price the Directors deem appropriate, thereby limiting the Group's ability to raise capital.

Historical dividends are not indicative of future dividends

During the year ended 31 December 2011, the Group declared and paid dividends of approximately RMB64.6 million from the retained earnings of Fujian Tianyi as at year ended 31 December 2010.

Such historical dividends should not be used by the potential investors as a guide to the future dividend policy of the Group. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The past dividend rates should not be used as a reference or basis to determine the amount of dividends in the future. The amount of any dividends to be declared in the future will be subject to, among other factors, the discretion of the Directors, having considered the working capital requirements in the future, the availability of distributable profits, the Group's results of operation, working capital, capital and funding requirements, tax requirements, the applicable laws and other relevant factors.

Statistics and facts under the section headed "Industry Overview" of this prospectus may not be accurate

This prospectus contains information and statistic figures relating to the economy and industry. With respect to information and statistics derived from various official government publications including National Bureau of Statistics of the PRC, Ministry of Agriculture of the PRC, USDA-WAOB and reports by 深圳中商智業投資顧問有限公司 (in English for identification purpose only, Shenzhen Zhongshang Zhiye Investment Consultancy Limited), an independent market researcher, while the Group has exercised reasonable care in compiling and reproducing such information and statistics, the information and statistics have not been independently verified by the Group or any of its affiliates or advisers. Due to possibly flawed or ineffective research methods or discrepancies between the published research result and actual market practice relating to the PRC, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. The Group cannot guarantee that such information and statistics are stated or compiled with complete accuracy. Potential investors should not place undue reliance on any of such information and statistics contained in this prospectus.

Investors should not rely on any information contained in the press articles or other media regarding the Group and the Global Offering

Prior to the publication of this prospectus, there might have been press articles and media coverage regarding the Group and the Global Offering which might include certain financial information, financial projections, and other information about the Group which do not appear in this prospectus. Such information might not be sourced from or authorised by the Group, hence, the Group does not accept any responsibility for the accuracy or completeness of such information. The Group cannot guarantee and makes no representation as to the appropriateness, accuracy, completeness or reliability of such information. Potential investors are therefore cautioned to make their investment decisions based solely on the information contained in this prospectus.