
INDUSTRY OVERVIEW

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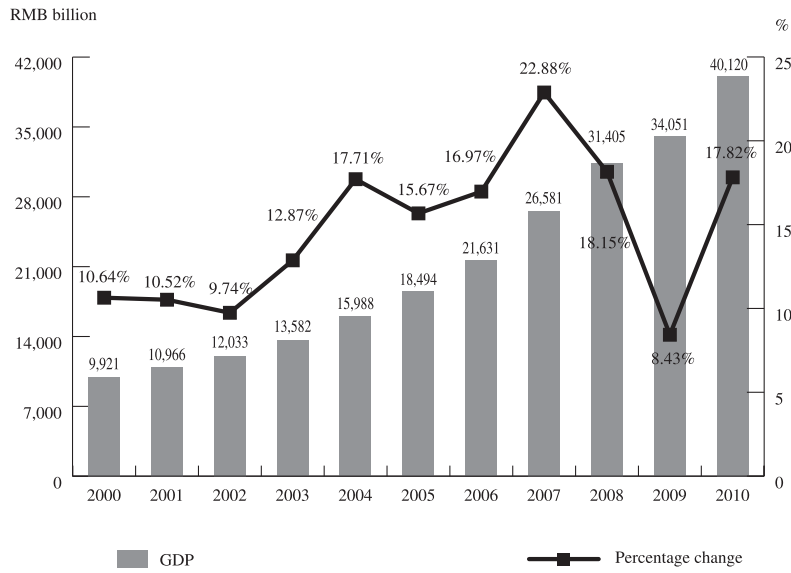
OVERVIEW OF THE PRC ECONOMY

The PRC economy

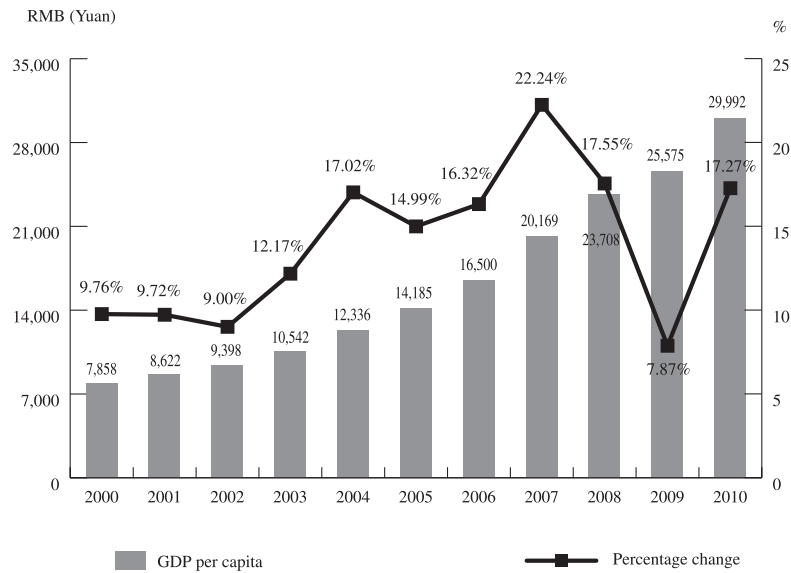
According to the World Economic Outlook compiled by the International Monetary Fund, the PRC ranked first for the world's ranking in terms of GDP growth in 2011. The economy of the PRC has experienced a rapid growth during the first decade of the 2000s. According to the statistics published by the National Bureau of Statistics of the PRC, PRC recorded a GDP of approximately RMB40,120 billion in 2010, representing a CAGR of approximately 14.9% from 2000 to 2010, with the annual GDP per capita increased from approximately RMB7,858 in 2000 to RMB29,992 in 2010, representing a CAGR of approximately 14.3% during the same period.

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Gross domestic product in the PRC



Gross domestic product per capita in the PRC

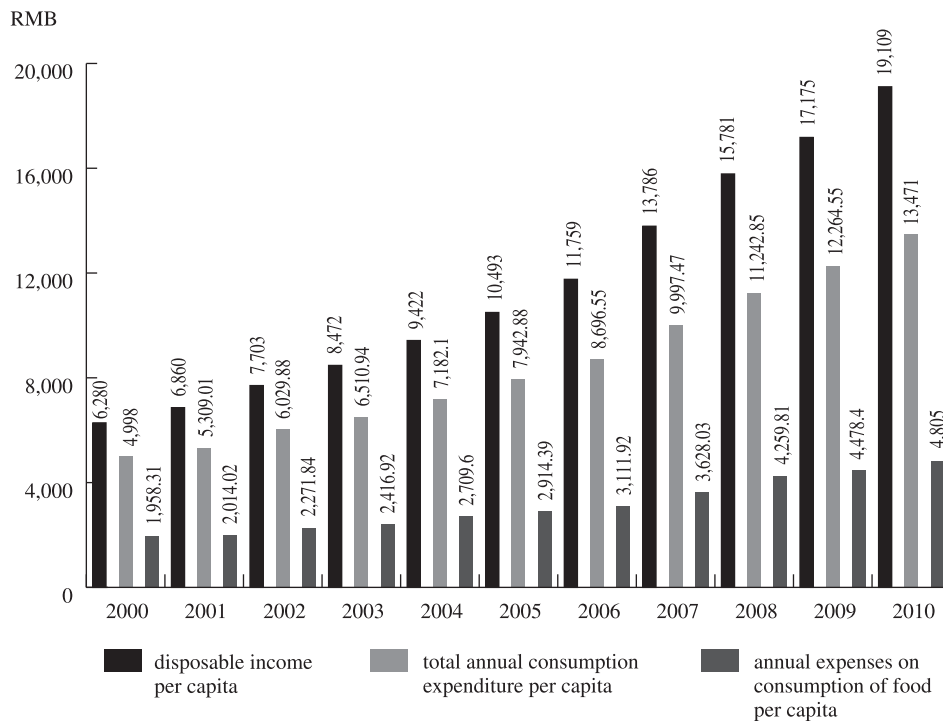


Source: National Bureau of Statistics of the PRC

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According to the statistics published by the National Bureau of Statistics of the PRC, approximately 35.7% (approximately RMB4,805) and 28.2% (approximately RMB1,237) of total consumption expenditure of an urban household per capita and the total consumption expenditure of a rural household per capita in the PRC respectively was spent on food in 2010. Food is a necessity of life, and as personal disposable income per capita grows, consumers will be more willing to spend on high quality food with more varieties. The following graph sets forth the disposable income per capita, total consumption expenditure per capita and annual expenses on consumption of food per capita for urban household of the PRC:

Disposable income per capita (in RMB), total annual consumption expenditure per capita (in RMB) and annual expenses on consumption of food per capita (in RMB) for urban household in the PRC

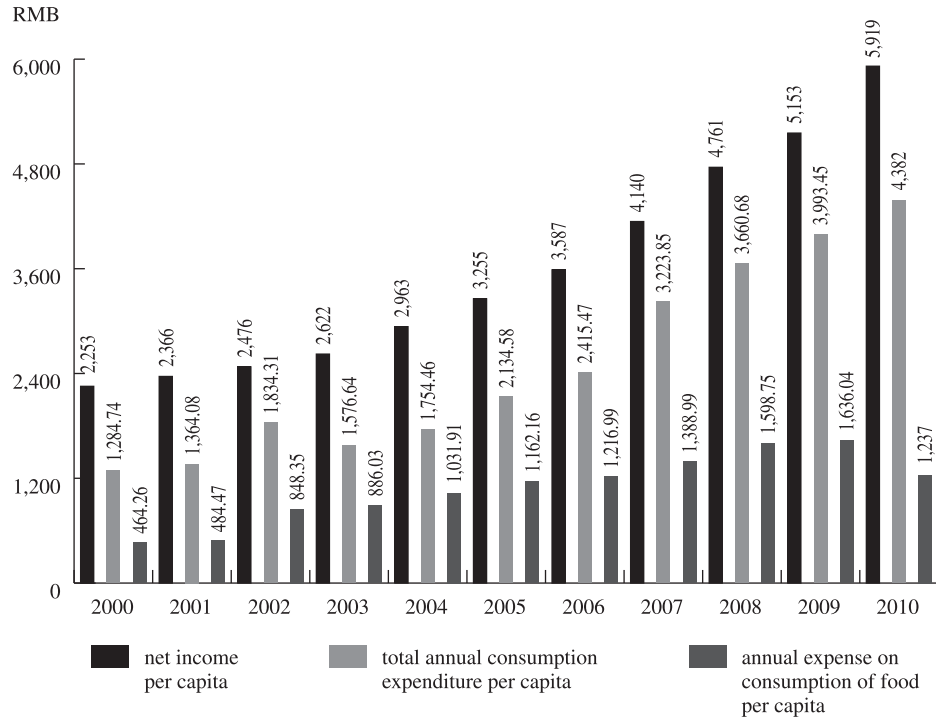


Source: National Bureau of Statistics of the PRC

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The following graph shows the net income per capita, total annual consumption expenditure per capita and annual expenses on consumption of food per capita for rural household of the PRC:

Net income per capita (in RMB), total annual consumption expenditure per capita (in RMB) and annual expenses on consumption of food per capita (in RMB) for rural household in the PRC



Source: National Bureau of Statistics of the PRC

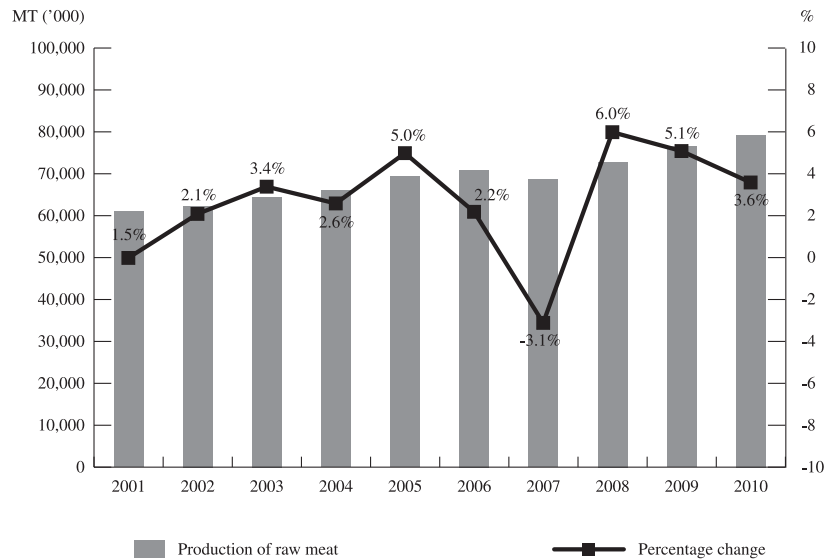
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THE MEAT INDUSTRY IN THE PRC

Meat production and consumption in the PRC

According to the China Animal Agriculture Association (CAAA), the PRC is the largest meat producer in the world for every single year from 1990 to 2007. The total annual raw meat production of the PRC grew from approximately 60,000,000 MT in 2001 to approximately 79,258,000 MT in 2010, representing a CAGR of approximately 3.1%. The graph below shows the annual production of raw meat in the PRC from 2001 to 2010.

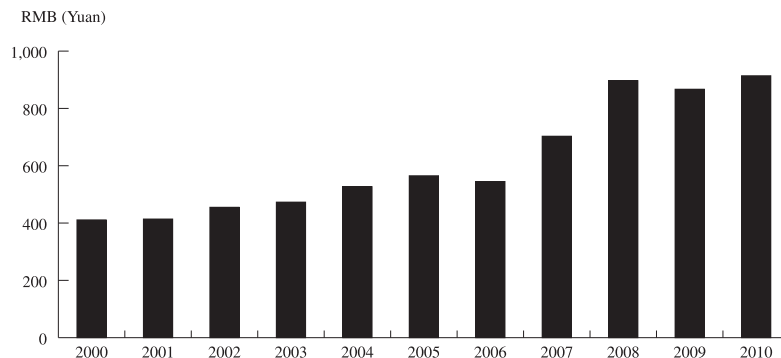
Production of raw meat in the PRC



Source: National Bureau of Statistics of the PRC

Driven by rapid economic growth and increase in income, the average annual urban consumption expenditure per capita for meat, poultry and processed products in the PRC has experienced a steady growth from 2000 to 2010. The graph below shows the average annual urban consumption expenditure per capita on meat, poultry and processed products in the PRC from 2000 to 2010.

Average annual urban consumption expenditure per capita for meat, poultry and processed products in the PRC



Source: National Bureau of Statistics of the PRC

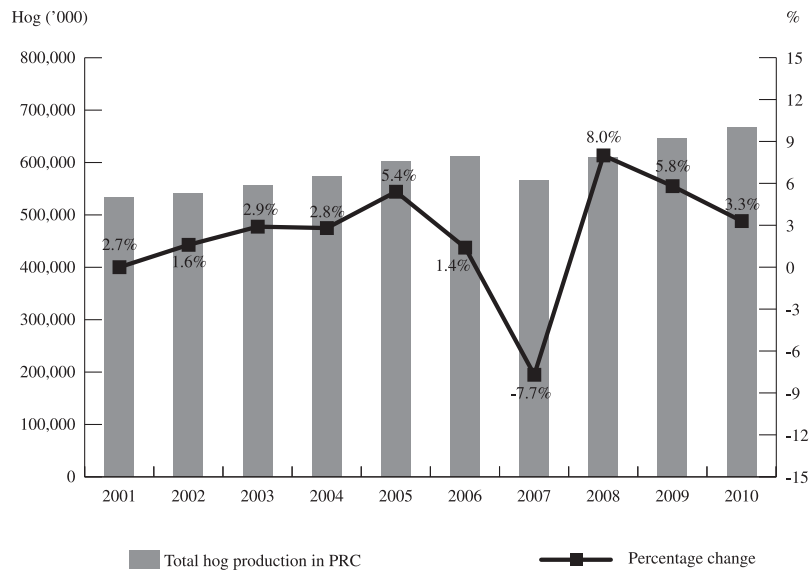
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THE HOG FARMING INDUSTRY IN THE PRC

The hog farming industry is diversified in the PRC, with different scale of farming ranging from a scale of less than 100 hogs to a scale exceeding 1,000 hogs and with a large number of participants in the industry without having a dominant market player.

According to the National Bureau of Statistics of the PRC, there were around 464,400,000 heads of hogs being farmed in hog farms in the PRC as at the end of 2010, representing a 1.2% decrease as compared to the figure as at the end of 2009. Around 666,864,000 hogs were delivered from farms for slaughtering and further processing in 2010, representing a 3.3% increase as compared to the figure in 2009.

Production of hogs in the PRC



Source: National Bureau of Statistics of the PRC

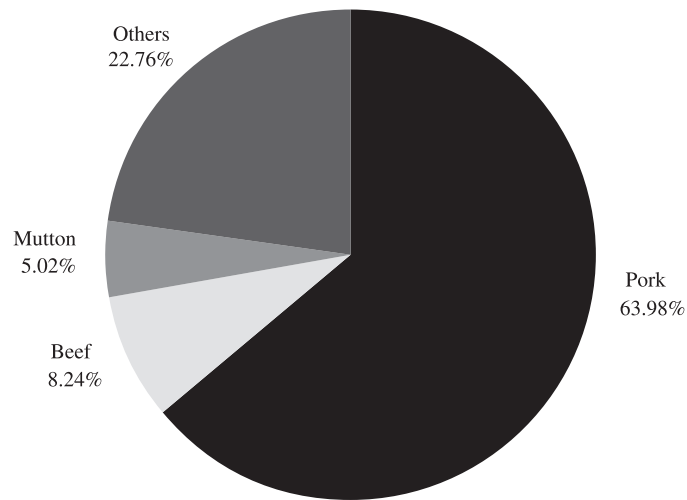
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THE PORK INDUSTRY IN THE PRC

Pork production in the PRC

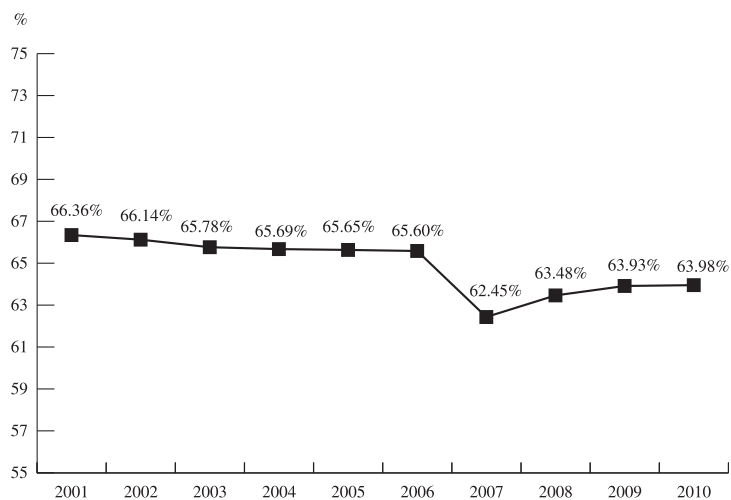
According to the National Bureau of Statistics of the PRC, pork production has been dominating the meat production sector in the PRC. The annual production of pork had been contributing to around 65% of the annual production of meat in the PRC since 1996. In 2010, the production of pork was approximately 50,712,000 MT, accounted for approximately 63.98% of the production of meat in the PRC.

Structure of production of meat in the PRC in 2010



Source: National Bureau of Statistics of the PRC

Pork production over meat production in the PRC



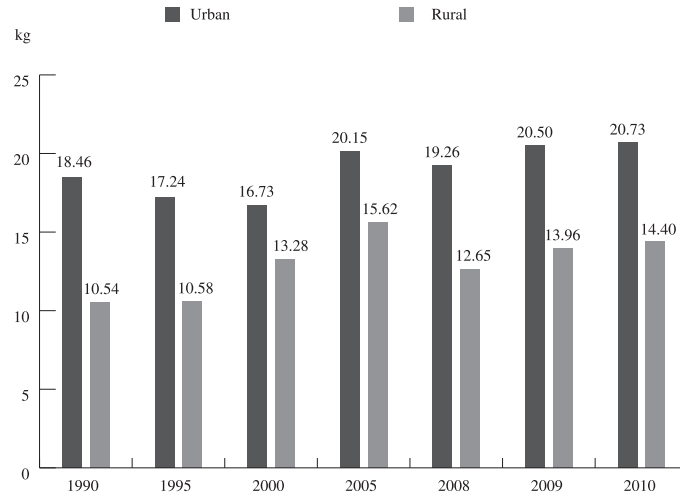
Source: National Bureau of Statistics of the PRC

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Pork consumption in the PRC

According to the National Bureau of Statistics of the PRC, consumption of pork in urban area is higher than that in rural area in the PRC, pursuant to which the consumption of pork per capita in urban area and rural area were approximately 20.7 kg and 14.4 kg respectively in 2010.

Pork consumption per capita in the PRC

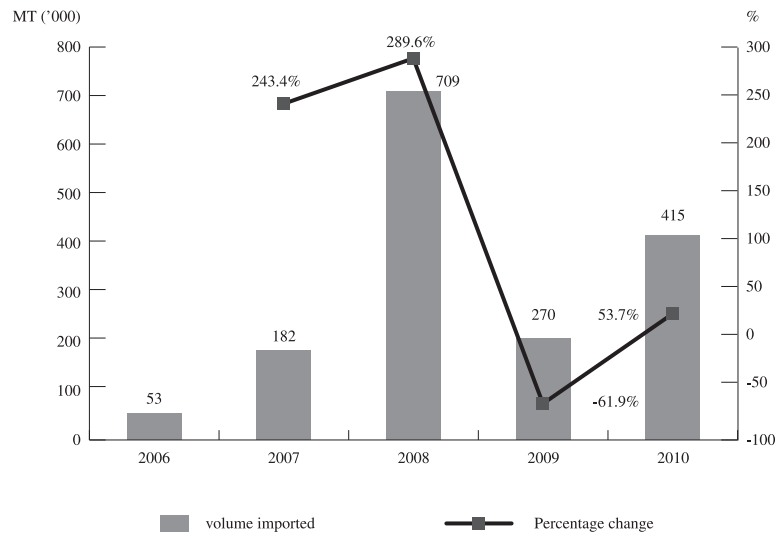


Source: National Bureau of Statistics of the PRC

Import of pork in the PRC

Local pork production has a dominant role in the supply of pork in the PRC. According to USDA-WAOB, approximately 270,000 MT and 415,000 MT of pork were imported into the PRC in 2009 and 2010 respectively. The percentage of the volume of pork imported into the PRC over the volume of total production of pork in the PRC in 2010 was approximately 0.81%.

Pork import in the PRC



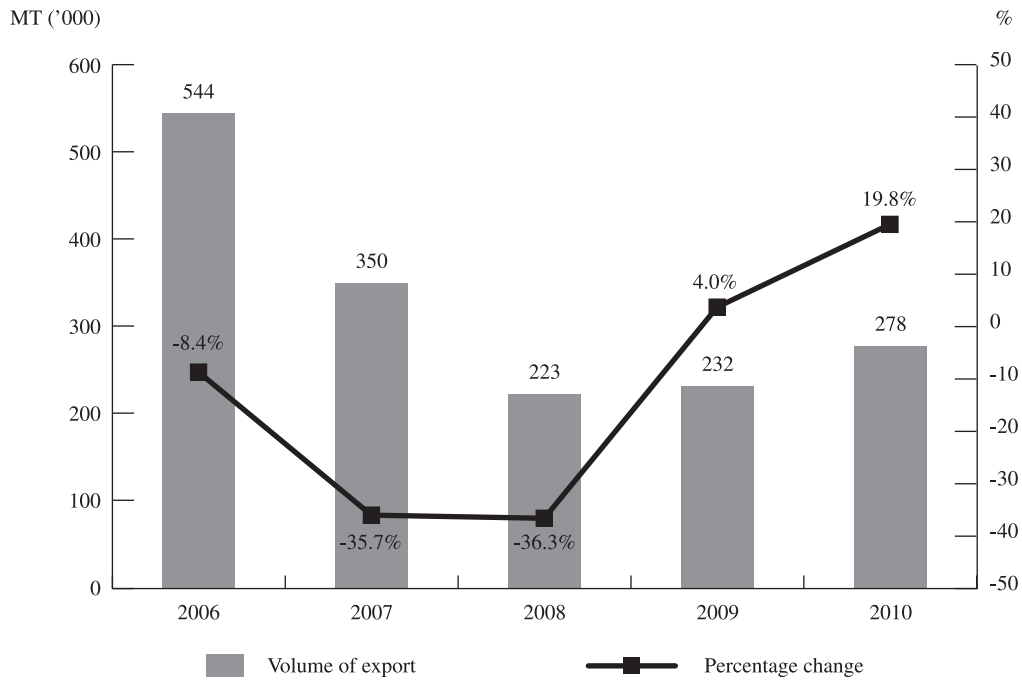
Source: USDA-WAOB

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Export of pork in the PRC

According to USDA-WAOB, the PRC exported 232,000 MT and 278,000 MT of pork in 2009 and 2010 respectively. The percentage of volume of pork exported over the volume of total pork production in the PRC in 2010 is 0.54%, which suggests that almost all of the pork produced in the PRC are for domestic consumption in the PRC.

Pork exported by the PRC



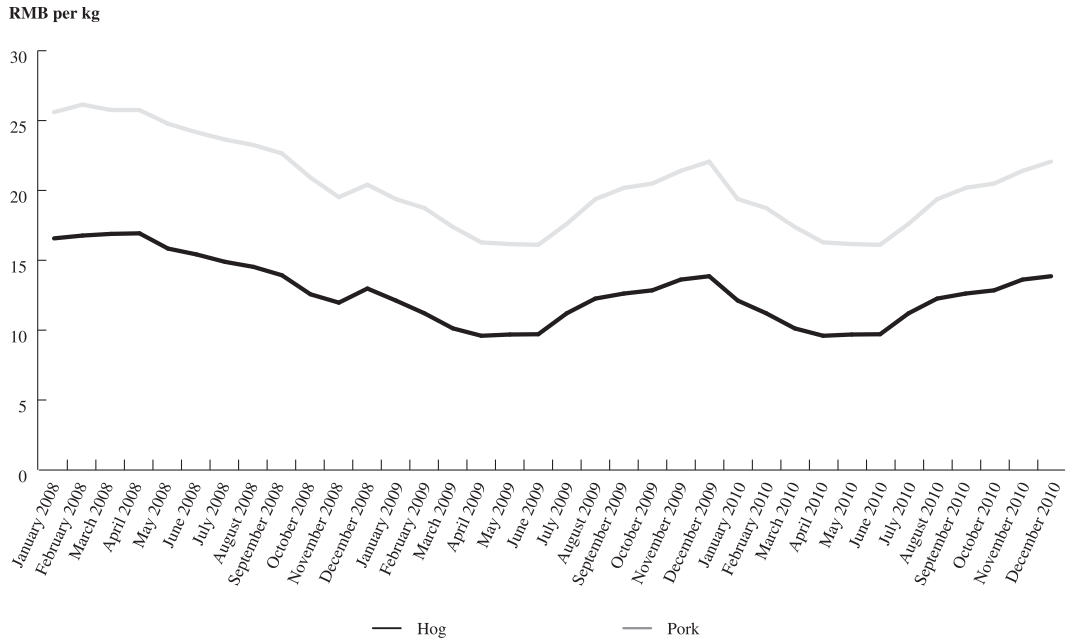
Source: USDA-WAOB

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Price trend of pork in the PRC

The following graph shows the national monthly average prices of hogs and pork in the PRC during 2008 to 2010:

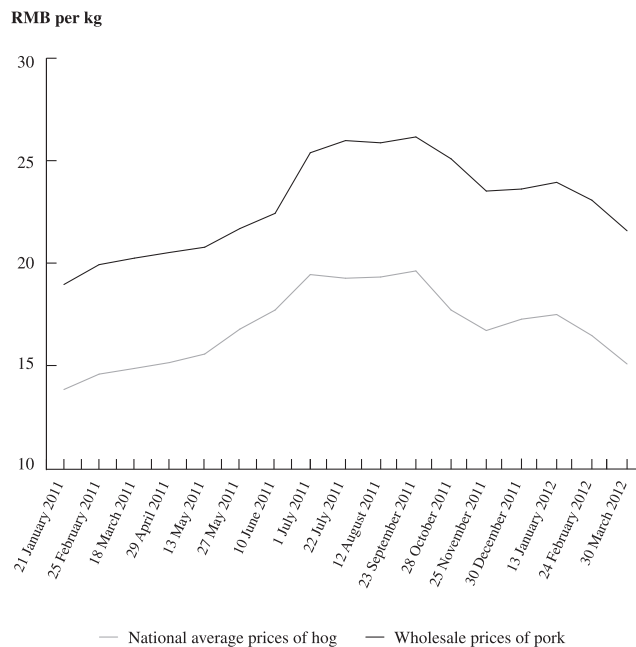
Average prices of hogs & pork in the PRC, 2008 to 2010



Source: Yearbook of the Animal Husbandry Industry of the PRC (中國畜牧業年鑒), 2009 to 2011

The following graph shows the national average prices of hogs and average wholesale prices of pork at different points of time during January 2011 to March 2012:

Average prices of hogs & pork in the PRC, January 2011 to March 2012



Source: Website of Meat Industry of the PRC, <http://www.chinameat.cn>; and the official website of the Ministry of Agriculture, the PRC, <http://cif.mofcom.gov.cn>

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Seasonal pattern

There is a usual seasonal pattern of movements in the price of pork in the PRC. The price of pork usually peaks at the period around Chinese new year and mid-autumn festival and the PRC's national day, and the price of pork usually reaches its lowest during summer.

Rapid increase of prices of hog and pork in the PRC in 2011

In the first-half of 2011, the PRC has experienced a rapid increase in both the prices of hog and pork, especially during June 2011. According to the statistics issued by the official website of Meat Industry of the PRC (中國肉業協會), as of August 2011, the average prices per kg of hog and pork in the PRC were RMB19.51 and RMB25.28 respectively, representing a growth of approximately 55.7% and 57.3% compared to the corresponding average prices in August 2010. After reaching the peak in September 2011, the average prices per kg of hog and pork in the PRC began to decline since October 2011 but pick up again in January 2012 (i.e. during the time of Chinese new year).

OVERVIEW OF THE FUJIAN PROVINCE

Demographical information of the Fujian Province



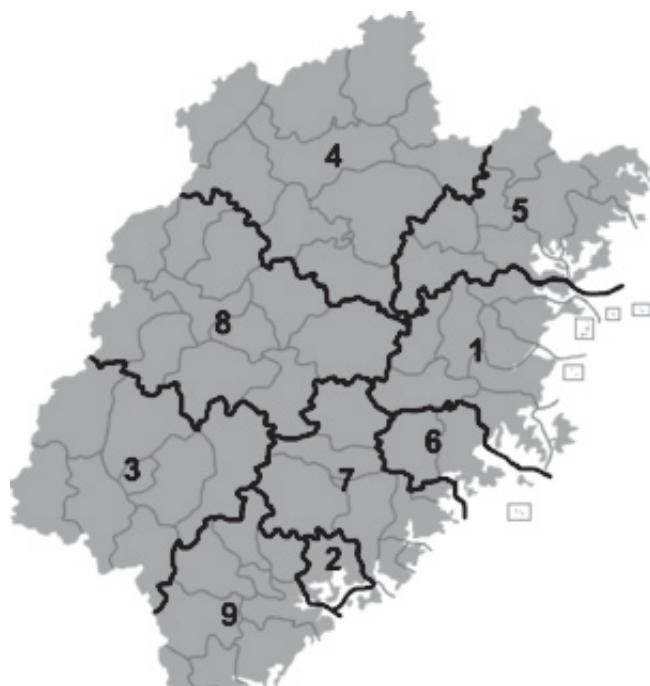
Map 1.1: Map of the PRC with the Fujian Province shaded in dark grey

According to the information contained in Fujian Statistical Yearbook-2011 (福建統計年鑒-2011) issued by the Fujian Bureau of Statistics (福建省統計局), the Fujian Province covers an area of approximately 121,400 square kilometers. There were approximately 36,930,000 people living in the Fujian Province in 2010. The GDP of the Fujian Province in 2010 was approximately RMB1,473.12

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billion. According to the National Bureau of Statistics of the PRC, GDP per capita of the Fujian Province was approximately RMB40,025 in 2010 and ranked the 10th among all other provinces and autonomous regions of the PRC during the same period.

There are nine prefecture-level cities within the Fujian Province, including Putian City. The following map shows the respective locations of the prefecture-level cities in the Fujian Province:



- 1: Fuzhou City
- 2: Xiamen City
- 3: Longyan City
- 4: Nanping City
- 5: Ningde City
- 6: Putian city
- 7: Quanzhou City
- 8: Sanming City
- 9: Zhangzhou City

Map 1.2: Prefecture-level city in the Fujian Province

The following table shows the area and population of the nine prefecture-level cities in the Fujian Province as at 1 November 2010 according to the Fujian Bureau of Statistics:

Prefecture-level City	Area (in square kilometers) (approximate)	Population (approximate)	Population Density (population per square kilometer)	Percentage to the population of the Fujian Province (%)
Xiamen City	1,699.40	3,531,347	2,078	9.57
Quanzhou City	11,289.63	8,128,530	720	22.03
Putian City	4,128.54	2,778,508	673	7.53
Fuzhou City (Provincial capital)	12,246.76	7,115,370	581	19.29
Zhangzhou City	12,895.40	4,809,983	373	13.04
Ningde City	13,438.07	2,821,996	210	7.65
Longyan City	18,959.59	2,559,545	135	6.94
Sanming City	22,966.86	2,503,388	109	6.78
Nanping City	26,193.55	2,645,549	101	7.17

Source: Results of the 6th Population Census of Fujian Province, Fujian Bureau of Statistics (2011)

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Map 1.3: Map of Putian City (Source: <http://putian.gov.cn>)

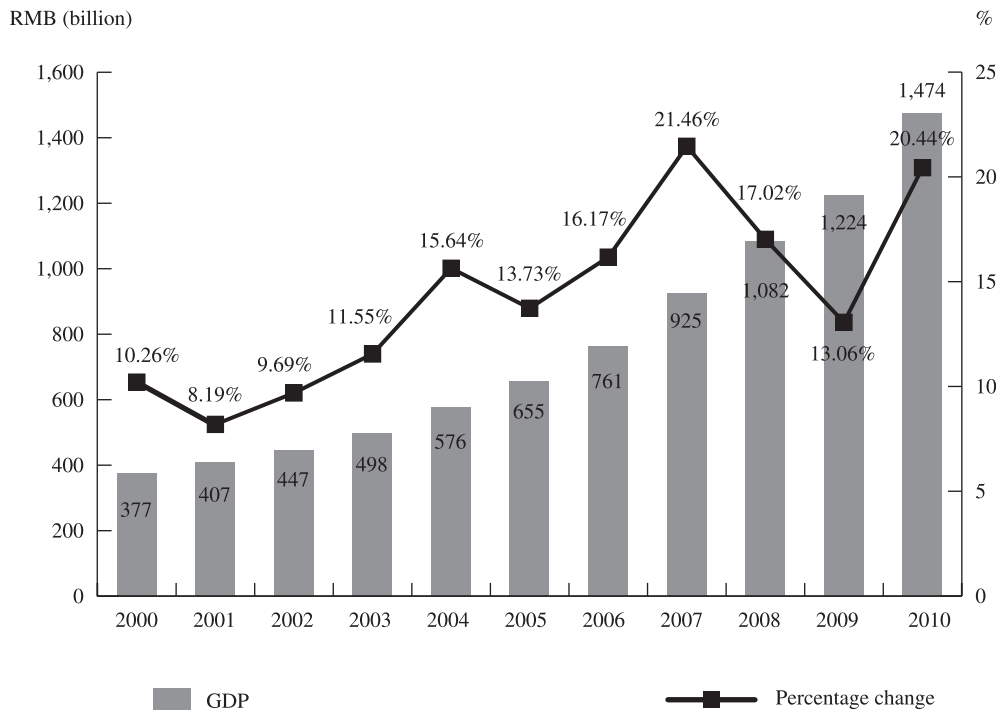
Putian City consists of five districts and one county, including Chengxiang District, Licheng District, Xiuyu District, Hanjiang District, North Meizhouwan Bay Economic Development District (an economic administrative district (經濟管理區) designated by the People's Government of Putian City (莆田市人民政府)) and Xianyou County.

Economy of the Fujian Province

According to the Fujian Bureau of Statistics of the PRC, the GDP of the Fujian Province increased from RMB376.45 billion in 2000 to RMB1,473.12 billion in 2010, representing a CAGR of approximately 14.6% during the period. The GDP per capita of the Fujian Province has increased from RMB11,194 in 2000 to RMB40,025 in 2010, representing a CAGR of approximately 13.6% during the period.

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Gross Domestic Products of the Fujian Province, the PRC

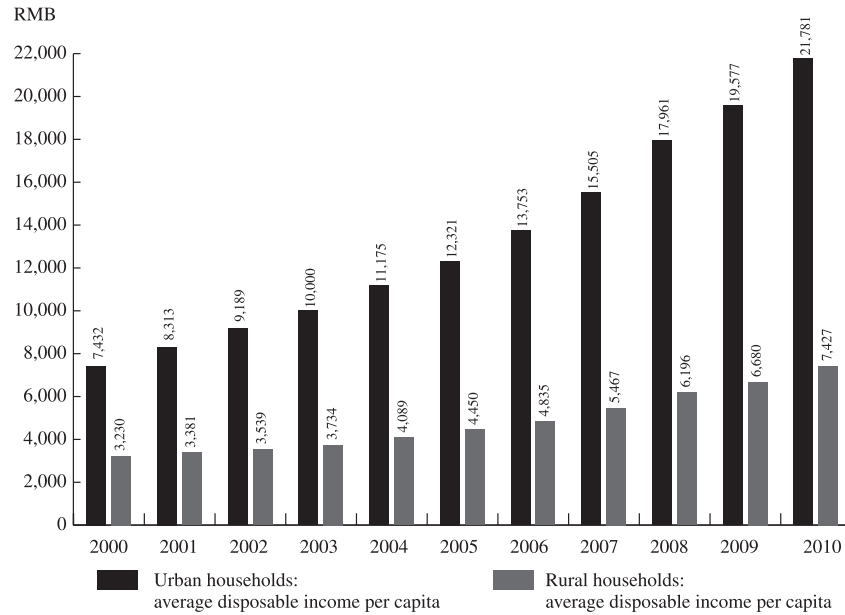


Source: Fujian Bureau of Statistics

The economy of the Fujian Province has been growing steadily during the last decade, which led to the increase in average disposable income per capita and the average expenditure on food and meat per capita. According to the Fujian Bureau of Statistics, the average disposable income per capita for urban and rural households of Fujian Province both increased from RMB7,432 and RMB3,230 respectively in 2000 to RMB21,781 and RMB7,427 respectively in 2010, representing a growth of approximately 193.1% and 130.0% respectively. The average consumption of urban households of food and meat (excluding poultry) per capita increased from RMB2,518 and RMB300 respectively in 2000 to RMB5,791 and RMB854 respectively in 2010, representing a growth of approximately 130.0% and 184.67% respectively. The average consumption of rural households of food per capita increased from RMB1,172.35 in 2000 to RMB2,537.15 in 2010, representing a growth of approximately 116.4%.

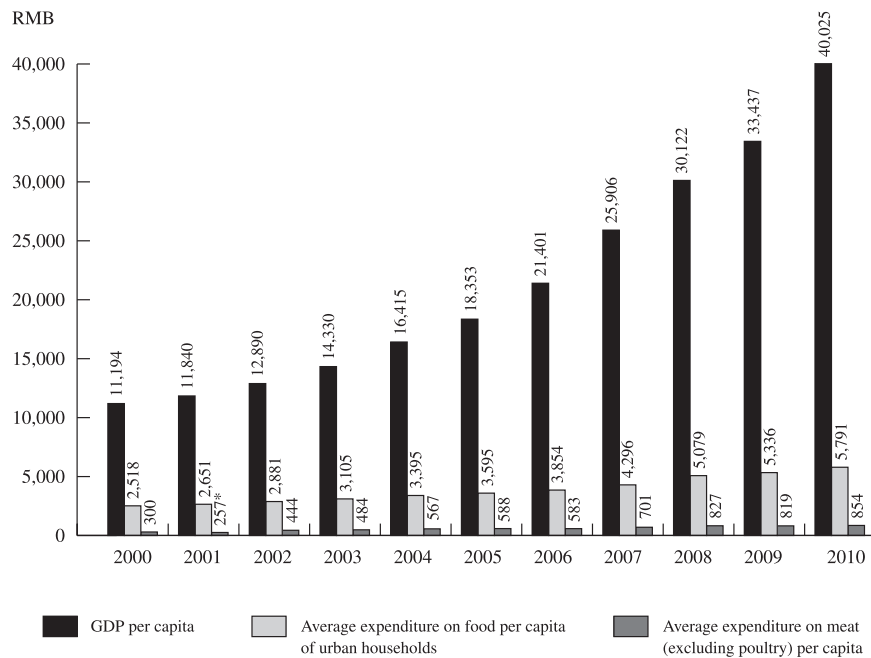
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Average disposable income per capita of urban households and rural households in the Fujian Province, the PRC



Source: Fujian Bureau of Statistics

Gross Domestic Products per capita, average expenditure on food per capita of urban households and average expenditure on meat (excluding poultry) per capita of urban households the Fujian Province, the PRC



Note: * includes pork and beef only

Source: Fujian Bureau of Statistics

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THE PORK MARKET IN THE FUJIAN PROVINCE

Pork production in the Fujian Province

According to the Fujian Bureau of Statistics of the PRC, except for the decrease of approximately 10.7% in 2007 compared to the volume of pork production in 2006, the volume of pork production in the Fujian Province has been increasing steadily since 2003, to which the volume of pork production increased from approximately 1,287,600 MT in 2003 to approximately 1,466,200 MT in 2010. Total volume of pork production accounted for around 81.36% of the total volume of meat production of raw meat in the Fujian Province in 2010.

The Fujian Province ranked the 16th out of 31 provinces and autonomous regions of the PRC in the aggregate annual output of pork in 2010, contributed to approximately 2.89% of the total volume of pork production in the PRC in the same year.

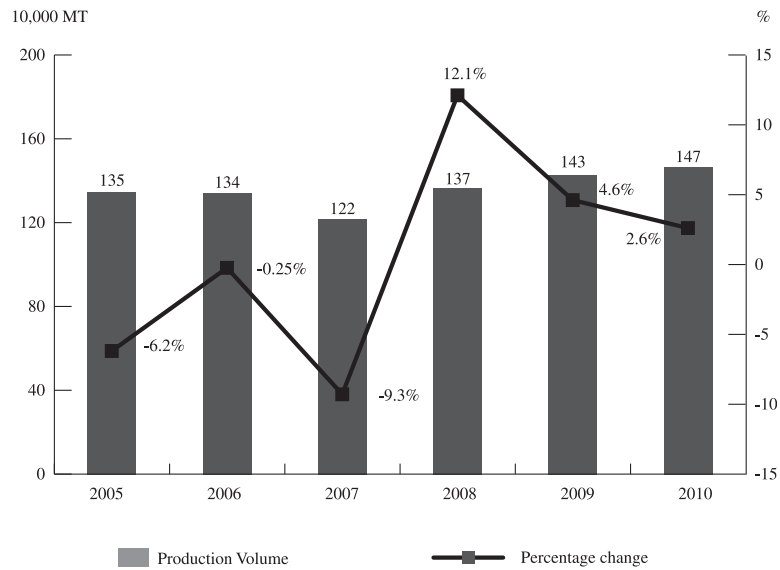
Production of raw meat in the Fujian Province

	Total Volume	Pork	Beef	Mutton	Fowl	Percentage of total volume of pork over total volume of meat production
			<i>(Unit: 10,000 MT)</i>			
2005	164.85	134.69	2.17	1.45	24.57	81.70
2006	161.81	134.36	1.99	1.41	22.07	83.04
2007	150.65	121.87	2.06	1.44	23.13	80.90
2008	169.42	136.60	2.14	1.65	26.18	80.63
2009	175.15	142.90	2.17	1.74	25.58	81.59
2010	180.21	146.62	2.25	1.82	26.32	81.36

Source: Fujian Bureau of Statistics

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Production of pork in the Fujian Province



Source: Fujian Bureau of Statistics

Pork Consumption in the Fujian Province

The pork market in the Fujian Province has been gradually increasing from 2000 to 2010, with the annual consumption of pork per capita of residents in urban area increased from 18.11 kg in 2000 to 25.66 kg in 2010, representing an increase of approximately 41.7%. The annual consumption of pork per capita of residents in urban area of the Fujian Province is also approximately 23.8% higher than that of the national consumption of pork per capita of residents in urban area in 2010 (i.e. 20.73 kg). Driven by the economic growth and rising income together with the population growth and improvements in the standard of living, it is expected that the consumption of pork in the Fujian Province will continue to grow steadily.

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Hog Farming Industry in the Fujian Province

Most of the hog farms in the Fujian Province, i.e. more than approximately 91% as in 2010, were of a small scale with farming capacity of less than 50 heads of hogs per year. The following table shows the number of hog farms of different farming capacity situated in Fujian Province in 2010:

Annual Output Capacity	Number of farms in the Fujian Province with such farming capacity	Approximate % over the total number of hog farms in the Fujian Province	Number of the annual hogs output from the farms with such farming capacity	Approximate % over the total hog output of the Fujian Province
Less than 50 heads of hogs	557,627	91.18%	4,571,000	18.99%
50 to 99 heads of hogs	25,995	4.25%	2,003,000	8.32%
100 to 499 heads of hogs	20,496	3.35%	4,892,000	20.33%
500 to 999 heads of hogs	4,401	0.72%	2,966,000	12.33%
1,000 to 2,999 heads of hogs	2,209	0.07%	3,658,000	15.20%
3,000 to 4,999 heads of hog	439	0.36%	1,679,000	6.98%
5,000 to 9,999 heads of hogs	276	0.05%	1,856,000	7.71%
10,000 to 49,999 heads of hogs	142	0.02%	2,097,000	8.71%
More than 50,000 heads of hogs	<u>6</u>	<u>0.00%</u>	<u>344,000</u>	<u>1.43%</u>
Total	<u>611,591</u>	<u>100.00%</u>	<u>24,066,000</u>	<u>100.00%</u>

Source: Yearbook of the Animal Husbandry Industry of the PRC 2011 (中國畜牧業年鑒2011)

Whilst approximately 99% of hog farms in the Fujian Province had an annual output capacity of less than 500 heads of hogs, these farms only contributed to approximately 47.6% of the aggregate output of hogs in the Fujian Province in 2010, whereas the remaining 1% hog farms of larger scale contributed approximately 52.4% of the aggregate output of hogs in the Fujian Province in 2010.

Slaughtering Industry in the Fujian Province

As at 31 December 2010, there were only 3 slaughterhouses in Putian City which had received a “star-rating” recognition. Among them, two were “1-Star” slaughterhouses situated in Xianyou County and Hanjiang District respectively and the Group’s slaughterhouse, being the only recognised “2-Star” slaughterhouse in Putian City which is the highest ranking of recognition among the slaughterhouses in Putian City. In addition, there were 29 designated slaughterhouses (非機械化生豬定點屠宰場) which do not employ a mechanical slaughtering process situated within the boundary of Putian City as at 31 December 2010.

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SUPPLY AND PRICE FLUCTUATION OF CORN, SOYA MEAL AND WHEAT IN THE PRC

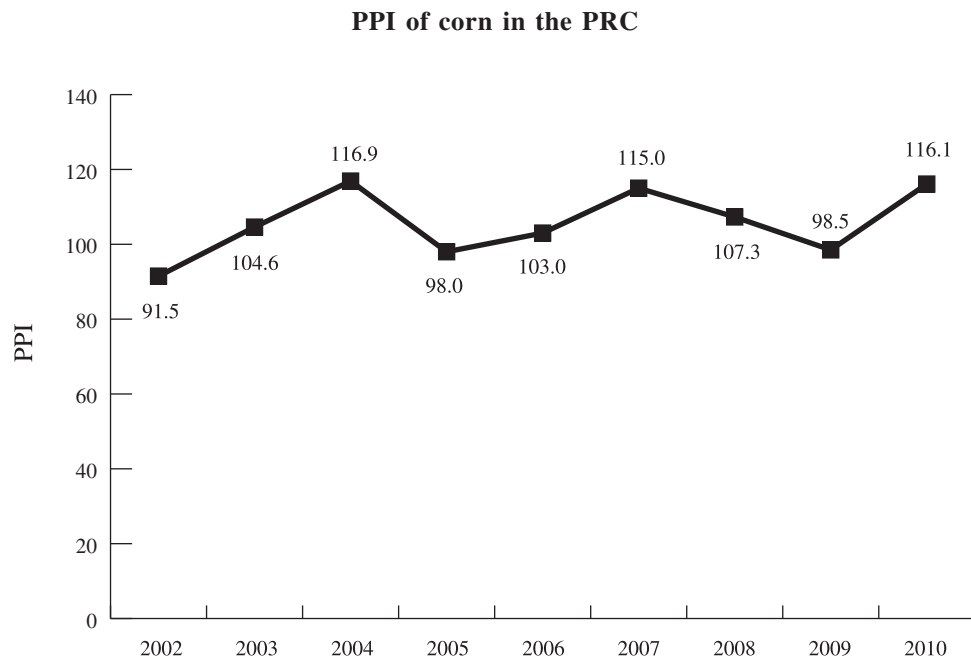
Corn production and consumption in the PRC

The production volume of corn in the PRC has experienced minor fluctuations between 2007 and 2010 although it increased from 152,300,000 MT in 2007 to 177,245,000 MT in 2010 according to the statistics issued by USDA-WAOB, representing an increase of approximately 16.4% and a CAGR of approximately 5.2%. According to USDA-WAOB, the imports of corn in the PRC has increased significantly from 41,000 MT in 2007 to 979,000 MT in 2010, representing an increase of approximately 2,287.8% and a CAGR of approximately 187.96%. Exports of corn from the PRC have dropped from 549,000 MT in 2007 to 100,000 MT in 2010, representing a decrease of approximately 81.8%.

The corn consumption in the PRC has grown steadily from 150,000,000 MT in 2007 to 176,000,000 MT in 2010, representing a growth rate of 17.33% and a CAGR of approximately 5.47%.

Historical price fluctuation of corn

According to the producers' price index compiled by the National Bureau of Statistics of the PRC, which measures the average changes in prices received by domestic producers for their output, the price of corn has been subject to fluctuation between 2002 and 2010.



Source: National Bureau of Statistics of the PRC

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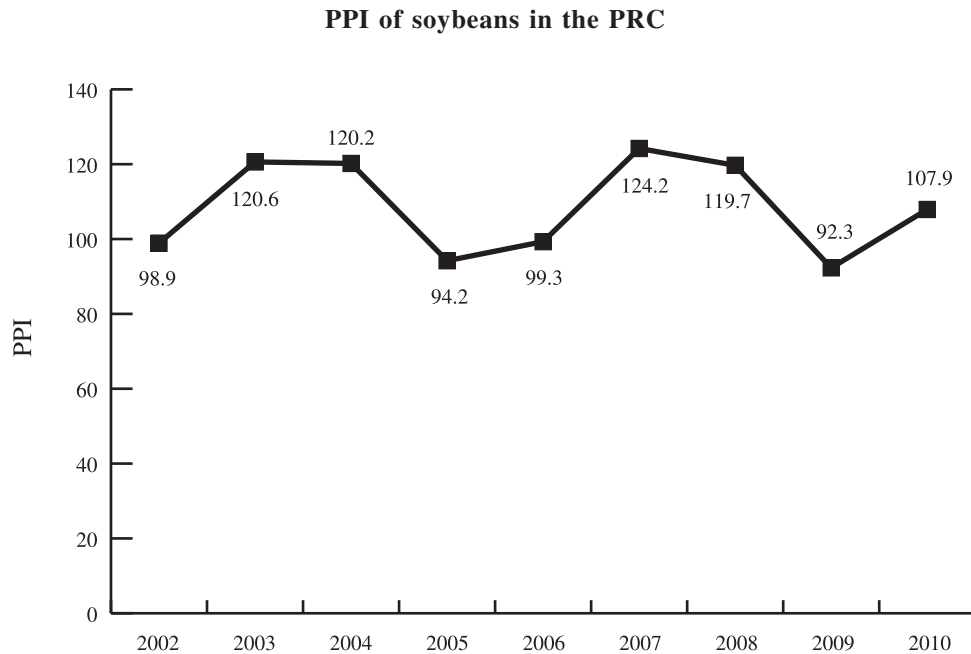
Soya meal production and consumption in the PRC

There has been a significant growth in soya meal production in the PRC from 31,280,000 MT in 2007 to 43,560,000 MT in 2010 according to the statistics issued by USDA-WAOB, representing an increase of approximately 39.25% and a CAGR of approximately 11.7%. According to USDA-WAOB, the imports of soya meal into the PRC increased from 203,000 MT in 2007 to 300,000 MT in 2010, representing an increase of approximately 47.8%. On the other hand, the exports of soya meal from the PRC have increased from 634,000 MT in 2007 to 700,000 MT in 2010, representing an increase of approximately 10.4% for the same period, with the volume of export of soya meal peaked in 2009 with 1,180,000 MT followed by an approximately 44% decrease in 2010.

According to USDA-WAOB, there has also been a significant growth in soya meal consumption in the PRC from 30,849,000 MT in 2007 to 43,382,000 MT in 2010, representing an increase of approximately 40.6% and a CAGR of approximately 12.04%.

Historical price fluctuation of soybeans

Soya meal is the material remaining after solvent extraction of oil from soybean flakes. Since soybeans are the main raw material of soya meal, prices of soybeans directly affect the prices of soya meal. Below is the chart below illustrates the historical producers' price index of soybeans in the PRC between 2002 and 2010.



Source: National Bureau of Statistics of the PRC

Wheat production and consumption in the PRC

According to USDA-WAOB, the production volume of wheat in the PRC increased from 109,298,000 MT in 2007 to 115,180,000 MT in 2010, representing an increase of approximately 5.4% and a CAGR of approximately 1.8%. The imports and exports of wheat in the PRC fluctuated between

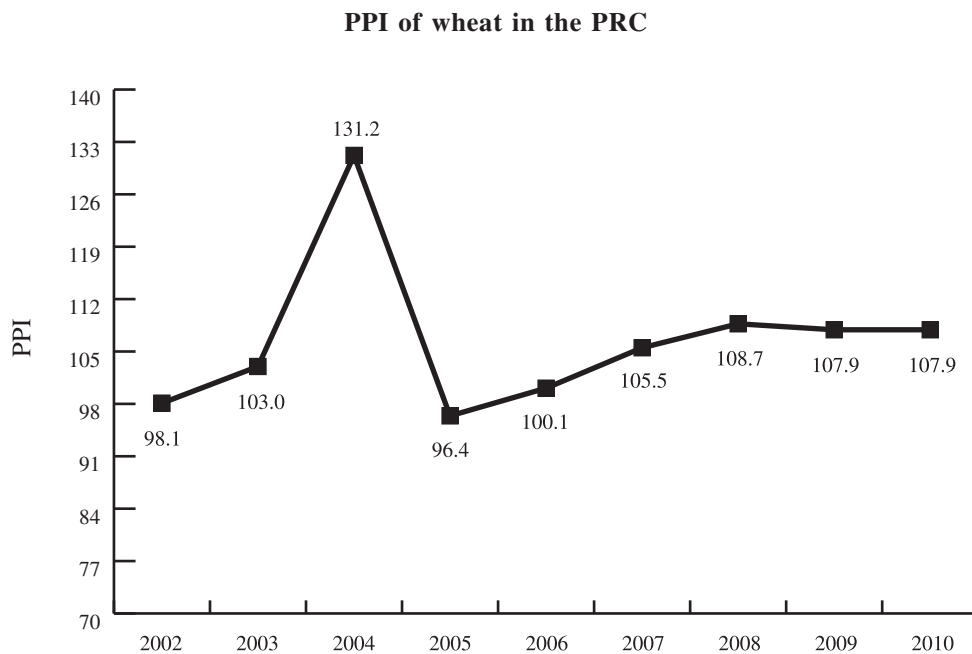
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2007 and 2010. The aggregate volume of imports of wheat into the PRC increased from 50,000 MT in 2007 to 930,000 MT in 2010. The aggregate volume of wheat exported by the PRC decreased from 2,835,000 MT in 2007 to 941,000 MT in 2010.

The wheat consumption in the PRC, according to USDA-WAOB, has increased from 106,000,000 MT in 2007 to 109,500,000 MT in 2010, representing an increase of approximately 3.3% and a CAGR of approximately 1.1% during the period.

Historical price fluctuations of wheat

The prices of wheat peaked in 2004 and dropped in 2005, followed by a trend of gradual increase from 2005 to 2010. The following chart illustrates the historical producers' price index of wheat in the PRC between 2002 and 2010.



Source: National Bureau of Statistics of the PRC

There are various factors that would affect the prices of corn, soybeans and wheat, including but not limited to harvest condition, weather conditions, the policies of the PRC government and market conditions and competition, etc.

RESEARCH SOURCES

This prospectus has cited materials prepared by, among other official sources:

- (i) 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) (“Shenzhen Zhongshang”), an independent consultancy specialising in market information and data management and analysis in the PRC. Shenzhen Zhongshang established its database since 2003 and has broad

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experience in the provision of consultancy services to PRC and overseas clients. The relevant information cited in this prospectus are gathered from the industry report by Shenzhen Zhongshang dated 5 May 2011.

- (ii) USDA-WAOB, established in June 1977 as part of the Office of the Chief Economist of the United States, which is responsible for coordinating and reviewing all commodity and aggregate agricultural and food data and analyses used to develop outlook and situation material within the USDA. It is also in charge of the publication of the monthly World Agricultural Supply and Demand Estimates (WASDE) report, which gathers information from a number of statistical reports published by USDA and other government agencies. The relevant facts and statistical information cited in this prospectus are gathered from ‘Circular Series FG02-10 Grain: World Markets and Trade Report’ dated February 2010, ‘Circular Series FG09-11 Grain: World Markets and Trade Report’ dated September 2011 ‘Circular Series FG12-11 Grain: World Markets and Trade Report’ dated December 2011, ‘Livestock and Poultry: World Markets and Trade Report’ dated October 2011, ‘Circular Series FOP09-11 Oilseeds: World Markets and Trade Report’ dated September 2011 and ‘Circular Series FOP11-12 Oilseeds: World Markets and Trade Report’ dated December 2011.

None of the Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, their respective directors and advisers or any other party involved in the Global Offering have commissioned any of the material prepared by these research sources for use in this prospectus. The materials the Company has used are widely available periodic publications and/or data compilations published or compiled by their respective research sources. The Company has paid for the reports at their published prices. The parameters and assumptions used by the researchers in compiling the reports are based on their own in-house standards.