You should read the following discussion and analysis in conjunction with the combined financial information and the notes there to set forth in the Accountants' Report included as Appendix I to this prospectus, and the selected historical combined financial information and operating data included elsewhere in this prospectus. The combined financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and the financial performance. These statements are based on assumptions and analyses made by the Group in light of the experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the expectations and predictions depend on a number of risks and uncertainties over which the Group does not have control. See "Risk Factors" and "Forward-looking Statements" for discussions of those risks and uncertainties. Unless otherwise indicated, all financial data presented on a combined basis, is presented net of inter-segment transactions (i.e. inter-company transactions are eliminated).

BUSINESS OVERVIEW

The Group is a vertically integrated pork supplier principally engaged in hog farming, hog slaughtering and sale of pork. Fujian Tianyi is one of the largest pork suppliers in Putian City, Fujian Province, contributed to approximately 21.9% of the aggregate output of hogs in Putian City, Fujian Province in 2011[Note 1].

The Group's revenue increased from approximately RMB157.4 million for the year ended 31 December 2009 to approximately RMB519.3 million for the year ended 31 December 2011 and profit for the year increased from approximately RMB27.0 million for the year ended 31 December 2009 to approximately RMB90.0 million for the year ended 31 December 2011, representing a CAGR of approximately 81.6% and 82.6% respectively.

The Group's production facilities, including a hog farm and a slaughterhouse, are located in Putian City in the Fujian Province. As at the Latest Practicable Date, the Group had also engaged five Contract Farmers to provide hog farming services to the Group. The Group's slaughterhouse is the only slaughterhouse with a "star-rating" recognition approved and designated by the People's Government of Putian City (莆田市人民政府) in four districts (i.e. Chengxiang District (城廂區), Licheng District (荔城區), Xiuyu District (秀嶼區) and North Meizhouwan Bay Economic Development District (湄洲灣北岸經濟開發區)) out of the five districts and one county in Putian City. The Group's slaughterhouse is also the only recognised "2-Star" Slaughterhouse in Putian City.

Note 1: The Group's market share in Putian City was calculated by dividing the Group's number of output of hogs by the total number of output of hogs in Putian City during the same period as announced by the People's Government of Putian City (莆田市人民政府).

The Group commenced its operation in 2006 and subsequently became a model business corporation for the "Agricultural Cooperation Projects between Taiwan and Fujian Province (海峽兩岸(福建)農業合作計劃)". In August 2007, the Group successfully applied for and received subsidy from the Department of Science and Technology of Fujian Province (福建省科學技術廳) for the Group's environmentally friendly hog farming facilities and method. In addition, the Group has received numerous awards from each of the governments of Fujian Province and of Putian City, including but not limited to "Leading Enterprise of Fujian Province's Agricultural Husbandry Industrialisation (福建省農牧業產業化龍頭企業)", and "Leading Enterprise of Fujian Province (省級重點龍頭企業)". The Group is also named as a "National Advanced Entity of Science Popularisation of Rural Area (全國科普惠農興村先進單位)" by the China Association of Science and Technology (中國科學技術協會). The Group's managerial system was accredited the ISO 9001:2008 by the Fujian Southeast Standard Certification Centre (福建省東南標準認證中心).

The Directors believe that a well recognised brand with reputation of good product quality could promote confidence of customers on its products and thus enhance the Group's competitiveness in the market. As such, the Group established its own brand "Putian (普甜)" and established its first Point of Sales in July 2007 to market its products under its own brand in the retail network.

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 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 and sale of pork. Since then, the Group has shifted its principal business focus from the sale of commodity hogs to the wholesale of pork, mainly whole hog carcasses and internal organs, as well as retail of pork marketed under the Group's own brand.

As a result, the financial result of the Group for the year ended 31 December 2010 was significantly influenced by such change in the Group's business focus in late 2009. The Group recorded revenue of approximately RMB444.4 million and gross profit of approximately RMB80.2 million for the year ended 31 December 2010, which represented a significant increase of approximately 182.3% and 72.1% respectively compared to those for the year ended 31 December 2009. The wholesale of pork accounted for 82.2% of the Group's total revenue in the year ended 31 December 2010 compared to that of approximately 73.5% in the year ended 31 December 2009. Moreover, such change in the Group's business focus also changed the cost structure of the Group and resulted in a decrease in the Group's overall gross profit margin from 29.6% for the year ended 31 December 2009 to 18.1% for the year ended 31 December 2010. While the Group's cost of sales of RMB110.8 million for the year ended 31 December 2009 mainly comprised operating expenses of the Group's hog farm, the Group's cost of sales of RMB364.1 million for the year ended 31 December 2010 primarily comprised operating expenses, such as depreciation of equipment and machineries and staff costs, incurred in the Group's operation of the slaughterhouse. The Group's cost of sales for the year ended 31 December 2010, as a result, increased by RMB253.3 million or 228.6% as compared to that for the year ended 31 December 2009. Furthermore, as the Group financed the construction of the slaughterhouse by using short-term borrowing and working capital, the Group recorded net current liabilities of approximately RMB38.5 million as at 31 December 2009. In anticipation of the increase in demand of the Group's products, the

Group has also expanded its sales network by developing more Points of Sales in the Fujian Province. This initiative not only significantly increased the Group's sales, but also enhanced the market recognition of the Group.

The Group has implemented stringent measures for its hog farming and pork production processes to ensure the safety and quality of its products and to comply with the applicable environmental regulations. The Group also employed an environmental friendly waste management system which recycles hog wastes as fertiliser.

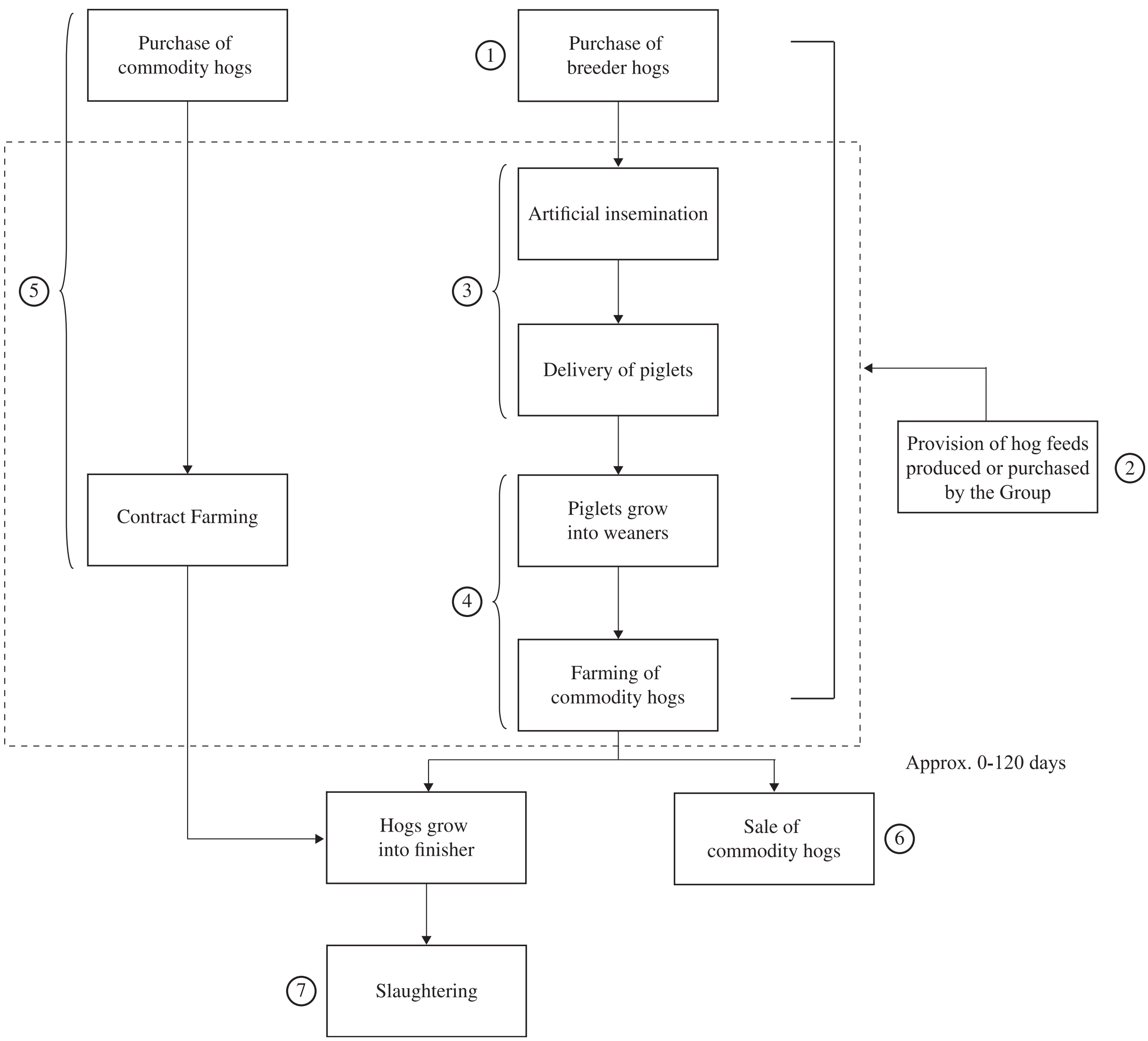
The Group's products had been accredited, *inter alia*, "Harmless Products to the Public (無公害農產品)" by the Department of Agriculture of Fujian Province in February 2008 and March 2011. The Group's brands "" and "普甜 PUTIAN" were recognised as the "Fujian Province's Famous Brand Product (福建名牌產品)" by the People's Government of Fujian Province in December 2008 and March 2012 and "" was recognised as and the "Fujian Province's Famous Trademark (福建省著名商標)" by the Committee of Recognition of Famous Trademark of Fujian Province (福建省著名商標認定委員會) in November 2010. Please refer to the section headed "Business — Awards and certificates" in this prospectus for the list of awards and certificates received by the Group.

Recent development

In 2012, the Group continued to dedicate effort on retail sale of pork by expanding its network of Point of Sales as well as its other retail customers base such as restaurants, food processing factories and individual bulk purchase customers. Since the beginning of the year, the Group had established seven new Point of Sales in its retail network and had a total number of 74 Point of Sales as at the Latest Practicable Date. The Group's financial performance for the three months ended 31 March 2012 improved compared to that of the three months ended 31 March 2011. The improvement was mainly contributed by the increase in sales volume and the increase in market prices of pork. Based on the Group's unaudited financial statements for the three months ended 31 March 2012, total revenue and sale volume of the Group increased by over 30% and 17% respectively and average wholesale price and average retail price of the Group's pork also increased by over 10% and 4% respectively compared to that for the three months ended 31 March 2011. As it is the Group's strategy in prioritising the Group's supply of pork to its retail sale which generates a higher profit margin than wholesale of pork, revenue from retail sale of pork continued to increase and accounted for around half of the Group's total revenue for the three months ended 31 March 2012. However, although the average selling price of pork during the three months ended 31 March 2012 was higher than that of the three months ended 31 March 2011, the magnitude of the increase in the average purchase price of hogs in the three months ended 31 March 2012 compared to that in the three months ended 31 March 2011 was higher than the magnitude of the increase in the average selling prices of pork in the relevant period driven by the prevailing market prices of hogs and pork, as such, the gross profit margin of the Group for the three months ended 31 March 2012 decreased by around 3% compared to that of the three months ended 31 March 2011. In general, based on the current information available to the Directors, the Directors anticipated that the operating performance of the Group during the first half of 2012 remained stable compared to that of 2011.

PRODUCTION PROCESSES

The chart below illustrates the Group's production process and the corresponding impacts on its financial statements, which is prepared solely for illustrative purposes only and may not provide a full picture of the Group's financial position.



No.	Processes	Activities	Impacts on financial statements
1	Procurement of breeder hogs	The Group procures all breeder hogs (boars and gilts) from two independent suppliers.	The Group records the biological assets (i.e. breeder hogs) under non-current assets upon receipt.
2	Procurement and production of hog feeds	Hog feeds consumed in the Group's hog farm and Contract Farms are either purchased by the Group or produced by the Group with raw materials purchased.	The cost of feeds would be absorbed to the biological assets under non-current asset for breeder hogs and current assets for commodity hogs.
3	Delivery of piglets	Breeder hogs supplied to the Group are normally approximately 110 days old, and they will be farmed in the Group's hog farm for another 120 days to reach sexual maturity.	The Group records the biological assets (i.e. piglets) under current assets upon delivery of piglets.
4	Farming of commodity hogs	Piglets are farmed with their mothers for approximately 30 days until piglets are weaned. When weaners are farmed for approximately 30 days and have reached the weight of around 20 kg, they will be transferred to the curtain-barns for commodity hogs and farmed for approximately 120 days.	The Group recognises the utilities consumed as production cost under cost of sales and makes payment when the bills are due.
5	Contract farming	The Group engaged Contract Farmers for commodity hogs farming. The Group also provides hog feeds, medication and vaccinations and technical assistance to Contract Farmers.	The Group recognises the hog farming service fee charged by Contract Farmers as production cost under the cost of sales upon receipt of hogs from the Contract Farmers.
6	Sale of commodity hogs	Hogs are sold to hog traders.	The Group records the sales of commodity hogs upon delivery. The balance of biological asset would be decreased by cost of such commodity hogs and the cost of sales would be increased by the same amount.
7	Hog slaughtering and sale of pork	Commodity hogs (finishers) will be transferred to the Group's slaughterhouse for further processing into pork.	The Group records the sales of pork upon delivery. The balance of biological asset would be decreased by cost of such commodity hogs and the cost of sales would be increased by the same amount.
8	Hogs as at the reporting date	The Group recognises the biological assets at fair value less costs to sell at the reporting date.	The Group records the change in fair value less costs to sell of biological assets in profit or loss.

BASIS OF PRESENTATION

The Controlling Shareholders owned and controlled the companies now comprising the Group before the Reorganisation and continue to own and control these companies after the Reorganisation. The combined statements of comprehensive income, combined statements of financial position, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period, or, as applicable, since its date of incorporation or the date when any company first became controlled by the Controlling Shareholders, whichever represents a shorter period, in a manner similar to the principles of merger accounting. All significant intra-group transactions and balances have been eliminated on combination.

SIGNIFICANT FACTORS AFFECTING THE RESULTS OF OPERATIONS

Feed costs and procurement cost of commodity hogs

The results of operations are affected by feed costs and procurement cost of commodity hogs. The feed costs are in turn affected primarily by costs of raw materials (such as corn, soya meal, wheat bran and feed premix) used. The prices and supplies of such raw materials in the hog feeds and procurement cost of commodity hogs may fluctuate significantly and 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. The costs of raw materials used in the hog feeds and procurement cost of commodity hogs as a percentage of the total cost of sales amounted to approximately 94.2%, 97.1% and 97.2% for the years ended 31 December 2009, 2010 and 2011 respectively.

The average prices for procuring the following raw materials per kilogram (kg) during the Track Record Period are set out below:

	Year ended 31 December				
	2009	**2010**	**Approximate % change**	**2011**	**Approximate % 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%

Such price fluctuations will affect the production cost, which in turn affect the gross profit margin of the Group.

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

The Group is exposed to the business risks of fluctuation of products' prices due to various factors including the market force of supply and demand which is affected by environment regulations, animal diseases, seasons and change of taste or preferences of the customers. Since these factors affect the market as a whole, the Group has little or no control over the same. The average retail selling price of pork for the years ended 31 December 2009, 2010 and 2011 were approximately RMB18.5 per kg, RMB20.9 per kg and RMB25.8 per kg respectively, representing a percentage increase for the years ended 31 December 2010 and 2011 of approximately 13.0% and 23.4%. Pork, being mainly whole hog carcasses, have been sold to pork product traders by the Group since August 2009. The average wholesale price of pork sold to pork product traders for the years ended 31 December 2009, 2010 and 2011 were approximately RMB17.7 per kg, RMB18.1 per kg and RMB23.6 per kg respectively, representing a percentage increase for the year ended 31 December 2010 and 2011 of approximately 2.3% and 30.4% respectively. If the product prices decrease, it may adversely affect the Group's revenue and profit.

Tax

Throughout the Track Record Period, the results of operations had been positively affected by preferential tax policies which favour enterprises of raising of livestock and poultry in the PRC. As a result of these policies, the sale of pork was exempted from EIT and VAT. The Group has obtained confirmations from the local competent tax authorities that the Group is entitled to the relevant tax exemption regarding EIT and VAT. The results of operations of the Group were not significantly affected by taxes during the Track Record Period. As advised by the PRC Legal Advisers, since the Group had made all annual filings to the relevant tax authorities during the Track Record Period, the risk that the local authorities would order the Group to pay the relevant amounts for EIT and VAT retrospectively is low. If the PRC government changes these policies and starts to collect EIT and VAT on the sale of pork, profitability of the Group could be adversely affected.

Changes in the fair value of biological assets

The results have been, and the Group expects the results of operation will continue to be, affected by changes in the fair value of the biological assets. Fair value gains or losses represent fair value change of hogs due to their change in physical attributes and market-determined prices. The fair value of the breeders and commodity hogs at the end of each reporting period are estimated by the Valuer.

The fair value of the biological assets is determined by reference to market-determined prices. For more information about valuation methods applied in valuing the biological assets, see the paragraph headed "Description of selected line items of the combined statements of comprehensive income — Changes in fair value less costs to sell of biological assets" in this section below.

In applying these valuation methods, the Valuer has relied on a number of assumptions. The fair value of the biological assets could be affected by the accuracy of those assumptions. The Group expects that the results will continue to be affected by the changes in the fair value of the biological assets.

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

The Group's operations depend heavily on a sufficient and stable supply of hogs. The Group has engaged Contract Farmers for the provision of hogs farming services since April 2009. For the three years ended 31 December 2009, 2010 and 2011, the Contract Farmers were responsible for the farming of approximately 64.1%, 91.0% and 89.6% of the annual hogs output of the Group in term of the number of hogs. As at 31 December 2011, the Group contracted with five Contract Farmers. 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, or the Group is able to engage sufficient number of Contract Farmers to provide farming services to the Group in the future. Any of the above incidents could have a negative impact on the supply of the Group's hogs, or an adverse effect on the Group's production and productivity. 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.

Regulatory environment

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 for Slaughterhouse of 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 complies 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 or maintaining any 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. For further details on the existing laws and regulations relevant to the Group's businesses, please see the "PRC Regulatory Overview" section in this prospectus.

Seasonality

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. The average selling price of the Group's retail pork in the month of Chinese New Year were approximately 8.8%, 7.8% and 2.6% higher than the average selling price for each of 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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Group has identified certain accounting policies that are significant for an understanding of the financial condition and results of operations, and these are set out in detail in note 3 of section II in Appendix I to this prospectus. Critical accounting policies are those accounting policies that are the most important to the portrayal and understanding of the financial condition and the results of operations and require the most difficult, subjective or complex judgments of the management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. The following sections discuss certain critical accounting policies, judgments and estimations applied in the preparation of the combined financial statements.

Revenue recognition

The Group recognises revenue in the combined statements of comprehensive income provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. The Group recognises revenue from the sales of goods when goods are delivered which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is computed after deduction of any trade discounts. The Group recognises interest income as it accrues using the effective interest method.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use and depreciates on the same basis as other property assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the combined statements of comprehensive income in the Track Record Period in which the item is derecognised.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	20 years
Plant and machinery	10 years
Motor vehicles	5 years
Office equipment	5 years

Depreciation methods and useful lives are reassessed at each reporting date.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of the tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimated the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Impairment of trade and other receivables

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The estimate is based on the ageing of the trade receivable balance, customer credit-worthiness and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual write-offs would be higher than estimated.

Fair value of biological assets

The biological assets are valued at fair value less costs to sell. The fair value is determined based on either the market-determined prices as at the end of the reporting periods adjusted with reference to the species, age, growing condition and costs incurred to reflect differences in characteristic and/or stages of growth of biological assets. Any change in the estimates may affect the fair value of biological assets significantly.

The Valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets.

The quantitative information on the prevailing market prices adopted for the valuation of the Group's biological assets are set out as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
Commodity hogs (RMB/kg)[1]	12.58	14.56	16.50
Piglets/weaners (RMB/kg)[2]	27.39	29.70	28.00
Boars (RMB/head)[3]	6,000	6,000	6,000
Sows (RMB/head)[4]	1,800	1,800	2,000

Notes:

(1) Market prices of commodity hogs represent the prices of finishers in the Fujian Province i.e. hogs of around 180 days old with weight over 100 kg and are about to be slaughtered. The market price of commodity hogs were obtained from the statistics released by the China Animal Agriculture Association (中國畜牧業協會) as at the respective reporting date.

(2) Market prices of piglets/weaners represent the prices of hogs that are less than 60 days old with weight less than 20 kg in the Fujian Province. The market price of piglets/weaners were obtained from the statistics released by the China Animal Agriculture Association (中國畜牧業協會) as at the respective reporting date.

(3) Market prices of boars represent the market selling prices of sexually immature boars of around 5 months old in the Fujian Province quoted as at the respective reporting date. The market prices were quoted from the PRC subsidiary of an international hog breeder. Such hog breeder is one of the international leading breeder hog producers founded in the United Kingdom specialising in the research of genetic improvement of pig and the sale of breeder hogs. The business coverage of such breeder hogs producer covers 30 countries and established a branch in the PRC in 1996 with an annual sale of breeder hogs reaching approximately 3 million worldwide.

(4) Market prices of sows represent the market selling prices of gilts/sows of around 5 months old in the Fujian Province quoted from the source mentioned in note (3) above as at the respective reporting date.

Costs to sell amounted to zero as adopted for the valuation of the Group's biological assets. According to the industrial practices, all hogs, piglets or weaners and breeder hogs are delivered to the purchasers at the hog or breeder farms, therefore, all transportation costs in association with selling of the biological assets would be borne by purchasers. According to Article 16(1) of the Provisional Regulations of the People's Republic of China on Value-Added Tax (中華人民共和國增值稅暫行條例), self-produced agricultural products sold by agricultural producers is exempted from VAT. Besides transportation costs and VAT, no other direct costs would be involved in the sale of the biological assets.

Provision for financial guarantees liabilities

The Group follows the guidance of HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" on determining the provision for guarantees. Provision have been made based on management's best estimates and judgments if it is probable that an outflow of resources will be required to settle the defaulted guarantees and the amount of such provision can be measured reliably.

RESULTS OF OPERATIONS

The following table sets forth, for the years indicated, certain information relating to the income and expense items as derived from the combined statements of comprehensive income, the details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	Year end 31 December					
	2009		2010		2011	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Revenue	157,443	100.0	444,367	100.0	519,339	100.0
Cost of sales	(110,819)	70.4	(364,127)	81.9	(397,324)	76.5
Gross profit	46,624	29.6	80,240	18.1	122,015	23.5
Other revenue and gains	585	0.4	605	0.1	2,459	0.5
Change in fair value less costs to sell of biological assets	(8,516)	5.4	11,173	2.5	(2,891)	0.6
Selling and distribution expenses	(3,114)	2.0	(9,441)	2.1	(11,480)	2.2
Administrative expenses	(4,933)	3.1	(7,000)	1.6	(15,628)	3.0
Finance costs	(3,535)	2.2	(3,773)	0.8	(4,281)	0.8
Other operating expenses	(66)	0	(60)	0	(181)	0
Profit before taxation	27,045	17.2	71,744	16.1	90,013	17.3
Taxation	—	—	—	—	—	—
Profit for the year	27,045	17.2	71,744	16.1	90,013	17.3
Other comprehensive (loss)/ income						
Exchange differences on translation of foreign operations	(1)	0	1	0	673	0.1
Other comprehensive(loss)/income for the year, net of tax	(1)	0	1	0	673	0.1
Total comprehensive income for the year	27,044	17.2	71,745	16.1	90,686	17.5
Dividends	—	—	—	—	64,584	12.4
Earnings per share						
Basic and diluted *(RMB cents)*	4.51	—	11.96	—	15.00	—

DESCRIPTION OF SELECTED LINE ITEMS OF THE COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

The Group's revenue is derived from two key products namely sale of commodity hogs and retail and wholesale of pork (including whole hog carcasses and various cuts of pork as well as different side products of hogs such as heads, intestines and other internal organs). Retail products mainly includes various cuts of pork meat and internal organs marketed under the Group's own brand and wholesale products mainly includes whole hog carcasses, internal organs, heads and intestine of hogs. The Group's wholesale customers are pork product traders who, in general, resell these products to restaurants, hotels or shops at farmer's markets.

The following table sets out a breakdown of the revenue by product category and sales segment during the Track Record Period:

	Year ended 31 December					
	2009		2010		2011	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Revenue						
Commodity hogs	27,462	17.4	3,024	0.7	n.a.	n.a.
Pork						
— retail	14,263	9.1	76,058	17.1	236,454	45.5
— wholesale	115,718	73.5	365,285	82.2	282,885	54.5
Total	157,443	100.0	444,367	100.0	519,339	100.0

While the Group's products are sold at Points of Sales, including the Group's direct sales outlets or concession counters at supermarkets, throughout the Track Record Period, the Group also sold commodity hogs to hog traders from 2009 to 2010 and has sold pork to pork product traders since August 2009. As at 31 December 2009, 2010 and 2011, the Group had 24, 46 and 67 Points of Sales in the Fujian Province respectively. The Group endeavoured to develop its retail sale segment during the Track Record Period by expanding its network of Points of Sales as well as attracting new retail customers, such as food processing factories, the retail sales of pork increased during the Track Record Period and represented approximately 9.1%, 17.1% and 45.5% of the total revenue for the years ended 31 December 2009, 2010 and 2011 respectively whereas the revenue generated from sales of commodity hogs and wholesale of pork represented approximately 90.9%, 82.9% and 54.5% of the total revenue for the years ended 31 December 2009, 2010 and 2011 respectively.

The following table sets out the sales volume by product category and sales segment during the Track Record Period:

	Year ended 31 December		
	2009	**2010**	**2011**
	'000	*'000*	*'000*
Total kilograms (kg) sold			
Commodity hogs	2,056	238	n.a.
Pork			
— retail	770	3,642	9,181
— wholesale	6,534	20,223	11,995
	9,360	24,103	21,176

As shown in the table above, the sales volume of pork in terms of kg increased significantly in 2010 and was primarily attributable to the increase in the production capacity resulting from (i) the increase in the output of hogs from the Contract Farmers from 72,630 hogs in 2009 to 254,689 hogs in 2010; and (ii) the commencement of in-house slaughtering in August 2009. The decrease in sales volume of commodity hogs in 2010 and was primarily attributable to the shift of the Group's focus to wholesale of pork to pork product traders since the commencement of the operation of the slaughterhouse in August 2009.

The decrease in the sales volume of pork for the year ended 31 December 2011 compared to that for the year ended 31 December 2010, was primarily attributable to the substantial decrease in wholesale volume of pork from approximately 20,223,000 kg for the year ended 31 December 2010 to approximately 11,995,000 kg for the year ended 31 December 2011 was mainly due to the disruption in the supply of hogs as a considerable number of Contract Farmers engaged by the Group in 2010 were no longer eligible for conducting farming activities in 2011 as a result of the promulgation of the Delimit Plan and the Group's strategy to prioritise the supply of pork to the Group's retail sale which enjoys a higher profit margin.

The following table sets out the average selling prices of the Group's products for 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.
Pork			
— retail	18.5	20.9	25.8
— wholesale	17.7	18.1	23.6

Note: Average selling prices represent the revenue for the year divided by the sales volume for the respective year. Overall average selling prices of the Group's products for each of the three years ended 31 December 2011 were approximately RMB16.8 per kg, RMB18.4 per kg and RMB24.5 per kg respectively.

Due to the adverse effect of outbreak of FMD and influenza A (H1N1) in early 2009 and until early 2010, the average retail selling price of pork dropped to RMB18.5 per kg for the year ended 31 December 2009. Driven by the recovery of market demand for pork as well as the overall increase in hog farming and selling costs since the second half of 2010, the average retail and wholesale prices of pork continuously increased during the year ended 31 December 2010 and 2011.

The decreasing trend of the average selling price of commodity hogs was mainly attributable to the effect of outbreak of animal diseases mentioned above. As the sale of commodity hog had been terminated in February 2010, the average selling price of commodity hogs in 2010 did not reflect the improvement of market price due to the recovery of market demand in the second half of 2010. Further, as advised by the PRC Legal Advisers, there are no specific rules and regulations in the PRC which set prices or price ranges of the Group's pork in the PRC.

Cost of sales

The cost of sales principally consists of costs of raw materials, procurement cost of hogs, direct labour, fuel and power and overhead.

The following table sets out a breakdown of the cost of sales by production cost and the percentage of such cost to the total cost of sales during the Track Record Period:

	Year ended 31 December					
	2009		**2010**		**2011**	
	RMB'000	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*
Cost of sales						
Direct materials	104,438	94.2	353,488	97.1	386,148	97.2
Direct labour						
— hog farm	1,144	1.0	1,459	0.4	1,119	0.3
— slaughterhouse	268	0.3	1,143	0.3	1,554	0.4
Fuel and power	237	0.2	334	0.1	303	0.1
Overhead	1,493	1.4	1,854	0.5	1,741	0.4
Depreciation						
— hog farm	2,447	2.2	3,008	0.8	2,470	0.6
— slaughterhouse	792	0.7	2,841	0.8	3,989	1.0
Total	110,819	100.0	364,127	100.0	397,324	100.0

Direct materials principally comprise corn, soya meal, wheat bran, feed premix and procurement cost of hogs and represented approximately 94.2%, 97.1% and 97.2% of the total cost of sales for the years ended 31 December 2009, 2010 and 2011 respectively.

Direct labour costs primarily consist of wages, insurance and other employee benefits for the production workers.

Overhead costs primarily consist of depreciation of production facilities, utilities, operating lease charges and other miscellaneous operational costs.

The following table sets out a breakdown of the cost of sales and their relative percentage to the total cost of sales during the Track Record Period:

	Year ended 31 December					
	2009		2010		2011	
	RMB'000	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*
Cost of sales						
Commodity hogs	19,123	17.2	2,758	0.8	n.a.	n.a.
Pork						
— retail	9,717	8.8	57,013	15.7	176,095	44.3
— wholesale	81,979	74.0	304,356	83.5	221,229	55.7
Total	110,819	100.0	364,127	100.0	397,324	100.0

The following table sets out the average unit cost of the Group's product during the Track Record Period:

	Year ended 31 December		
	2009	2010	2011
	RMB	*RMB*	*RMB*
Average unit costs *(note)*			
Commodity hogs (per kg)	9.3	11.6	n.a.
Pork (per kg)			
— retail	12.6	15.7	19.2
— wholesale	12.5	15.1	18.4

Note: Average unit costs represent the cost of sales for the year divided by the sales volume for the respective year. Overall average unit costs for each of the three years ended 31 December 2011 were approximately RMB11.8 per kg, RMB15.1 per kg and RMB18.8 per kg respectively.

Gross Profit and Gross Profit Margin

The following table sets out the total gross profit and gross profit margin by product category and sales segment during the Track Record Period:

	Year ended 31 December					
	2009		2010		2011	
		Gross profit margin		*Gross profit margin*		*Gross profit margin*
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Gross profit and gross profit margin						
Commodity hogs	8,339	30.4	266	8.8	n.a.	n.a.
Pork						
— retail	4,546	31.9	19,045	25.0	60,359	25.5
— wholesale	33,739	29.2	60,929	16.7	61,656	21.8
Total	46,624	29.6	80,240	18.1	122,015	23.5

Other revenue and gains

Other revenue and gains primarily consist of revenue from the sale of by-products, interest income, government grants, gain on disposal of biological assets and amortisation of financial guarantee contract.

Change in fair value less costs to sell of biological assets

The change in fair value less costs to sell of biological assets represents fair value changes on the biological assets (i.e. hogs) due to the changes in physical attributes and market-determined prices of those assets. During the Track Record Period, the biological assets were revalued at each reporting date.

The fair value less costs to sell of hogs are determined using the market approach with reference to the selling prices less costs to sell. Selling prices represent the prevailing market prices of hogs of similar breed or genetic merit. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding transportation costs, finance costs and income taxes.

Given the nature of the biological assets (including piglets, commodity hogs and breeder hogs) which are commonly transacted on the market, they have been valued based on market approach. Market approach is the most acceptable valuation method being engaged for valuing assets for which transaction market can be identified.

During the Track Record Period, the following principal valuation assumptions had been adopted by the Valuer:

- There will be no major change in the existing political, legal and economic conditions in the PRC;

- Save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the Group;
- The interest rates and exchange rates will not differ materially from those presently prevailing;
- The biological assets are free from any animal diseases, including but not limiting to FMD and/or influenza A (H1N1) such that they are all healthy and are capable to generate valuable outputs in line with normal expectations and subject to normal operating expenses;
- The availability of finance will not be a constraint on the breeding of biological assets;
- The production facilities, systems and the technology utilised by the Group in carrying out its breeding operations do not infringe any relevant regulations and law;
- The Group has obtained or shall have no impediment to obtain all necessary government permits and approvals to carry out its breeding operations in the PRC;
- The biological assets are not subject to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date;
- The Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding operations; and
- The estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other typical benefits which may influence the fair value of breeders.

The Group currently has a hog farm on which various curtain-barns are erected. Breeder hogs, commodity hogs and piglets of similar age or in the same stage of life cycle are moved into a curtain-barn. For administration purposes, the housekeepers of the hog farm would keep proper warehouse records on the number of hogs or piglets moved into or moved out the curtain-barns from time to time throughout the breeding period. To facilitate the breeding process, a group of hogs or piglets within a curtain-barn are sub-divided into certain number of sub-groups of more or less the same size and each of these sub-groups are separated with each other by means of physical barriers. The deposition of hogs or piglets in this manner would also facilitate the physical counting on the number of hogs or piglets in the curtain-barn.

The following steps have been taken for undertaking physical counting by the Reporting Accountants and the Valuer:

- To obtain the warehouse records reflecting the quantities of hogs and piglets as at the reporting date;
- To perform physical counting of hogs and piglets within the curtain-barns;
- To obtain the warehouse records in relation to the reduction and addition on the number of hogs and piglets of the curtain-barns between the relevant reporting date and the date of counting; and

- To work out the number of hogs and piglets as at the reporting date by rolling back the counted number from the counting date to the reporting date using the warehouse records as mentioned above.

As valuations for some of the reporting dates (particularly during the Track Record Period) are dated back valuations for which physical count of biological assets is impossible to be performed, the Valuer has to solely rely on the warehouse records provided by the Company. In adopting the warehouse records, the Valuer has also to examine the chronological warehouse records over the Track Record Period (which show the beginning balances of hogs and piglets, number of hogs and piglets moved in and moved out and ending balances of hogs and piglets for each reporting period throughout the Track Record Period) and to counter-check whether the ending balances as at each reporting date were matched with the quantities of hogs and piglets adopted for valuation.

The prevailing market prices of breeder hogs, commodity hogs and piglets/weaners in the Fujian Province were adopted by the Valuer in valuing the Group's biological assets at the end of each reporting period. The prevailing market price of commodity hogs decreased during 2009 and early 2010 due to the outbreak, respectively of FMD and influenza A (H1N1) in the period. Driven by the recovery of market demand for pork, the market price has generally increased since the second half of 2010. Costs to sell, representing incremental costs directly attributable to the disposal of assets and excluding finance costs and income taxes, had no material fluctuation during the Track Record Period and did not attribute a significant impact to the change in fair value of the Group's biological assets.

For the biological assets of the Group whose fair values are measured by market approach, no sensitivity analysis is deemed necessary as no assumption on specific parameters has been employed in the valuation with reference to the market prices.

Selling and distribution expenses

Selling and distribution expenses primarily consist of staff costs, marketing expenses, rental expenses and transportation costs.

The following table sets out a breakdown of selling and distribution expenses during the Track Record Period:

	Year ended 31 December					
	2009		**2010**		**2011**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Staff costs	1,309	42.0	2,385	25.3	7,462	65.0
Marketing expenses	704	22.6	5,163	54.7	461	4.0
Rental expenses	417	13.4	347	3.7	291	2.5
Transportation costs	152	4.9	248	2.6	1,180	10.3
Others	532	17.1	1,298	13.7	2,086	18.2
Total	3,114	100.0	9,441	100.0	11,480	100.0

Administrative expenses

Administrative expenses primarily consist of staff costs, depreciation of property, plant and equipment, travel expenses, PRC tax levy, fair value of financial guarantee liabilities, legal and professional fee, rental expenses and general administrative expenses.

The following table sets out a breakdown of administrative expenses during the Track Record Period:

	Year ended 31 December					
	2009		**2010**		**2011**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	1,153	23.4	1,437	20.6	2,730	17.4
Depreciation and amortisation	987	20.0	901	12.9	824	5.3
Travel expenses	512	10.4	730	10.4	748	4.8
PRC tax levy	287	5.8	1,197	17.1	3,718	23.8
Fair value of financial guarantee liabilities	—	—	31	0.4	—	—
Legal and professional fee	608	12.3	952	13.6	3,207	20.5
Rental expenses	107	2.2	248	3.5	1,132	7.2
General administrative expenses	798	16.1	553	7.9	1,719	11.0
Others	481	9.8	951	13.6	1,550	10.0
Total	4,933	100.0	7,000	100.0	15,628	100.0

Finance costs

The Group's finance costs primarily represent interest on bank borrowings.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended 31 December 2011 Compared to Year Ended 31 December 2010

Revenue

Revenue increased by approximately 16.9%, from approximately RMB444.4 million for the year ended 31 December 2010 to approximately RMB519.3 million for the year ended 31 December 2011. The increase was a combined effect of a decrease in sales volume and an increase in average selling price of pork. The decrease in sales volume was primarily attributable to the disruption in the supply of hogs as a considerable number of Contract Farmers engaged by the Group in 2010 were no longer eligible for conducting farming activities in 2011 due to the promulgation of Delimit Plan which tightened the enforcement of relevant environment protection laws and regulations by the local government hence decreased the supply of hogs to the Group.

Retail of pork

- Revenue from retail of pork significantly increased by approximately 210.8%, from approximately RMB76.1 million for the year ended 31 December 2010 to approximately RMB236.5 million for the year ended 31 December 2011 which was primarily attributable to the increase in the average retail selling price and the rapid expansion of sales network by establishing a significant number of new concession counters at supermarkets as well as the expansion of the Group's retail customer base. Total number of Point of Sales increased significantly from 46 as at 31 December 2010 to 67 as at 31 December 2011 and revenue derived from concession counters accounted for approximately 14.2% of the Group's revenue for the year ended 31 December 2011 compared to that of only approximately 2.6% for the year ended 31 December 2010. Moreover, retail sale of pork to canteens, restaurants, food processing factories and individual customers directly purchasing in bulk also significantly increased during the year ended 31 December 2011 and accounted for approximately 23.3% of the Group's revenue compared to that of only approximately 7.0% during the year ended 31 December 2010. Furthermore, the increase in revenue was attributable to the increase in the average retail price of the Group's products from RMB20.9 per kg to RMB25.8 per kg during the relevant period driven by the increase in the prevailing market price.

Wholesale of pork

- Revenue from wholesale of pork decreased by approximately 22.6%, from approximately RMB365.3 million for the year ended 31 December 2010 to approximately RMB282.9 million for the year ended 31 December 2011. The decrease was primarily attributable to the substantial decrease in wholesale volume of pork from approximately 20,223,000 kg in the year ended 31 December 2010 to approximately 11,995,000 kg in the year ended 31 December 2011 due to disruption in the supply of hogs described above and the Group's strategy to prioritise the supply of pork to the Group's retail sale which generated a higher profit margin. As a result, the number of pork product traders engaged by the Group also decreased from 14 to eight in the relevant period.

Gross profit and gross profit margin

Gross profit increased by approximately 52.1% from approximately RMB80.2 million for the year ended 31 December 2010 to approximately RMB122.0 million for the year ended 31 December 2011. The overall gross profit margin increased from approximately 18.1% for the year ended 31 December 2010 to approximately 23.5% for the year ended 31 December 2011 which was primarily attributable to the increase in the overall average selling price of pork by approximately 33.2% driven by the general increase in prices of pork in the PRC during the relevant period and the change in the Group's sales mix as discussed above. As retail sales generated higher profit margin, the increase in retail sale contributed to the increase in the Group's overall gross profit margin for the year ended 31 December 2011. Please refer to the section "Industry Overview — Price trend of pork in the PRC" in this prospectus for details of price trends of pork in the PRC.

Retail of pork

- Gross profit from retail of pork increased by approximately 217.9%, from approximately RMB19.0 million for the year ended 31 December 2010 to approximately RMB60.4 million for the year ended 31 December 2011 which was primarily attributable to the increase in the prevailing market selling price of pork and retail sales volume as discussed above. The gross profit margin for retail of pork increased from approximately 25.0% for the year ended 31 December 2010 to approximately 25.5% for the year ended 31 December 2011 which was primarily attributable to the increase in the average retail price of the Group's pork by approximately 23.4% during the relevant period driven by the increase in the prevailing market price while the average unit cost of sales increased by only 22.3% during the same period.

Wholesale of pork

- Gross profit from wholesale of pork increased by approximately 1.3%, from approximately RMB60.9 million for the year ended 31 December 2010 to approximately RMB61.7 million for the year ended 31 December 2011 which was primarily attributable to the increase in the prevailing market selling price and partially offset by the decrease in sales volume discussed above. The gross profit margin for pork sold as wholesale increased from approximately 16.7% for the year ended 31 December 2010 to approximately 21.8% for the year ended 31 December 2011 which was primarily attributable to the increase in average wholesale price of the Group's products by approximately 30.4% during the relevant period driven by the increase in prevailing market selling price while the average unit cost of sales increased by only 21.9% during the same period.

Other revenue and gains

Other revenue and gains increased by approximately 316.7%, from approximately RMB0.6 million for the year ended 31 December 2010 to approximately RMB2.5 million for the year ended 31 December 2011 which was primarily attributable to the gain on disposal of hog droppings of approximately RMB0.5 million and the increase in the gain on disposal of biological assets by approximately RMB0.5 million, which were principally breeder hogs, as well as the one-off government grants received from local government of approximately RMB0.7 million for the year ended 31 December 2011 which mainly consisted of subsidy for government loan interest.

Change in fair value of biological assets less costs to sell

Change in fair value less costs to sell of biological assets recorded a loss of approximately RMB2.9 million for the year ended 31 December 2011 compared to a gain of approximately RMB11.2 million for the year ended 31 December 2010, regardless of increase in market price of commodity hogs as at 31 December 2011 compared to that as at 31 December 2010. The loss was mainly attributable to (i) the quantity of hog kept at the Group's farm as at 31 December 2011 was lower than which as at 31 December 2010; (ii) the difference between the average age of commodity hogs kept at the Group's farms as at 31 December 2011 and that as at 31 December 2010 was significantly smaller than the difference between the average age of commodity hogs kept at the Group as at 31 December 2010 and that as at 31 December 2009.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 22.3%, from approximately RMB9.4 million for the year ended 31 December 2010 to approximately RMB11.5 million for the year ended 31 December 2011. The increase was a combined effect of the increase in staff costs by 212.9% or approximately RMB5.1 million, the increase in transportation cost by 375.8% or approximately RMB0.9 million and a decrease in marketing expenses by approximately 91.1% or approximately RMB4.7 million. The increase in staff cost and transportation cost for the year ended 31 December 2011 was primarily attributable to the expansion of the Group's network of Points of Sales. Total number of Point of Sales significantly increased from 46 as at 31 December 2010 to 67 as at 31 December 2011. As such, the average number of staff in sales and marketing department increased from around 98 for the year ended 31 December 2010 to around 298 for the year ended 31 December 2011. As most of the newly established Point of Sales is located outside Putian City, the transportation cost during the relevant period increased. The significant decrease in marketing expenses was mainly due to a one-off marketing expenses for the advertising of the Group's retail network of approximately RMB5.0 million which was incurred in April 2010. Notwithstanding the above, the selling and distribution expenses as a percentage of the Group's revenue remained stable at 2.2%.

Administrative expenses

Administrative expenses increased by approximately 122.9%, from approximately RMB7.0 million for the year ended 31 December 2010 to approximately RMB15.6 million for the year ended 31 December 2011 which was primarily attributable to the increase in staff cost, PRC tax levy, rental expenses and the legal and professional fees due to the preparation of the Listing. The staff cost increased by approximately 92.9% from approximately RMB1.4 million for the year ended 31 December 2010 to approximately RMB2.7 million for the year ended 31 December 2011 which was attributable to the average number of administrative staff increased from around 37 for the year ended 31 December 2010 to around 58 for the year ended 31 December 2011 due to the addition of managerial, finance and administrative staff to accommodate the expanding operation scale of the Group. The PRC tax levy increased by approximately 208.3%, from approximately RMB1.2 million for the year ended 31 December 2010 to approximately RMB3.7 million for the year ended 31 December 2011 which was primarily attributable to the withholding tax in relation to the dividend payment to the shareholder of Fujian Tianyi. The rental expenses increased from approximately RMB0.2 million for the year ended 31 December 2010 to approximately RMB1.1 million for the year ended 31 December 2011 due to the commencement of rental of Hong Kong office since May 2011. The general administrative expenses also increased by approximately 183.3%, from approximately RMB0.6 million for the year ended 31 December 2010 to approximately RMB1.7 million for the year ended 31 December 2011, which mainly represented the increased entertainment expenses due to the expansion of the Group's business scale.

Finance costs

Finance costs increased by approximately 13.2%, from approximately RMB3.8 million for the year ended 31 December 2010 to approximately RMB4.3 million for the year ended 31 December 2011 which was mainly due to the increase in the monthly average bank borrowings during the year and the interest rate of bank borrowings.

Profit for the year and net profit margin

Profit for the year increased by approximately 25.5%, from approximately RMB71.7 million for the year ended 31 December 2010 to RMB90.0 million for the year ended 31 December 2011 and the net profit margin also improved significantly from 16.1% for the year ended 31 December 2010 to 17.3% for the year ended 31 December 2011. The improvement of profit for the year and net profit margin was primarily attributable to the improvement in the gross profit margin discussed above.

Year Ended 31 December 2010 Compared to Year Ended 31 December 2009

Revenue

Revenue increased by approximately 182.2%, from approximately RMB157.4 million for the year ended 31 December 2009 to approximately RMB444.4 million for the year ended 31 December 2010 which was primarily attributable to an increase in wholesale volume of pork by approximately 209.5% attributable to the benefits from the full year operation of the slaughterhouse in 2010.

Commodity hogs

- Revenue from sales of the commodity hogs decreased by approximately 89.1%, from approximately RMB27.5 million for the year ended 31 December 2009 to approximately RMB3.0 million for the year ended 31 December 2010 which was primarily attributable to the Group's strategy to shift its operation focus from the sale of commodity hogs to the wholesale and retail of pork.

Retail of pork

- Revenue generated from retail of pork increased by approximately 432.2%, from approximately RMB14.3 million for the year ended 31 December 2009 to approximately RMB76.1 million for the year ended 31 December 2010. The increase was primarily attributable to the expansion of the Group's sales network by setting up more direct sales outlets and concession counters at supermarkets during 2010. The total number of Point of Sales significantly increased from 24 as of 31 December 2009 to 46 as of 31 December 2010.

Wholesale of pork

- Revenue generated from wholesale of pork to pork product traders increased by approximately 215.7%, from approximately RMB115.7 million for the year ended 31 December 2009 to approximately RMB365.3 million for the year ended 31 December 2010 which was primarily attributable to the commencement of the in-house slaughtering in August 2009 resulting in a continuous growth in the wholesale volume of pork from 2009 to 2010. The number of pork product traders engaged by the Group were nine and 14 as at 31 December 2009 and 2010 respectively. The significant increase in the wholesale volume was in line with the Group's strategy to shift its operation focus from the sale of commodity hogs to the wholesale and retail of pork.

Gross profit and gross profit margin

Gross profit increased by approximately 72.1%, from approximately RMB46.6 million for the year ended 31 December 2009 to approximately RMB80.2 million for the year ended 31 December 2010 which was primarily attributable to the expansion of the Group's sales network and the commencement of in-house slaughtering in August 2009. The 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 which was primarily attributable to the change in the composition of hogs purchased by the Group. Due to the tightening of the environmental requirements imposed by the local government in Putian City in April 2010, the farming operation of a large number of the Contract Farmers were restricted. In order to maintain stable supply of hogs, the Group started purchasing hogs at older age at 150-day for further farming in the Contract Farms for 30 days instead of purchasing hogs at 60-day old for further farming for 120 days, which effectively shortened the hogs farming cycle. The average procurement cost of commodity hogs increased from RMB471.24 per head for the year ended 31 December 2009 to RMB674.89 per head for the year ended 31 December 2010. Moreover, the increase in market price of corn, which comprised the largest portion of the Group's hog feeds, also adversely affected the gross profit margin of the Group in 2010.

Commodity hogs

- Gross profit from commodity hogs decreased by approximately 96.4%, from approximately RMB8.3 million for the year ended 31 December 2009 to approximately RMB0.3 million for the year ended 31 December 2010 which was attributable to the decrease in the sales volume of commodity hogs as a result of the Group's shift of focus from sale of commodity hogs to retail and wholesale of pork. The gross profit margin for commodity hogs decreased from approximately 30.4% for the year ended 31 December 2009 to approximately 8.8% for the year ended 31 December 2010 which was primarily attributable to the change in the composition of hogs purchased by the Group as discussed above.

Retail of pork

- Gross profit from retail of pork increased by approximately 322.2%, from approximately RMB4.5 million for the year ended 31 December 2009 to approximately RMB19.0 million for the year ended 31 December 2010. The increase was generally in line with the increase in the relevant revenue explained above. The gross profit margin of retail pork from retail decreased from approximately 31.9% for the year ended 31 December 2009 to approximately 25.0% for the year ended 31 December 2010 which was primarily attributable to the increase in the procurement cost of commodity hogs discussed above.

Wholesale of pork

- Gross profit from wholesale of pork sold to pork product traders increased by approximately 80.7%, from approximately RMB33.7 million for the year ended 31 December 2009 to approximately RMB60.9 million for the year ended 31 December 2010 which was primarily attributable to the commencement of the in-house slaughtering in August 2009 resulting in a growth in the wholesale volume of pork from 2009 to 2010. The gross profit margin for the wholesale of pork decreased from approximately 29.2% for the year ended 31 December 2009 to approximately 16.7% for the year ended 31 December 2010 which was primarily attributable to the increase in the procurement cost of commodity hogs discussed above. Given the average selling price remained relatively stable at RMB17.7 per kg and RMB18.1 per kg for the year ended 31 December 2009 and 2010 respectively and the Group having purchased hogs at older age (which is more grown and the procurement cost of which is therefore higher in terms of kg) with a lower profit margin than hogs at younger age in order to shorten the production cycle. The average procurement cost of hogs increased from RMB471.24 per head for the year ended 31 December 2009 to RMB674.89 per head for the year ended 31 December 2010.

Other revenue and gains

Other revenue and gains remained stable at approximately RMB0.6 million for the years ended 31 December 2009 and 2010.

Change in fair value of biological assets less costs to sell

Change in fair value less costs to sell of biological assets recorded a gain of approximately RMB11.2 million for the year ended 31 December 2010 compared to a loss of approximately RMB8.5 million for the year ended 31 December 2009 regardless of a lower quantity of commodity hog kept at the Group's farms as at 31 December 2010 compared to that as at 31 December 2009. This was mainly due to (i) market price of the commodity hogs increased by 15.7% in 2010 but declined by 6.0% in 2009; (ii) an increase in the average age of commodity hogs kept at the Group's farms as at 31 December 2010 compared to that as at 31 December 2009 whereas a decrease in the average age of commodity hogs kept at the Group's farm as at 31 December 2009 compared to that as at 31 December 2008. Increase in the average age of hogs induced higher weight thus a higher market value of commodity hogs, or vice versa, and resulted in a gain in fair value less costs to sell of biological assets recognised for the year ended 31 December 2010 but a loss in fair value less costs to sell of biological assets for the year ended 31 December 2009.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 203.2%, from approximately RMB3.1 million for the year ended 31 December 2009 to approximately RMB9.4 million for the year ended 31 December 2010 which was primarily due to the increase in marketing expenses and staff costs for sales outlets and the advertising campaigns in the promotion of pork sold at Points of Sales. The average number of staff in the sales and marketing department increased from around 67 in 2009 to around 98 in 2010. Selling and distribution expenses as a percentage to revenue remained stable at around 2.0% for both years.

Administrative expenses

Administrative expenses increased by approximately 42.9%, from approximately RMB4.9 million for the year ended 31 December 2009 to approximately RMB7.0 million for the year ended 31 December 2010 which was primarily attributable to the increased in PRC tax levy, legal and professional fee and staff costs. The PRC tax levy increased by approximately 300.0%, from approximately RMB0.3 million for the year ended 31 December 2009 to approximately RMB1.2 million for the year ended 31 December 2010 which was primarily attributable to the payment of real estate tax on the Group's buildings for previous years. The legal and professional fee increased by approximately

66.7% from approximately RMB0.6 million for the year ended 31 December 2009 to approximately RMB1.0 million for the year ended 31 December 2010 which was primarily attributable to the financial consultancy fee paid to banks in respect of mortgage loan borrowings. Staff costs increased by approximately 16.7%, from approximately RMB1.2 million for the year ended 31 December 2009 to approximately RMB1.4 million for the year ended 31 December 2010, primarily as a result of the establishment of the Group's internal control department in March 2010.

Finance costs

Finance costs remained stable at approximately RMB3.5 million and RMB3.8 million for the year ended 31 December 2009 and 2010 respectively.

Profit for the year and net profit margin

Profit for the year increased by approximately 165.6%, from approximately RMB27.0 million for the year ended 31 December 2009 to RMB71.7 million for the year ended 31 December 2010 which was primarily attributable to the increase in sales volumes. Net profit margin decreased from 17.2% for the year ended 31 December 2009 to 16.1% for the year ended 31 December 2010 was in line with the decrease in gross profit margin discussed above.

LIQUIDITY AND CAPITAL RESOURCES

On a combined basis, the Group funded the operations primarily by cash flow from operating activities and proceeds of short-term bank borrowings. The Group required cash primarily for the production and operating activities, and capital expenditures on property, plant and equipment.

The following table is a summary of the combined statements of cash flow during the Track Record Period:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	15,071	43,013	87,217
Net cash used in investing activities	(50,022)	(18,255)	(29,714)
Net cash generated from/(used in) financing activities	29,304	(1,610)	(68,485)
Net (decrease)/increase in cash and cash equivalents	(5,647)	23,148	(10,982)
Cash and cash equivalents at beginning of the year	6,231	583	23,732
Effect of foreign exchange rate changes	(1)	1	680
Cash and cash equivalents at end of the year	583	23,732	13,430

Operating activities

During the Track Record Period, the Group derived the cash inflow from operating activities principally from the receipt of sales of pork. The cash outflow used in operating activities was principally for purchases of raw materials.

For the year ended 31 December 2011, the Group had an operating cash flow before movements in working capital of approximately RMB104.6 million. The net cash generated from operating activities of approximately RMB87.2 million was primarily attributable to the increase in trade and other receivables and the decrease in trade and other payables of approximately RMB8.8 million and RMB9.5 million respectively.

For the year ended 31 December 2010, the Group had an operating cash flow before movements in working capital of approximately RMB71.0 million. The net cash generated from operating activities of approximately RMB43.0 million primarily attributable to the decrease in biological assets of approximately RMB67.6 million which were partially offset by the increase in trade and other receivables of approximately RMB22.4 million and the decrease in trade and other payables of approximately RMB68.7 million respectively.

For the year ended 31 December 2009, the Group had an operating cash flow before movements in working capital of approximately RMB43.3 million. The net cash generated from operating activities of approximately RMB15.1 million which was primarily attributable to the increase in trade and other payables of approximately RMB82.1 million which were partially offset by the increase of biological assets and trade and other receivables of approximately RMB97.2 million and RMB13.5 million respectively.

Investing activities

During the Track Record Period, the Group derived the cash inflow from investing activities principally from bank interest income and proceeds from disposal of property, plant and equipment. The cash outflow for investing activities was principally for purchases of property, plant and equipment.

For the year ended 31 December 2011, the Group had net cash used in investing activities of approximately RMB29.7 million primarily attributable to the payment for the construction of the new office building adjacent to the slaughterhouse.

For the year ended 31 December 2010, the Group had net cash used in investing activities of approximately RMB18.3 million primarily attributable to the payment for the construction of the hog farm, slaughterhouse, machinery for the production line and the new office building adjacent to the slaughterhouse.

For the year ended 31 December 2009, the Group had net cash used in investing activities of approximately RMB50.0 million primarily attributable to the payment for the construction of the hog farm, slaughterhouse and machinery for the production line.

Financing activities

During the Track Record Period, the Group derived the cash inflow from financing activities principally from an increase in proceeds from bank borrowings and advance from a shareholder. The cash outflow from financing activities related primarily to the repayment of bank borrowings and repayment to a shareholder.

For the year ended 31 December 2011, the Group had net cash used in financing activities of approximately RMB68.5 million which was primarily attributable to the dividends paid to owners of the Group of approximately RMB64.6 million and the payment of interest expenses on bank borrowings of approximately RMB4.2 million.

For the year ended 31 December 2010, the Group had net cash used in financing activities of approximately RMB1.6 million which was primarily attributable to the proceeds from bank borrowings of approximately RMB110.0 million partially offset by the repayment of bank borrowings of approximately RMB95.0 million and repayment to a shareholder of approximately RMB12.9 million.

For the year ended 31 December 2009, the Group had net cash generated from financing activities of approximately RMB29.3 million which was primarily attributable to the proceeds from bank borrowings of approximately RMB55.0 million and the advance from a shareholder of approximately RMB16.0 million partially offset by the repayment of bank borrowings of approximately RMB40.0 million.

NET CURRENT ASSETS/LIABILITIES

Details of the Group's current assets and current liabilities at the end of each reporting period and 28 April 2012, being the latest practicable date for the purpose of the indebtedness statement, are as follows:

	As at 31 December			As at 28 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Inventories	986	7,504	4,029	4,417
Biological assets	96,387	40,760	40,028	44,627
Trade and other receivables	18,081	40,452	49,300	70,714
Prepaid lease payments	476	476	476	476
Amount due from a related party	985	—	—	—
Cash and bank balances	583	23,732	13,430	11,462
	117,498	112,924	107,263	131,696
Current liabilities				
Trade and other payables	87,754	19,098	9,608	9,280
Amount due to a shareholder	12,965	25	307	—
Financial guarantee liabilities	—	31	—	—
Bank borrowings	55,000	70,000	70,000	70,000
Deferred revenue	302	368	377	254
	156,021	89,522	80,292	79,534
Net current (liabilities)/assets	(38,523)	23,402	26,971	52,162

The net working capital improved in 2010. The Group recorded a net current assets position of approximately RMB23.4 million as at 31 December 2010, compared to a net current liabilities position of approximately RMB38.5 million as at 31 December 2009. The net current asset position of approximately RMB23.4 million as at 31 December 2010 was primarily attributable to the shift of its business focus. The commencement of its own slaughterhouse in August 2009 enabled the Group to start the wholesale of pork which significantly expanded its operation scale. Larger amount of revenue and cash inflow were generated with its enlarged operation scale as reflected in the increase in the trade and other receivables and cash and bank balances and reduction in trade and other payables and amount due to a shareholder.

The net working capital improved in 2011. The Group recorded a net current assets position of approximately RMB23.4 million and RMB27.0 million as at 31 December 2010 and 2011 respectively. The improvement of the net current asset position as at 31 December 2011 was primarily attributable to the continuous improvement in business performance of the Group as reflected in the continuous increase in the trade and other receivables and the reduction in trade and other payables. The reduction in trade and other payables was primarily due to a significant amount of purchases from hog suppliers required the Group to settle the payment immediately.

The Group's net working capital improved during the period from 1 January 2012 to 28 April 2012. As at 28 April 2012, the Group recorded a net current assets position of approximately RMB52.2 million compared to that of approximately RMB27.0 million as at 31 December 2011. Such improvement was mainly the result of an increase in trade and other receivables arising from the continuous growth of the Group's sales for the period, which was mainly attributable to the increase in retail sale from additional Point of Sales and other retail customers.

During the Track Record Period, the Group implemented a more stringent internal control system regarding purchases and sales cycle to better monitor the daily operation of the Group. In addition, the Group implemented stringent internal policies for the approval of the capital expenditures. In order to prevent the recurrence of the net current liabilities positions as discussed above, the management of the Group adopted additional internal control policies to closely monitor the Group's financial position such as reviewing (i) monthly financial reports including the statement of comprehensive income, the statement of financial position and the statement of cash flow; (ii) cash budget; and (iii) revenue and cost forecasts. These measures were taken to ensure that the Group would have sufficient working capital to finance the operations. The Group also anticipates that its business performance will continue to improve, thereby generating more cash flow from the operations and reducing its reliance on bank borrowings to finance the working capital requirements.

WORKING CAPITAL

The Group's working capital sufficiency is critical to its financial performance. The Group maintains sufficient liquidity and financial flexibility to continue its daily operations. The Group generally meets its working capital requirements through cash generated from operating activities and short-term bank borrowings. The Group manages its working capital by utilising inventory control measures, periodically assessing trade and other receivables and trade payables and adhering to its internal accounting procedures.

Taking into account the cash and cash equivalents on hand, the available banking facilities, cash that the Group anticipates will be generated from future operations and the estimated net proceeds from the Global Offering, the Directors are of the view that the Group has sufficient working capital to meet financial requirements for at least the next 12 months from the date of this prospectus.

INVENTORY ANALYSIS

The following table sets out the summary of the inventories at the end of each of the reporting periods:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
Hog feeds	246	6,620	1,100
Raw materials	740	884	2,929
	986	7,504	4,029

Inventories mainly comprised hog feeds and raw materials such as corn, wheat bran, soya bean and feed premix. The Group adopts stringent inventory control since the inventory is perishable in nature, and periodically reviews the inventory levels for slow moving inventory, obsolescence or decline in market value. The Group manages the inventory levels based principally on the anticipated demand and the prevailing market price of a particular product.

The increase of inventories by approximately 650.0%, from approximately RMB1.0 million as at 31 December 2009 to approximately RMB7.5 million as at 31 December 2010 was primarily attributable to the increase in quantity of hog feeds as it was the Group's strategy to stock up a sufficient level of hog feeds about a month before the Chinese New Year to ensure a sufficient amount of hog feeds for the operation of hog farms during the Chinese New Year. As the Chinese New Year of 2011 was in early February of 2011 while the Chinese New Year of the previous year was in mid-February of 2010, the impact of Chinese New Year on the inventory balance as at 31 December 2009 was not as significant as that for the year ended 31 December 2010.

The inventories decreased by approximately 46.7%, from approximately RMB7.5 million as at 31 December 2010 to approximately RMB4.0 million as at 31 December 2011 which was primarily due to decrease in the number of Contract Farmers engaged by the Group. This resulted in the decrease in the demand of hog feeds and the level of raw materials of hog feeds. The Group strategically reduced its purchases of readily consumable pre-mixed hog feeds, which had a higher unit cost, and alternatively increased its purchase of raw materials for the self-mixing of hog feeds. As a result, hog feeds decreased by 83.3% from approximately RMB6.6 million as at 31 December 2010 to approximately RMB1.1 million as at 31 December 2011 and raw materials increased by 222.2% from approximately RMB0.9 million as at 31 December 2010 to approximately RMB2.9 million as at 31 December 2011.

During the Track Record Period, the Group made no provision for obsolete inventories.

The following table sets out the inventory turnover days for the Track Record Period:

	As at 31 December		
	2009	2010	2011
Inventory turnover days *(note)*	3	8	4

Note: Inventory turnover days for each of the years ended 31 December 2009, 2010 and 2011 is equal to the inventory as of the end of the respective year divided by cost of sales of the respective year and multiplied by 365 days.

The inventory turnover days increased from 3 days for the year ended 31 December 2009 to 8 days for the year ended 31 December 2010 as the Group stocked up a considerable amount of hog feeds about a month before the Chinese New Year of 2010 in order to ensure sufficient supply of hog feeds during the holidays of the Chinese New Year.

The inventory turnover days decreased from 8 days for the year ended 31 December 2010 to 4 days for the year ended 31 December 2011 as the Group maintained a significant lower level of inventories resulted from its declined number of Contract Farmers.

As at 31 March 2012, the inventories as at 31 December 2011 had been fully used or consumed.

TRADE AND OTHER RECEIVABLES ANALYSIS

The following table sets out the ageing analysis of the trade receivables at the end of each of the reporting periods:

Trade receivables

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Aging analysis of trade receivables			
Within 30 days	12,533	25,449	39,076
31 days to 90 days	2,063	9,045	1,273
91 days to 180 days	263	772	71
Over 180 days	426	1,340	12
Total	15,285	36,606	40,432

The Group allows a credit period ranging from cash upon delivery to 90 days to the customers, depending on the customer's credit-worthiness and the length of business relationship with the customers.

The following table sets out those trade receivables that were past due but not considered impaired. These related to a number of independent customers without recent history of default.

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Ageing analysis of trade receivables past due but not impaired			
91 days to 180 days	263	772	71
Over 180 days	426	1,340	12
Total	689	2,112	83

The following table sets out the trade receivables turnover days for the Track Record Period:

	As at 31 December		
	2009	**2010**	**2011**
Trade receivables turnover days *(note)*	35	30	28

Note: Trade receivables turnover days for each of the years ended 31 December 2009, 2010 and 2011 is equal to the trade receivables as of the end of the respective year divided by revenue of the respective year and multiplied by 365 days.

The trade receivables turnover days remained relatively stable during the Track Record Period and were within the credit terms that the Group granted to its customers. The slightly higher trade receivables turnover days in 2009 was mainly due to the commencement of wholesale of pork to pork product traders whom the Group offered a relatively more relaxed credit term of generally 30 to 90 days in order to penetrate the market.

As at 31 March 2012, approximately 99.6% of the trade receivables outstanding as at 31 December 2011 were settled.

Deposits paid, prepayments and other receivables

The Group's deposits paid, prepayments and other receivables mainly consist of deposits paid for property, plant and equipments, advances to staff and deposits paid and prepayments to suppliers. Deposits paid for property, plant and equipments include deposits paid for purchases of equipments for improvement of the Group's slaughterhouse. Deposits paid and prepayments include deposits and prepayments for purchases of hogs, raw materials and rental. The Group's deposits paid, prepayments and other receivables amounted to approximately RMB2.8 million, RMB3.8 million and RMB8.9 million as at 31 December 2009, 2010, and 2011 respectively, accounting for approximately 2.4%, 3.4% and 8.3% respectively, of the Group's total current assets.

The increase of the Group's deposits, prepayments and other receivables from approximately RMB3.8 million as of 31 December 2010 to approximately RMB8.9 million as at 31 December 2011 was primarily attributable to the deposits paid in relation to the Listing of approximately RMB6.8 million.

TRADE AND OTHER PAYABLES ANALYSIS

Trade payables

The trade payables primarily relate to the purchase of raw materials and hogs from the suppliers, with payment period within 90 days for trade payables.

The following table sets out the ageing analysis of the trade payables at the end of each of the reporting periods:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Ageing analysis of trade payables			
Within 30 days	25,406	7,622	2,298
31 days to 90 days	25,375	1,347	1,590
91 days to 180 days	2,021	1,760	2,194
Over 180 days	1,753	712	187
Total	54,555	11,441	6,269

The following table sets out the trade payables turnover days for the Track Record Period:

	As at 31 December		
	2009	**2010**	**2011**
Trade payables turnover days *(note)*	180	11	6

Note: Trade payables turnover days for each of the years ended 31 December 2008, 2009 and 2010 is equal to the trade payables as of the end of the respective year divided by cost of sales of the respective year and multiplied by 365 days.

The Group recorded trade payables of approximately RMB54.6 million, RMB11.4 million and RMB6.3 million as at 31 December 2009, 2010 and 2011 respectively. The substantial amount of trade payables as at 31 December 2009 was mainly related to purchase of a large quantity of commodity hogs for further farming by the Contract Farmers in late 2009 as well as the increased purchase of hog feeds. As at 31 December 2009, there were approximately 100,000 hogs housed in the Contract Farms, which was significantly higher than that as at the end of other years during the Track Record Period. Given the above, trade payables turnover days was 180 day in 2009. During 2010 and 2011, due to recovery of the pork market and rapid increase in the price of hogs, the Group shortens its settlement period to its hog suppliers in order to ensure a stable supply of the commodity hogs to the Group. Therefore, the balance of trade payable decreased significantly in 2011. The credit period on purchases granted to the Group during the Track Record Period generally ranged from 30 days to 90 days and there was no material change in relation to such credit terms during the Track Record Period.

The trade payables turnover days decreased from 180 days for the year ended 31 December 2009 to 11 days for the year ended 31 December 2010 since the Group strengthened its control and efficiency in settling amounts due to its creditors in order to ensure the supply of hogs.

The trade payables turnover days further decreased from 11 days for the year ended 31 December 2010 to 6 days for the year ended 31 December 2011 was primarily due to a significant amount of purchases from hog suppliers were on cash basis which required the Group to settle the payment immediately.

As at 31 March 2012, approximately 97.5% of the trade payables outstanding as at 31 December 2011 were settled.

Deposits received, accruals and other payables

The Group's deposits received, accruals and other payables primarily consist of other payables in connection with construction or improvement work of the Group's slaughterhouse, purchases of equipment and accruals of operating expenses and withholding tax. The Group's deposits received, accruals and other payables amounted to approximately RMB33.2 million, RMB7.7 million and RMB3.3 million as at 31 December 2009, 2010 and 2011 respectively, accounting for approximately 21.3%, 8.6% and 4.2% respectively of the Group's total current liabilities. The significant amount of the Group's deposits received, accruals and other payables in 2009 was mainly related to other payables for the construction of slaughterhouse and purchases of equipment, amounted to approximately RMB30.6 million, for the establishment of the Group's slaughterhouse and improvement work of the Group's hog farm.

AMOUNT DUE FROM/(TO) RELATED PARTIES

During the Track Record Period, the balance represented fund transfer between Fujian Tianyi and a related company.

The balance was unsecured, interest-free and recoverable/repayable on demand.

As advised by the PRC Legal Advisers, the amount due from/(to) a related company (collectively, the "Amounts") did not comply with the General Principles of Loans (貸款通則). However, given that (1) the Amounts have already been settled during 2010 and there was no dispute among the parties with respect to the Amounts; (2) the Amounts was used in the normal operation but not for any illegal purpose; (3) the Group did not earn any interests or other benefit from the amount due from a related party; and (4) there was no specific administrative penalty imposed on the Group in respect of the amount due to a related party under General Principles of Loans (貸款通則) as at the Latest Practicable Date, the PRC Legal Advisers are of the view that the risk that the Group being subject to any administrative penalties as a result of the Amounts is remote.

AMOUNT DUE FROM/(TO) A SHAREHOLDER

All of the amount due from/(to) a shareholder was unsecured, interest free and recoverable/repayable on demand.

BIOLOGICAL ASSETS

The following table sets out the value of the biological assets at the end of each of the reporting periods:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Breeder hogs	3,765	2,921	3,070
Commodity hogs	96,387	40,760	40,028
	100,152	43,681	43,098

The numbers of biological assets are summarised as follows:

	As at 31 December		
	2009	**2010**	**2011**
Breeder hogs	1,442	1,412	1,509
Commodity hogs	117,468	34,840	33,224
	118,910	36,252	34,733

The Group's biological assets principally consist of breeder hogs and commodity hogs. The biological assets decreased significantly in 2010 and 2011 as a considerable number of Contract Farmers engaged by the Group were no longer eligible for conducting farming activities due to the tightening of the enforcement of relevant environmental protection laws and regulations. As a result, the number of Contract Farmers engaged by the Group decreased significantly.

INFORMATION ABOUT THE VALUER OF THE GROUP'S BIOLOGICAL ASSETS

The Group's biological assets were valued by the Valuer. The Valuer and its professional valuers in charge of this valuation have extensive experiences in various appraisal assignments involving biological assets and agricultural produce. The team members of the Valuer include Mr. Tse Wai Leung and Ms. Lau Sze Wing, Sandra.

Mr. Tse Wai Leung, a director of the Valuer, is a professional member of the Royal Institution of Chartered Surveyors (MRICS), a professional member of the Hong Kong Institute of Surveyors (MHKIS) and a professional member of the China Institute of Real Estate Appraisal (CIREA), a charterholder of the Chartered Financial Analyst Institute (CFA) and a member of the Global

Association of Risk Professional (FRM). He has over 15 years of appraisal experiences in different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Singapore and Thailand.

Ms. Lau Sze Wing, Sandra, a director of the Valuer, is a professional member of the Australian Property Institute (APPI), a professional member of the Hong Kong Institute of Surveyors (MHKIS) and a registered professional surveyor in Hong Kong (RPS). She has over 13 years of appraisal experiences in different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Australia and New Zealand.

Among the professional institutions mentioned above, the Royal Institution of Chartered Surveyors, the Australian Property Institute and the Hong Kong Institute of Surveyors are member organisations of the International Valuation Standards Council (IVSC) and encourage their respective members to adopt and use the International Valuation Standards (including relevant standards on Biological Asset Valuation) laid down by IVSC.

The Valuer and/or its team members have experiences in providing biological asset valuation services to various companies listed on the Stock Exchange and other stock exchanges in the United States, which engage in the business of husbandry and agriculture industry.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set forth in the combined financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, the Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to the Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, the Group has not entered into any material off-balance sheet transactions except as disclosed in "Contractual and Capital Commitments".

INDEBTEDNESS

Borrowings

The following table sets out the borrowings at the end of each reporting period:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings — secured	55,000	70,000	70,000

Carrying amount repayable:

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
On demand or within one year	55,000	70,000	70,000

The following table sets out the range of interest rates for the outstanding bank borrowings at the end of each report period:

	As at 31 December		
	2009	2010	2011
Floating interest rates	6.075%–7.169%	5.310%–7.169%	6.310%–6.560%

The borrowings increased by approximately 27.3%, from approximately RMB55.0 million as at 31 December 2009 to approximately RMB70.0 million as at 31 December 2010. This was primarily attributable to the increase in the bank borrowing for the purchase of raw materials and commodity hogs. As at 31 December 2010 and 2011, the Group's bank borrowings of approximately RMB70.0 million was guaranteed by Mr. Cai Chenyang. The bank borrowing was used to finance the working capital of the Group. Such guarantees were released prior to the Listing.

As at 28 April 2012, being the latest practicable date for the purpose of this indebtedness statement, the Group had approximately RMB70.0 million outstanding bank borrowings which were due within one year. The bank borrowings were secured by a property and prepaid lease payments of the Group with net book value of approximately RMB41.3 million and RMB21.1 million respectively. As at the Latest Practicable Date, the Group had unutilised banking facilities of approximately RMB88.0 million. The Group anticipates to utilise such unutilised banking facilities in the implementation of its future plans as set out in detail in the section headed "Future Plans and Use of Proceeds". During the Track Record Period, the Group did not experience any withdrawal of banking facilities by banks and any demand for early repayment of outstanding loans from banks. The Directors confirm that as at the Latest Practicable Date, saved for the utilisation of banking facilities discussed above, the Group has no plan to raise additional material debt financing and the Directors do not anticipate any difficulties for the Group to renew existing banking facilities when they are expired.

The following table sets out the loan from government at the end of each reporting period:

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Loan from government	1,328	1,431	1,529

As at 31 December 2009, 2010 and 2011, the loan from government of RMB1,780,000 was guaranteed by Mr. Cai Chenyang.

Such loan from government had been settled before the Listing.

Except as disclosed in this paragraph headed "Borrowings", the Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, loan from government, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 28 April 2012. The Directors confirm that there has not been any material change in the indebtedness of the Group since 28 April 2012 up to the date of this prospectus.

The Group's banking facilities contain standard covenants that restrict the Group's ability to, among other things, dispose of material assets and provide guarantee for third parties. The Directors confirm that there had been no delay or default in repayment of bank borrowings or material non-compliance with the covenants contained in the Group's banking facilities throughout the Track Record Period and as of the Latest Practicable Date.

Contingent Liabilities

As at the Latest Practicable Date, the Group had no material contingent liabilities and was not involved in any material legal proceedings. The Directors are not aware of any pending or potential material legal proceedings involving the Group. If the Group is involved in such material legal proceedings, the Group will record contingency loss when, based on information then available, it is likely that a loss will incur and the amount of loss can be reasonably estimated.

KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of the Group for the Track Record Period:

	Year ended 31 December		
	2009	**2010**	**2011**
Current ratio *(note 1)*	0.8	1.3	1.3
Quick ratio *(note 2)*	0.7	1.2	1.3
Gearing ratio *(note 3)*	22.5%	27.9%	26.2%
Debt to equity ratio *(note 4)*	62.6%	29.7%	31.1%
Interest coverage *(note 5)*	8.7	20.0	22.0
Return on equity *(note 6)*	30.4%	44.6%	48.2%
Return on total assets *(note 7)*	10.8%	28.0%	33.0%

Notes:

(1) Current ratio is equal to the current assets divided by the current liabilities as of the end of the year.

(2) Quick ratio is equal to the current assets, net of inventories, divided by current liabilities as of the end of the year.

(3) Gearing ratio is equal to the total borrowings divided by total assets as of the end of the year.

(4) Debt to equity ratio is equal to total borrowings, net of cash and cash equivalents, divided by total equity as of the end of the year.

(5) Interest coverage is equal to profit before interest and tax divided by interest for the year.

(6) Return on equity is equal to profit for the year divided by shareholders' equity as of the end of the year.

(7) Return on total assets is equal to profit for the year divided by total assets as of the end of the respective year.

Current ratio

The Group's current ratios were 0.8, 1.3 and 1.3 as at 31 December 2009, 2010 and 2011 respectively. The improvement in the current ratios during the Track Record Period was primarily attributable to the decrease in trade and other payables since the Group strengthened its control and efficiency in settling amounts due to its creditors in order to ensure the supply of hogs.

Quick ratio

The Group's quick ratios were 0.7, 1.2 and 1.3 as at 31 December 2009, 2010 and 2011 respectively. The improvement in the quick ratios was due to the same reason discussed in current ratios above.

Gearing ratio

The Group's gearing ratio slightly increased from 22.5% as at 31 December 2009 to 27.9% as at 31 December 2010 and maintained at a similar level at 26.2% as at 31 December 2011. The increase in gearing ratios was attributable to the increase in bank borrowings from RMB55.0 million as at 31 December 2009 to RMB70.0 million as at 31 December 2010 and 2011 mainly to satisfy the working capital requirements of the Group.

Debt to equity ratio

The Group's debt to equity ratios decreased from 62.6% as at 31 December 2009 to 29.7% as at 31 December 2010 and maintained at a similar level at 31.1% as at 31 December 2011. The decrease in debt to equity ratio was primarily due to the increase in total equity of the Group as a result of the increases in profit for the years ended 31 December 2010 and 2011. Such decrease in debt to equity ratios was partly offset by the increase in total borrowings from RMB55.0 million as at 31 December 2009 to RMB70.0 million as at 31 December 2010 and 2011.

Interest coverage

The Group's interest coverage were 8.7, 20.0 and 22.0 for the years ended 31 December 2009, 2010 and 2011 respectively. The improvement in the interest coverage was attributable to the improvement in the profitability of the Group.

Return on equity

The Group's return on equity increased from 30.4% for the year ended 31 December 2009 to 44.6% for the year ended 31 December 2010. The increase in return on equity was attributable to increase in profit for the year ended 31 December 2010 primarily as a result of the increase in the Group's sales volume of pork in the year.

The Group's return on equity increased from 44.6% for the year ended 31 December 2010 to 48.2% for the year ended 31 December 2011. The increase was mainly attributable to (i) the increase in profit for the year ended 31 December 2011 as a result of the improvement in the gross profit margin and (ii) a dividend of approximately RMB64.6 million being declared and paid during the year ended 31 December 2011.

Return on total assets

The Group's return on total assets was 10.8%, 28.0% and 33.0% for the years ended 31 December 2009, 2010 and 2011. The increases in return on total assets of the Group were mainly attributable to the increase in profit during the Track Record Period as discussed above.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

As at the end of each of the reporting periods, the Group had commitments for future minimum lease payments in respect of retail outlets and office premises under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	710	529	1,436
In the second to fifth year inclusive	581	144	726
	1,291	673	2,162

Operating lease payments represent rentals payable by the Group for certain of its office premises and sales outlets. Lease in respect of office premises are negotiated for a term of two years with fixed rentals. Lease in respect of retail outlets are negotiated for a term of one year with fixed rentals.

Capital commitments

The Group had no capital commitments as at the end of each of the reporting periods and the Latest Practicable Date.

CAPITAL EXPENDITURES

Capital Expenditures during the Track Record Period

The following table sets out the Group's historical capital expenditures during the Track Record Period:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Historical capital expenditures			
Plant, machinery and equipment	5,291	456	5,186
Construction in progress	44,755	17,857	24,494
Buildings	47	—	92
Total	50,093	18,313	29,772

The Group's capital expenditures for the years ended 31 December 2009, 2010 and 2011 principally consisted of expenditures on acquisitions of plant, machinery and equipment and construction in progress. The capital expenditure of approximately RMB50.1 million for the year ended 31 December 2009 was mainly related to the amount paid for the construction of hog farm and slaughterhouse and the acquisition of machinery for the production line. The capital expenditure of approximately RMB18.3 million for the year ended 31 December 2010 was mainly related to the amount paid for the construction of the new office building adjacent to the Group's slaughterhouse, and the capital expenditure of approximately RMB29.8 million for the year ended 31 December 2011 was mainly related to the amount paid for the construction of the Group's office building, the purchase of the furniture and equipment for the Group's office as well as the purchase of delivery trucks for the expansion of the Group's retail network.

Planned Capital Expenditure

The planned capital expenditures of approximately RMB255.7 million in aggregate for the year ending 31 December 2012 are mainly on the construction and purchase of equipment for the new breeding farms, the upgrading of the Group's production facilities and the expansion of the Group's sales and distribution network.

The Group's planned capital expenditures are subject to revision based upon any future changes to the business plan, market conditions, economic and regulatory environment. Please refer to the section headed "Future Plans and Use of Proceeds" for further information.

The Group expects to fund the contractual commitments and capital expenditures principally through the net proceeds which the Group will receive from the Global Offering, cash generated from the operating activities and proceeds from bank loans. The Group believes that these sources of funding will be sufficient to finance the contractual commitments and capital expenditure needs for the next 12 months.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had been taken place on 31 December 2011 and based on the audited combined net tangible assets attributable to owners of the Company as at 31 December 2011 as shown in the Accountants' Report set forth in Appendix I to this prospectus, and adjusted as described below.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group after the completion of the Global Offering.

	Audited combined net tangible assets attributable to owners of the Company as at 31 December 2011	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per share	Unaudited pro forma adjusted combined net tangible assets per share
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(note 1)	*(note 2)*		*(note 3)*	*(note 4)*
Based on an Offer Price of HK$0.70 per share	186,880	85,494	272,374	0.34	0.42
Based on an Offer Price of HK$0.98 per share	186,880	128,774	315,654	0.39	0.48

Notes:

(1) The audited combined net tangible assets attributable to owners of the Company as at 31 December 2011 is based on the combined net assets of the Group attributable to owners of the Company as at 31 December 2011 extracted from the Accountants' Report sets forth in Appendix I to this prospectus.

(2) The estimated net proceeds from Global Offering are based on the indicative Offer Price of HK$0.70 or HK$0.98 per Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and related expenses payable by the Company and taking no account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB0.8136.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustments referred to in the preceeding paragraphs and on the basis that 800,000,000 shares are in issue immediately after the Global Offering and the Capitalisation Issue become unconditional but takes no account of any Shares which may be taken up under the Over-allotment Option and any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company.

(4) The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.8136. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that date.

(5) By comparing the valuation of the Group's property interest of RMB149,000,000 set forth in Appendix III to this prospectus and the unaudited net book value of these properties as at 31 March 2012, the net revaluation surplus is approximately RMB17,702,000, which has not been included in the above net tangible assets attributable to owners of the Company as at 31 December 2011. The revaluation of the Group's property interests will not be incorporated

in the Group's financial information. If the revaluation surplus is to be included in the Group's financial information, an additional depreciation charge of approximately RMB834,000 per annum related to these properties would be recorded.

(6) No adjustments have been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2011.

DIVIDEND POLICY

During the year ended 31 December 2011, the Group declared and paid dividends of approximately RMB64,584,000 to Mr. Cai Chenyang from the retained earnings of Fujian Tianyi up to the year ended 31 December 2010. The Group generated sufficient cash from its operating activities for such dividend payment during the year ended 31 December 2011. The Directors confirmed that no dividend was declared or paid by the Group in respect of any profit generated by Fujian Tianyi for the year ended 31 December 2011.

The Group currently does not have any plans to distribute regular dividends immediately after the Listing, although this is subject to change. The Board may declare dividends in the future after taking into account the operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents and the Companies Law, including the approval of the Shareholders. The future declarations of dividends may or may not reflect the historical declarations of dividends and will be at the absolute discretion of the Board.

DISTRIBUTION RESERVES

As at 31 December 2011, the Company did not have any distributable reserves available for distribution to shareholders.

RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES

Further information on the property interest is set forth in Appendix III to this prospectus. The Valuer has valued the properties owned by the Group as at 31 March 2012. The text of its letter, summary of valuations and valuation certificate are set forth in Appendix III to this prospectus.

The table below shows the reconciliation of the net book value of the property interests from the audited financial statements as at 31 December 2011 to the valuation of the property interests as at 31 March 2012:

	RMB'000
Reference value *(note (1))*	149,000
Net book value as at 31 December 2011 (as included in the Accountants' Report set forth in Appendix I to this prospectus) *(note (2))*	133,511
Movements for the 3 months ended 31 March 2012	
— Depreciation and amortisation	(2,213)
Net book value as at 31 March 2012	131,298
Valuation surplus	17,702

Notes:

(1) The figures represent the reference value adopted by the management in respect of those properties without relevant title documents and such reference value is arrived at with reference to the property valuation report which set forth in Appendix III to this prospectus. The reference value is based on assumptions that such properties can be freely transferred in the open market.

(2) The net book value represents the sum of the closing net book amount of prepaid lease payments and buildings as at 31 December 2011 as stated in the Accountants' Report set out in Appendix I to this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Group is in the normal course of the business and is exposed to various types of market risks as follows:

Credit risk

The Group is exposed to concentration of credit risk arising from the exposure to a substantial number of trade receivables from the customers. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified groups of customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise the credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by the senior management. The amounts presented in the combined statement of financial position are net of allowances for doubtful receivables, if any, estimated by the management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors believe that the credit risk is significantly reduced.

As at 31 December 2009, 2010 and 2011, the Group had concentration risk of 13.5%, 18.6% and 11.1%, respectively, of the total trade receivables due from the Group's largest customer and 62.5%, 78.3% and 52.3%, respectively, of the five largest customers.

Interest rate risk

The Group's exposure to fair value interest rate risk to fixed rate borrowings is minimal because the Group has been keeping borrowings at variable rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from the Group's RMB denominated borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the floating rate bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease throughout the Track Record Period is used internally for assessment of possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009, 2010 and 2011 would have decreased/increased by approximately RMB173,000, RMB184,000 and RMB209,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Currency risk

As most of the Group's monetary assets and liabilities are denominated in RMB and the Group conducts its business transactions principally in RMB, the currency risk of the Group is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In the opinion of the Directors, since the currency risk is minimal, no sensitivity analysis is present.

Inflation risk

According to the China Statistical Bureau, China's overall national inflation rate, as represented by changes in the general consumer price index, was –0.7%, 3.3% and 5.5% for the years ended 31 December 2009, 2010 and 2011. Although there can be no assurance as to the impact in future periods, inflation had no significant effect on the Group's business during the Track Record Period.

Liquidity risk

The Group aims at maintaining flexibility in fund by maintaining adequate amount of cash and cash equivalents. The Group expects to fund cash flow needs through internally generated cash flows from operations as well as existing Shareholders' funds.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position of the Group since 31 December 2011 and there has been no event since 31 December 2011 which would materially affect the information shown in the combined financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors confirm that, as at the Latest Practicable Date, there were no circumstances which, would give rise to a disclosure requirement under Rules 13.13 to 13.19 to the Listing Rules.