The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

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28 June 2012

The Directors
China Putian Food Holding Limited
Cinda International Capital Limited

Dear Sirs,

We set out below our report on the financial information of China Putian Food Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), comprising the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2009, 2010 and 2011 (the "Track Record Period"), and the combined statements of financial position of the Group as at 31 December 2009, 2010 and 2011, together with the notes thereto (the "Financial Information"), prepared on the basis of presentation set out in Note 3 of Section II below, for inclusion in the prospectus of the Company dated 28 June 2012 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 27 May 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation"), as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix V to the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group as set out in Note 2 of Section II. The Reorganisation became effective on 10 February 2012.

All companies now comprising the Group have adopted 31 December as their financial year end date. No audited financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

No statutory audited financial statements for the years ended 31 December 2009, 2010 and 2011 of China Modern Agriculture Holding Limited ("China Modern"), Victoria Top Limited ("Victoria Top") and Wellname Investments Limited ("Wellname Investments") have been prepared as there are no statutory requirements for China Modern, Victoria Top and Wellname Investments to prepare audited financial statements.

The statutory audited financial statements of Tianyi (Fujian) Modern Agriculture Development Co., Ltd ("Fujian Tianyi") for the years ended 31 December 2009, 2010 and 2011 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the People's Republic of China (the "PRC") and were audited by Putian Shenxin Certified Public Accountants Ltd (莆田市審信有限責任會計師事務所), certified public accountants registered in the PRC.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 17 of Section II below.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the Financial Information for the Track Record Period based on the unaudited financial statements of the Group in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance. The Financial Information for each of the Track Record Period were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The Financial Information set out in this report has been prepared from the unaudited financial statements with no adjustments made thereon.

RESPONSIBILITY OF THE DIRECTORS

The directors of the Company are responsible for the contents of the Prospectus, including the preparation of the Financial Information that gives a true and fair view in accordance with the basis set out in Note 3 of Section II. The directors are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs and the disclosure requirements of Listing Rules and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF REPORTING ACCOUNTANTS

For the Financial Information for the Track Record Period, it is our responsibility to form an independent opinion on the Financial Information based on our examination and to report our opinion to you. We examined the relevant audited financial statements or, where appropriate, the relevant unaudited financial statements of the Group for the Track Record Period, and carried out such procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the Financial Information for the Track Record Period, for the purpose of this report and prepared on the basis of presentation and preparation set out in Note 3 of Section II below, gives a true and fair view of the combined state of affairs of the Group as at 31 December 2009, 2010 and 2011 and of the state of affairs of the Company as at 31 December 2011 and of the combined results and cash flows of the Group for the Track Record Period.

I. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

		Year ended 31 December		
		2009	**2010**	**2011**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	6	157,443	444,367	519,339
Cost of sales		(110,819)	(364,127)	(397,324)
Gross profit		46,624	80,240	122,015
Other revenue and gains	7	585	605	2,459
Change in fair value less costs to sell of biological assets	19	(8,516)	11,173	(2,891)
Selling and distribution expenses		(3,114)	(9,441)	(11,480)
Administrative expenses		(4,933)	(7,000)	(15,628)
Finance costs	8	(3,535)	(3,773)	(4,281)
Other operating expenses		(66)	(60)	(181)
Profit before taxation		27,045	71,744	90,013
Taxation	9	—	—	—
Profit for the year	10	27,045	71,744	90,013
Other comprehensive (loss)/income				
Exchange differences on translation of foreign operations		(1)	1	673
Other comprehensive(loss)/income for the year, net of tax		(1)	1	673
Total comprehensive income for the year		27,044	71,745	90,686
Dividends	13	—	—	64,584
Earnings per share	14			
Basic and diluted *(RMB cents)*		4.51	11.96	15.00

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Financial Position

		As at 31 December		
		2009	**2010**	**2011**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Non-current assets				
Property, plant and equipment	15	107,371	119,331	141,935
Prepaid lease payments	16	21,714	21,238	20,762
Biological assets	19	3,765	2,921	3,070
		132,850	143,490	165,767
Current assets				
Inventories	18	986	7,504	4,029
Biological assets	19	96,387	40,760	40,028
Trade and other receivables	20	18,081	40,452	49,300
Prepaid lease payments	16	476	476	476
Amount due from a shareholder	21	—	—	—
Amount due from a related party	22	985	—	—
Cash and bank balances	23	583	23,732	13,430
		117,498	112,924	107,263
Current liabilities				
Trade and other payables	24	87,754	19,098	9,608
Amount due to a shareholder	25	12,965	25	307
Financial guarantee liabilities	27	—	31	—
Bank borrowings	28	55,000	70,000	70,000
Deferred revenue	30	302	368	377
		156,021	89,522	80,292
Net current (liabilities)/assets		(38,523)	23,402	26,971
Total assets less current liabilities		94,327	166,892	192,738

		As at 31 December		
		2009	**2010**	**2011**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Equity				
Share capital	31	9	9	7
Reserves	32	89,017	160,762	186,873
Total equity		89,026	160,771	186,880
Non-current liabilities				
Loan from government	29	1,328	1,431	1,529
Deferred revenue	30	3,973	4,690	4,329
		5,301	6,121	5,858
Total equity and non-current liabilities		94,327	166,892	192,738

The accompanying notes form an integral part of the Financial Information.

Statement of Financial Position

		As at 31 December 2011
		RMB'000
Current liabilities		
Amount due to related companies	26	74
		74
Net current liabilities		74
Total assets less current liabilities		74
Equity		
Share capital	31	—
Loss for the period	32	(74)
Total equity		(74)

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Changes in Equity

	Share capital	Exchange reserve*	Statutory reserve*	Other reserve*	Retained earnings*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 32(a)	*Note 32(b)*	*Note 32(c)*		
As at 1 January 2009	9	—	—	39,424	22,549	61,982
Profit for the year	—	—	—	—	27,045	27,045
Other comprehensive loss for the year	—	(1)	—	—	—	(1)
Total comprehensive income for the year	—	(1)	—	—	27,045	27,044
Transfer to statutory reserve	—	—	3,877	—	(3,877)	—
Transfer to other reserve	—	—	—	13,656	(13,656)	—
As at 31 December 2009	9	(1)	3,877	53,080	32,061	89,026
Profit for the year	—	—	—	—	71,744	71,744
Other comprehensive income for the year	—	1	—	—	—	1
Total comprehensive income for the year	—	1	—	—	71,744	71,745
Transfer to statutory reserve	—	—	6,548	—	(6,548)	—
As at 31 December 2010	9	—	10,425	53,080	97,257	160,771
Profit for the year	—	—	—	—	90,013	90,013
Other comprehensive income for the year	—	673	—	—	—	673
Total comprehensive income for the year	—	673	—	—	90,013	90,686
Issue of shares	7	—	—	—	—	7
Effect of Reorganisation	(9)	—	—	9	—	—
Transfer to statutory reserve	—	—	10,065	—	(10,065)	—
Dividend paid	—	—	—	—	(64,584)	(64,584)
As at 31 December 2011	7	673	20,490	53,089	112,621	186,880

* These reserve accounts comprise of the combined reserves of approximately RMB89,017,000, RMB160,762,000 and RMB186,873,000 in the combined statements of financial position as at 31 December 2009, 2010 and 2011, respectively.

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Cash Flows

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
Profit before taxation	27,045	71,744	90,013
Adjustments for:			
Interest income	(89)	(161)	(156)
Finance costs	3,535	3,773	4,281
Loss on issue of financial guarantee liabilities	—	31	—
Amortisation of financial guarantee liabilities	—	—	(31)
Amortisation of prepaid lease payments	476	476	476
Gain on disposal of property, plant and equipment	(33)	—	—
Depreciation of property, plant and equipment	3,814	6,353	7,168
Change in fair values less costs to sell of biological assets	8,516	(11,173)	2,891
Operating cash flows before movements in working capital	43,264	71,043	104,642
(Increase)/decrease in biological assets	(97,245)	67,644	(2,308)
Increase in trade and other receivables	(13,530)	(22,371)	(8,848)
(Increase)/decrease in inventories	(713)	(6,518)	3,475
Decrease in amount due from a related party	—	985	—
Decrease in amount due to a related party	(1,031)	—	—
(Decrease)/increase in trade and other payables	82,073	(68,656)	(9,490)
Increase/(decrease) in deferred revenue	2,253	886	(254)
Net cash generated from operating activities	15,071	43,013	87,217
Investing activities			
Interest received	11	58	58
Proceeds from disposal of property, plant and equipment	60	—	—
Purchase of property, plant and equipment	(50,093)	(18,313)	(29,772)
Net cash used in investing activities	(50,022)	(18,255)	(29,714)

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Financing activities			
Interest paid	(3,457)	(3,670)	(4,183)
Proceeds from bank borrowings	55,000	110,000	70,000
Repayments of bank borrowings	(40,000)	(95,000)	(70,000)
Proceed from government loan	1,780	—	—
Advance/(repayment to) from a shareholder	15,981	(12,940)	282
Dividends paid to owners of the Company	—	—	(64,584)
Net cash generated from/(used in) financing activities	29,304	(1,610)	(68,485)
Net increase/(decrease) in cash and cash equivalents	(5,647)	23,148	(10,982)
Cash and cash equivalents at the beginning of the year	6,231	583	23,732
Effect of foreign exchange rate changes	(1)	1	680
Cash and cash equivalents at the end of the year	583	23,732	13,430

The accompanying notes form an integral part of the Financial Information.

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 May 2011. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. It became the holding company of the Group as a result of the Reorganisation as described in the paragraph headed "Corporate reorganisation" in Appendix V "Statutory and General Information" to the Prospectus.

2. REORGANISATION

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent the Reorganisation, as a result of the Company became a holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal steps:

(a) On 26 April 2005, Fujian Tianyi was established in the PRC with a registered capital of US$5,000,000 which was fully paid up by Mr. Cai Chenyang.

(b) On 13 August 2008, China Modern was incorporated and 10,000 shares of HK$1 each were issued and allotted to Mr. Cai Chenyang for cash at par.

(c) On 30 August 2008, Mr. Cai Chenyang transferred his entire equity interest in Fujian Tianyi to China Modern at a consideration of HK$1.

(d) On 10 January 2011, Zhan Rui Investments Limited ("Zhan Rui") was incorporated in the BVI.

(e) On 13 January 2011, Wellname Investments was incorporated in the BVI.

(f) On 10 February 2011, Zhan Rui issued and allotted 1,000 shares of US$1 each to Mr. Cai Chenyang for cash at par.

(g) On 14 February 2011, Wellname Investments issued and allotted 1,000 shares of US$1 each to Zhan Rui.

(h) On 14 February 2011, Mr. Cai Chenyang transferred 10,000 shares of China Modern to Wellname Investments at a consideration of HK$10,000.

(i) On 16 February 2011, Zhan Rui transferred 100 shares in Wellname Investments each to Charming Investment Holdings Limited ("Charming Investment") and Long Excel Limited ("Long Excel") each at the consideration of HK$30,000,000.

(j) On 23 February 2011, Victoria Top Limited ("Victoria Top") issued and allotted 1 ordinary share of HK$1 to Acota Services Limited, a service provider, for cash at par.

(k) On 17 March 2011, the service provider transferred the entire issued share capital of Victoria Top to China Modern at a consideration of HK$1.

(l) On 18 April 2011, Zhan Rui transferred 20 shares in Wellname Investments to Wide Sincere Investments Limited ("Wide Sincere") at the consideration of HK$6,000,000.

(m) On 18 April 2011, Zhan Rui transferred 60 shares in Wellname Investments to Giant King Investments Limited ("Giant King") at the consideration of HK$18,000,000.

(n) On 18 April 2011, Zhan Rui transferred 40 shares in Wellname Investments to Kai Rong Holdings Limited ("Kai Rong") at the consideration of HK$12,000,000.

(o) On 27 May 2011, the Company was incorporated in the Cayman Islands. One Share was issued to Codan Trust Company (Cayman) Limited as the initial subscriber nil paid on 27 May 2011 and such Share was transferred to Zhan Rui on the same day.

(p) Pursuant to the written resolutions of the sole shareholder the Company dated 7 February 2012, authorised share capital of the Company was increased from HK$380,000 to HK$4,000,000,000 by the creation of an additional 39,996,200,000 shares, such new shares to rank pari passu with the then existing shares in all respect.

(q) On 8 February 2012, the Company allotted and issued 67, 10, 10, 2, 6 and 4 shares nil paid to Zhan Rui, Charming Investment, Long Excel, Wide Sincere, Giant King and Kai Rong respectively.

(r) On 10 February 2012, in exchange and as consideration for the acquisition of the entire issued share capital of 1,000 shares of US$1 each in the capital of Wellname Investments from the Existing Shareholders, the 99 shares referred to in paragraph (q) above issued to the Existing Shareholders nil paid on 8 February 2012 were paid up in full at par and the Company allotted and issued 679,932, 99,990, 99,990, 19,998, 59,994 and 39,996 shares credited as fully paid to Zhan Rui, Charming Investment, Long Excel, Wide Sincere, Giant King and Kai Rong respectively.

Upon the completion of the Reorganisation on 10 February 2012, the Company became the holding company of the companies now comprising the Group.

The direct and indirect interests in the following subsidiaries held by the Company during the Track Record Period and at the date of this report are as follows:

Name of subsidiary	Incorporation/ establishment of operation	Issued and fully paid share capital/registered capital at the date of this report	Attributable equity interest held by the Company As at 31 December 2009	2010	2011	At the date of this report	Principal activities
			%	%	%	%	
China Modern	Hong Kong, 13 August 2008	HK$10,000	100	100	100	100	Investment holding
Fujian Tianyi	The PRC, 26 April 2005	USD7,000,000	100	100	100	100	Slaughtering and processing of livestock, production and sales of meat products
Victoria Top	Hong Kong, 23 February 2011	HK$1	NA	NA	100	100	Investment holding
Wellname Investments	The BVI, 13 January 2011	USD1,000	NA	NA	100	100	Investment holding

As at the date of this report, no statutory audited financial information have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Introduction

The Financial Information has been prepared under the historical cost convention except for biological assets, which are measured at fair value, as explained in the accounting policies set out below. The accounting policies set out below have been consistently applied throughout the Track Record Period. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise stated.

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by disclosure requirements of the Hong Kong Companies Ordinance.

For the purpose of preparing the Financial Information, the Group has consistently applied all the new and revised HKFRSs which are effective for the Group's financial year beginning on 1 January 2011 throughout the Track Record Period except for those new and revised HKFRSs that are not yet effective for any of the Track Record Period as explained below.

(b) Application of new and revised standards, amendments and interpretations

The HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Group has not early applied these new and revised standards, amendments or interpretations during the Track Record Period.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 Amendments	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income[3]
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

The management is in the process of assessing their potential impact on the results and financial position of the Group.

(c) Basis of presentation

The controlling shareholder owned and controlled the companies now comprising the Group before the Reorganisation and continues to own and control these companies after the Reorganisation. For the purposes of this report, the Financial Information has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. 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 since the respective dates when these companies first came under the control of the Controlling Shareholder, whichever is the shorter period, in a manner similar to the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA.

All significant intra-group transactions and balances have been eliminated on combination.

(d) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined statements of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policy adopted by the Group.

(e) Merger accounting for common control combination

The Financial Information incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined statements of comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

(f) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the combined statement of comprehensive income as follows:

(i) *Sales of goods*

Revenue is recognised when goods are delivered at the customers' premises 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 after deduction of any trade discounts.

(ii) *Interest income*

Interest income from a financial asset (other than a financial asset at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(g) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

(h) Leasing

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the Track Record Period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(i) Foreign currencies

The functional currency of the company and its subsidiaries outside the PRC is Hong Kong dollars. The functional currency of the PRC subsidiary is RMB. The Financial Information is presented in RMB which is the Group's presentation currency. This is also the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the Financial Information of each individual group entities, transactions in currencies other than that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the Track Record Period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the Financial Information and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the Track Record Period except for differences arising on the retranslation of non-monetary items in respect of which gain and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

For the purpose of presenting Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange difference arising are recognised in the foreign currency translation reserve.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the Track Record Period in which they are incurred.

(k) Government grants

Government grants are recognised in profit or loss on a systematic basis over the Track Record Period in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred revenue in the combined statements of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the Track Record Period necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the Track Record Period in which they become receivable.

The benefit of a government loan at a below-market rate of interest (received on or after 1 January 2009) is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan on initial recognition.

(l) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from the subsidiary in an independent fund managed by the PRC government.

(m) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from profit as reported in the combined statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(n) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the combined statements of financial position at cost, less accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their useful lives, 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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, useful lives and residual values are reassessed at each reporting date.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is computed using the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price for inventories less the estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the Track Record Period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the Track Record Period in which the reversal occurs.

(p) Biological assets

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the combined statements of comprehensive income. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

(q) Prepaid lease payments

Prepaid lease payments represent the purchase costs of land use rights and are amortised on a straight-line basis over the Track Record Period of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

(s) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets represent loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amount due from a shareholder, amount due from a related party and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of within 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Financial liabilities (including trade and other payables, amount due to a shareholder, bank borrowings and loan from government) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial guarantee contracts

A financial guarantee contracts is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated at financial assets at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. At the end of the reporting period, the Group measures the financial guarantee contract at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with HKAS 18.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and subsequently all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(t) Related parties transactions

A party is considered to be related to the Group if:

(i) A person or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);

(c) both entities are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i); or

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

(u) Impairment of non-financial assets (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives 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 (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(v) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the combined financial statements.

(a) Impairment of property, plant and equipment

The Group reviews its property, plant and equipment for indications of impairment at each reporting period. In analysing potential impairments identified, the Group uses projections of future cash flows from the assets based on management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(b) 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.

(c) Depreciation and amortisation

Items of property, plant and equipment and prepaid lease payments are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense and amortisation to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense and amortisation for future periods are adjusted if there are significant changes from previous estimates.

(d) Fair values 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. Details of the assumptions used are disclosed in note 19.

(e) Provision for financial guarantee 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.

5. SEGMENT INFORMATION

The Group currently operates in one operating segment which is the sales of pork operation. A single management team reports to the Group's President (being the chief operating decision-maker) who allocates resources and assesses performance based on the combined result for the year for the entire business comprehensively. Accordingly, the Group does not present separately segment information.

During each of the reporting periods, all revenue is derived from customers in the PRC and almost all the non-current assets of the Group are located the PRC.

Included in revenue arising from the sales of pork of approximately RMB157,443,000, RMB444,367,000 and RMB519,339,000 for the years ended 31 December 2009, 2010 and 2011 are revenues of approximately RMB33,036,000, RMB65,542,000 and RMB57,535,000 which arose from sales to the Group's largest customer.

For the year ended 31 December 2009, another two customers contributed 10% or more to the Group's revenue are approximately RMB22,743,000 and RMB17,961,000.

For the year ended 31 December 2010, another three customers contributed 10% or more to the Group's revenue are approximately RMB61,019,000, RMB49,585,000 and RMB46,522,000.

For the year ended 31 December 2011, another three customers contributed 10% or more to the Group's revenue are approximately RMB54,618,000, RMB54,005,000 and RMB52,091,000.

6. REVENUE

Revenue represents the net invoiced value of goods sold, excludes value added tax or other sales tax and is after deduction of any trade discounts.

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from			
— Commodity hogs	27,462	3,024	—
— Retail of pork	14,263	76,058	236,454
— Wholesale of pork	115,718	365,285	282,885
	157,443	444,367	519,339

7. OTHER REVENUE AND GAINS

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Interest income on:			
Bank deposits	11	58	58
Amortisation of deferred revenue	78	103	98
Gain on disposal of hog droppings	—	—	493
Gain on disposal of biological assets	184	149	667
Gain on disposal of property, plant and equipment	33	—	—
Net foreign exchange gain	5	—	—
Government grants *(note)*	274	235	972
Amortisation of financial guarantee liabilities	—	—	31
Sundry income	—	60	140
	585	605	2,459

Note: Government grants include subsidies income received by a subsidiary of the Group which operates in the PRC in accordance with the subsidy policies of local government authorities and in relation to the construction of hog farms and slaughterhouse. Subsidies income received by a subsidiary of the Group is recognised in the combined statements of comprehensive income when received and no specific conditions have been required to fulfill. Those government grants in relation to the construction of hogs farm and slaughterhouse are recognised as deferred income (note 30(a)). The government grants recognised during the Track Record Period are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.

8. FINANCE COSTS

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Interest on:			
Bank borrowings wholly repayable within five years	3,457	3,670	4,183
Interest on interest-free government loan	78	103	98
	3,535	3,773	4,281

9. TAXATION

The taxation for the Track Record Period represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of the Group.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the combined entities, as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	27,045	71,744	90,013
Tax at the applicable income tax rate	6,798	17,951	23,147
Tax exemption for subsidiary operating in the PRC	(6,871)	(17,984)	(23,159)
Tax effect of tax loss not recognised	73	33	12
Income tax expenses	—	—	—

Notes:

(a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI during the Track Record Period.

(b) No provision for Hong Kong profits tax has been made as the Group did not have assessable profits subject to Hong Kong profits tax during the Track Record Period.

(c) On 1 January 2008, *The Foreign Investment Enterprise and Foreign Enterprise Income Tax Law of the PRC* (中華人民共和國外商投資企業和外國企業所得稅法) was repealed, and the *Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法), promulgated on 16 March 2007, became effective. Pursuant to the *Enterprise Income Tax Law of the PRC*, the statutory tax rate of EIT for both domestic enterprises and foreign investment enterprises is 25%.

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 the statutory Value-Added Tax (the "VAT") of 13% of sales.

According to Article 86 (1) of the *Implementation Regulations of the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例), income derived by an enterprise from engaging in the raising of livestock and poultry shall be exempted from EIT.

(d) According to the Enterprise Income Tax Law (the "EIT Law") and implementation of the regulations issued by the State Council, income tax at the rate of 5% is applicable to any dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Fujian Tianyi is considered as "resident enterprise" by the Chinese government, and it is required to withholding tax on the dividend payable to the foreign shareholders and foreign shareholders also have to pay PRC income tax on gain on transfer of shares.

Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

10. PROFIT FOR THE YEAR

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Staff costs			
including directors' emoluments *(note 11)*	3,647	6,078	12,134
Retirement scheme contributions	307	402	781
Total staff costs	3,954	6,480	12,915
Depreciation of property, plant and equipment	3,814	6,353	7,168
Amortisation of prepaid lease payments	476	476	476
Total depreciation and amortisation	4,290	6,829	7,644
Auditors' remuneration	4	4	4
Operating lease rental expenses	524	596	1,423

11. DIRECTORS' EMOLUMENTS

Pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, the aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company during the Track Record Period are as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Directors' fees	—	—	—
Salaries, allowances and benefits in kind	248	278	288
Discretionary bonus	—	—	—
Retirement schemes contributions	1	1	7
	249	279	295

Details for the emoluments of each directors of the Company during the Track Record Period are as follows:

	Year ended 31 December 2009				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Cai Chenyang	—	155	—	—	155
Mr. Cai Haifang	—	45	—	1	46
Ms. Cai Shengyin	—	48	—	—	48
Independent non-executive director:					
Mr. Cai Zirong *(note)*	—	—	—	—	—
Mr. Wu Shiming *(note)*	—	—	—	—	—
Mr. Yu Wenquan *(note)*	—	—	—	—	—
	—	248	—	1	249

	Year ended 31 December 2010				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Cai Chenyang	—	156	—	—	156
Mr. Cai Haifang	—	61	—	1	62
Ms. Cai Shengyin	—	61	—	—	61
Independent non-executive director:					
Mr. Cai Zirong *(note)*	—	—	—	—	—
Mr. Wu Shiming *(note)*	—	—	—	—	—
Mr. Yu Wenquan *(note)*	—	—	—	—	—
	—	278	—	1	279

	Year ended 31 December 2011				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Cai Chenyang	—	153	—	3	156
Mr. Cai Haifang	—	67	—	2	69
Ms. Cai Shengyin	—	68	—	2	70
Independent non-executive director:					
Mr. Cai Zirong *(note)*	—	—	—	—	—
Mr. Wu Shiming *(note)*	—	—	—	—	—
Mr. Yu Wenquan *(note)*	—	—	—	—	—
	—	288	—	7	295

Note: The Company's independent non-executive directors were all appointed on 7 February 2012. As such, no emolument was paid or payable to them during the Track Record Period.

12. EMPLOYEES EMOLUMENTS

The five highest paid employees of the Group during the Track Record Period are analysed as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Directors	249	279	295
Non-directors	112	130	704
	361	409	999

Details of the remuneration of the above non-director, highest paid employees during the Track Record Period are as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other benefits	111	130	703
Retirement scheme contributions	1	—	1
	112	130	704

The number of these non-directors, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
Nil to RMB820,000 (equivalents to HK$1,000,000)	2	2	2

During the Track Record Period, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the Track Record Period.

13. DIVIDENDS

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Dividends	—	—	64,584

During the year ended 31 December 2011, the Group declared and paid a dividend of RMB64,584,000 to Mr. Cai Chenyang.

The rate of dividend per share is not presented as it is not indicative of the rate at which future dividends will be declared.

14. EARNINGS PER SHARE

The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to the owners of the Company for the Track Record Period and on the assumptions that 600,000,000 ordinary shares had been in issue, comprising 1,000,000 shares in issue as at the date of this prospectus and 599,000,000 shares to be issued pursuant to the capitalisation issue as detailed in the sub-section headed "Share Capital" set out in this prospectus as if the shares had been outstanding throughout the entire Track Record Period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at 1 January 2009	41,478	1,098	2,325	502	20,132	65,535
Additions	47	4,861	271	159	44,755	50,093
Disposals	—	—	(184)	—	—	(184)
Transfer	46,552	2,191	—	—	(48,743)	—
As at 31 December 2009 and 1 January 2010	88,077	8,150	2,412	661	16,144	115,444
Additions	—	107	286	63	17,857	18,313
Transfer	16,974	—	—	—	(16,974)	—
As at 31 December 2010 and 1 January 2011	105,051	8,257	2,698	724	17,027	133,757
Additions	92	1,165	2,992	1,029	24,494	29,772
Transfer	24,157	—	—	—	(24,157)	—
As at 31 December 2011	129,300	9,422	5,690	1,753	17,364	163,529
Accumulated depreciation						
As at 1 January 2009	2,777	208	1,290	141	—	4,416
Provided for the year	2,894	331	478	111	—	3,814
Disposals	—	—	(157)	—	—	(157)
As at 31 December 2009 and 1 January 2010	5,671	539	1,611	252	—	8,073
Provided for the year	5,444	356	428	125	—	6,353
As at 31 December 2010 and 1 January 2010	11,115	895	2,039	377	—	14,426
Provided for the year	5,912	547	361	348	—	7,168
As at 31 December 2011	17,027	1,442	2,400	725	—	21,594
Net book values						
As at 31 December 2011	112,273	7,980	3,290	1,028	17,364	141,935
As at 31 December 2010	93,936	7,362	659	347	17,027	119,331
As at 31 December 2009	82,406	7,611	801	409	16,144	107,371

Certain buildings with net book value of approximately RMB43,880,000 and RMB41,685,000 as at 31 December 2010 and 31 December 2011 respectively are pledged as collaterals for the Group's bank borrowings, Please refer to note 28 for details.

16. PREPAID LEASE PAYMENTS

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Cost			
At 1 January 2009, 31 December 2009, 31 December 2010 and 31 December 2011	23,807	23,807	23,807
Accumulated amortisation			
At the beginning of the year	1,141	1,617	2,093
Charge for the year	476	476	476
At the end of the year	1,617	2,093	2,569
Net book values	22,190	21,714	21,238

Analysed for reporting purposes as:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	476	476	476
Non-current assets	21,714	21,238	20,762
	22,190	21,714	21,238

Prepaid lease payments represent the cost of land use rights in respect of certain leasehold land located in the PRC, which is held under long term leases.

The prepaid lease payments with net book amount of approximately RMB22,190,000, RMB21,714,000 and RMB21,238,000 as at 31 December 2009, 2010 and 2011, respectively, are pledged as collaterals for the Group's bank borrowings. Please refer to note 28 for details.

17. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2009, 2010 and 2011 are as follows:

Name of subsidiary	Place and date of incorporation	Issued/paid up capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Wellname Investments	The BVI, 13 January 2011	USD1,000	100	—	Investment holding
China Modern	Hong Kong, 13 August 2008	HK$10,000	—	100	Investment holding
Fujian Tianyi	The PRC, 26 April 2005	USD7,000,000	—	100	Slaughtering and processing of livestock, production and sales of meat products
Victoria Top	Hong Kong, 23 February 2011	HK$1	—	100	Investment holding

18. INVENTORIES

(a) Inventories in the combined statements of financial position comprise:

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

Note: Included in the raw materials were mainly corn, soya meal, wheat bran and feed premix ready for the mixture of animal feeds.

(b) The analysis of the amount of inventories recognised as an expenses is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	99,005	336,314	379,000

19. BIOLOGICAL ASSETS

Movements of biological assets are summarised as follows:

	Breeder hogs	**Commodity hogs**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2009	3,055	8,368	11,423
Increase due to purchases	492	96,623	97,115
Increase due to raising (Feeding cost and others)	2,718	101,421	104,139
Transfer	(3,870)	3,870	—
Decrease due to retirement and deaths	—	(4,061)	(4,061)
Decrease due to sales	(184)	(99,764)	(99,948)
Change in fair value less costs to sell	1,554	(10,070)	(8,516)
As at 31 December 2009 and 1 January 2010	3,765	96,387	100,152
Increase due to purchases	189	124,279	124,468
Increase due to raising (Feeding cost and others)	3,041	165,360	168,401
Transfer	(3,526)	3,526	—
Decrease due to retirement and deaths	—	(5,035)	(5,035)
Decrease due to sales	(149)	(355,329)	(355,478)
Change in fair value less costs to sell	(399)	11,572	11,173
As at 31 December 2010 and 1 January 2011	2,921	40,760	43,681
Increase due to purchases	743	300,724	301,467
Increase due to raising (Feeding cost and others)	4,125	82,480	86,605
Transfer	(4,102)	4,102	—
Decrease due to retirement and deaths	—	(1,258)	(1,258)
Decrease due to sales	(392)	(384,114)	(384,506)
Change in fair value less costs to sell	(225)	(2,666)	(2,891)
As at 31 December 2011	3,070	40,028	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

Analysed for reporting purposes as:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	96,387	40,760	40,028
Non-current assets	3,765	2,921	3,070
	100,152	43,681	43,098

The commodity hogs are primarily held for further growth for the production of pork and are classified as current assets. The breeder hogs are prime hog of excellent qualities that is selected as breeding stock, including boars and gilts, are classified as non-current assets.

The fair value of biological assets of the Group as at 31 December 2009, 2010 and 2011 has been arrived at on the basis of a valuation carried out at that date by Asset Appraisal Limited (the "Valuer") and have appropriate qualifications and experiences in providing biological asset valuation services to various companies listed on the Stock Exchange and other stock exchange in the United States, which engage in the business of husbandry and agriculture industry.

The fair value less cost to sell of breeder hogs and commodity hogs are determined using the direct comparison approach. The direct comparison approach assumes sales of breeder hogs and commodity hogs in their existing state and making reference to similar sales or offerings or listings of comparable assets on the market.

In addition, the following principal assumptions have 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 properly fed with balance diets such that they are gaining weight in accordance under normal growth rate and are receiving appropriate veterinary care;
- the biological assets are free from any animal diseases, including but not limiting to Sarcoptic mange, internal parasites, swine influenza 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 the 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 governmental 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 atypical benefits which may influence the fair value of the biological assets.

20. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	15,285	36,606	40,432
Deposits paid, prepayments and other receivables	2,796	3,846	8,868
	18,081	40,452	49,300

Trade receivables

The fair values of trade receivables approximate their carrying amounts.

The Group normally allows a credit period ranging from cash upon delivery to 90 days depending on the customer's creditworthiness and the length of business relationship with the customers. The ageing analysis of trade receivables based on the invoice date at the end of each reporting period is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
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

Trade receivables that are past due are not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
91 days to 180 days	263	772	71
Over 180 days	426	1,340	12
Total	689	2,112	83

The trade receivables are denominated in RMB. The Group does not hold any collateral over these balances.

Deposits paid, prepayments and other receivables

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
IPO deposits paid	—	—	6,808
Advances to staff *(note (a))*	632	280	540
Deposits paid for purchase of property, plant and equipment *(note (b))*	1,435	2,778	370
Deposits paid and prepayments	729	788	1,150
	2,796	3,846	8,868

The fair values of other receivables approximate their carrying amounts.

Notes:

(a) The amount was mainly for the purchase of raw materials and commodity hogs on behalf of the Group. The directors represented that such amount will continue after the Listing.

(b) The deposit paid for property, plant and equipment as at 31 December 2009, 2010 and 2011 was mainly for the purchase of equipment and machinery for upgrading of production facilities in the Group's slaughterhouse.

21. AMOUNT DUE FROM A SHAREHOLDER

Name of shareholder	**Maximum balance outstanding during the year**	**As at 31 December 2009**	**Maximum balance outstanding during the year**	**As at 31 December 2010**	**Maximum balance outstanding during the year**	**As at 31 December 2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Cai Chenyang	3,042	—	10,260	—	1,235	—

The amount due from a shareholder was unsecured, interest-free and fully recovered before the Listing.

22. AMOUNT DUE FROM A RELATED PARTY

Name of related party	**Relationship**	**Maximum balance outstanding during the year**	**As at 31 December 2009**	**Maximum balance outstanding during the year**	**As at 31 December 2010**	**Maximum balance outstanding during the year**	**As at 31 December 2011**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
品味(福建)食品有限公司	Former common director in a related company	986	985	1,085	—	—	—

The amount due from a related party was unsecured, interest-free and fully recovered before the Listing.

23. CASH AND BANK BALANCES

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	583	23,732	13,430

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at the prevailing market rates which at 0.36% per annum during the years ended 31 December 2009, 2010 and 2011. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in the cash and bank balances as at 31 December 2009, 2010 and 2011 were amounts in RMB of approximately RMB575,000, RMB23,727,000 and RMB12,745,000 which are not freely convertible into other currencies.

24. TRADE AND OTHER PAYABLES

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	54,555	11,441	6,269
Deposits received	34	410	156
Other payables for property, plant and equipment	30,583	4,636	66
Accruals and other payables	2,582	2,611	3,117
	87,754	19,098	9,608

The ageing analysis of trade payables is as follows:

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
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 average credit period on purchases of certain goods within 90 days.

25. AMOUNT DUE TO A SHAREHOLDER

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Mr. Cai Chenyang	12,965	25	307

The amount due to a shareholder was unsecured, interest-free and repayable on demand.

The amount was fully settled before the Listing.

26. AMOUNT DUE TO RELATED COMPANIES

The Company

The amount due to related companies was unsecured, interest-free and repayable on demand.

The amount was fully settled before the Listing.

27. FINANCIAL GUARANTEE LIABILITIES

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	—	—	31
Fair value of the financial guarantee at the date of grant	—	31	—
Amortisation of financial guarantee liabilities	—	—	(31)
At the end of the year	—	31	—

During the year ended 31 December 2010, Fujian Tianyi provided guarantee for a bank loan of RMB20,000,000 to Putian Xiecheng Footwear Co. Ltd. (莆田市協誠鞋業有限公司) which is a related company owned by an indirect family member of Mr. Cai Chenyang. Fujian Tianyi also provided guarantee for a bank loan of RMB4,500,000 to Putian Yi Hua Qing Gong Zhi Pin Co. Ltd. (莆田市億華輕工製品有限公司) which is a related company owned by an indirect family member of Mr. Cai Chenyang. Both guarantees were released in June 2011.

The above balances represented the fair values of the financial guarantees.

28. BANK BORROWINGS

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

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

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings at:			
— floating interest rate	55,000	70,000	70,000

The carrying amount of the Group's bank borrowings are all originally denominated in RMB, which is the functional currency of the Group.

The contractual floating interest rates per annum in respect of bank borrowings were within the following ranges:

	As at 31 December		
	2009	**2010**	**2011**
	%	%	%
Bank borrowings	6.075–7.169	5.310–7.169	6.310–6.560

The collaterals for the Group's bank borrowings are as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment *(note 15)*	—	43,880	41,685
Prepaid lease payments *(note 16)*	22,190	21,714	21,238
	22,190	65,594	62,923

The fair values of the short-term borrowings approximate their carrying amounts.

As at 31 December 2009, 2010 and 2011, the Group's bank borrowings of RMB55,000,000, RMB70,000,000 and RMB70,000,000 respectively were guaranteed by Mr. Cai Chenyang. Such guarantees were released prior to the Listing.

29. LOAN FROM GOVERNMENT

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

Note: On 24 March 2009, the Group received an interest-free loan of RMB1,780,000 from the Ministry of Finance of Putian City to finance the construction of property, plant and equipment. The loan is repayable in full at the end of that four-year period. Using prevailing market interest rates of the People's Bank of China for an equivalent loan of 5.76% per annum, 6.22% per annum and 6.90% per annum as at 31 December 2009, 2010 and 2011 respectively, the fair value of the loan is estimated at RMB1,250,000 on initial recognition. The difference of between the gross proceeds and the fair value of the loan is the benefit derived from the interest-free loan and is recognised as deferred revenue (note 30).

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 in February 2012.

30. DEFERRED REVENUE

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Arising from government grant *(note (a))*	3,823	4,709	4,455
Arising from loan from government *(note (b))*	452	349	251
	4,275	5,058	4,706

Analysed for report purposes as:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities	302	368	377
Non-current liabilities	3,973	4,690	4,329
	4,275	5,058	4,706

Notes:

(a) As at the end of each reporting period, the Group has unused government grants in relation to the construction of qualifying assets. The deferred revenue will be recognised upon construction of qualifying assets. The government grant is not repayable.

(b) The deferred revenue arises as a result of the benefit received from an interest-free government loan received in March 2009 (note 29).

31. SHARE CAPITAL

The Group

For the purpose of the preparation of the combined statement of financial position, the balance of share capital of the Group as at 31 December 2009 and 2010 represents the issued share capital of China Modern prior to the establishment of the Company.

As at 31 December 2011, the share capital of the Group represents the issued share capital of the Company and Wellname Investments prior to the completion of Reorganisation.

The Company

The Company was incorporated in the Cayman Islands on 27 May 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands with an initial authorized share capital of HK$380,000 divided into 3,800,000 shares of HK0.1 each. One share was issued to Codan Trust Company (Cayman) Limited as the initial subscriber nil paid and such share was transferred to Zhan Rui on the same day.

32. RESERVES

The Group

(a) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC.

(b) Statutory reserve

Subsidiaries of the Company established in the PRC shall appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law. When the balance of such reserve fund reaches 50% of the entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior year's losses or to increase capital after proper approval.

(c) Other reserve

(i) During the year ended 31 December 2009, the retained earnings of Fujian Tianyi of approximately RMB13,656,000 was distributed to China Modern by way of capitalising the amount as the paid-in capital of Fujian Tianyi. Such amount represented the difference between the Company's share of nominal value of the paid-up capital of the subsidiary acquired over the Company's cost of acquisition of the subsidiary under common control.

(ii) During the year ended 31 December 2011, the amount of approximately RMB9,000 represented the difference between the Company's share of nominal value of the paid-up capital of the subsidiary acquired over the Company's cost of acquisition of the subsidiary under common control upon Reorganisation as detailed in note 2.

The Company

	Accumulated loss *RMB'000*
As at 27 May 2011 (date of incorporation)	—
Loss and total comprehensive expenses for the period	(74)
As at 31 December 2011	(74)

33. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, this contribution is matched by employees.

The employees of the Group's subsidiaries established in the PRC are members of state-managed retirement benefits schemes operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes are to make the specified contributions.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of bank borrowings and equity (comprising issued share capital, share premium, reserves and retained earnings).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as raising and repayment of bank borrowings.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated by dividing the total borrowings with total equity. The Group's overall strategy remains unchanged during the Track Record Period. The gearing ratio at 31 December 2009, 2010 and 2011 were as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Total borrowings *(note)*	56,328	71,431	71,529
Total equity	89,026	160,771	186,880
Gearing ratio (%)	63%	44%	38%

Note: Total borrowings comprise of bank borrowings (note 28) and loan from government (note 29).

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Financial assets			
Loans and receivables			
— Trade and other receivables	15,917	36,886	40,972
— Amount due from a related party	985	—	—
— Cash and bank balances	583	23,732	13,430

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Financial liabilities			
Amortised cost			
— Trade and other payables	87,754	19,098	9,608
— Amount due to a shareholder	12,965	25	307
— Bank borrowings	55,000	70,000	70,000
— Loan from government	1,328	1,431	1,529
Financial guarantee liabilities	—	31	—

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
The Company			
Financial liabilities			
Amount due to related companies	—	—	74

(b) Financial risk management objectives and policies

The directors of the Company monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest risk), credit risk, business risk and liquidity risk.

The Group's major financial instruments include trade and other receivables, trade and other payables, amount due to a shareholder, amount due from a related party, cash and bank balances, loan from government, financial guarantee liabilities and bank borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables and amount due from a related party. 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 customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by 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.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

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 (note 28). 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 years ended 31 December 2009, 2010 and 2011 would decrease/increase 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 of the Company, since the currency risk is minimal, no sensitivity analysis is presented.

Business risk

The Group is exposed to financial risks arising from changes in prices of hogs and the change in cost and supply of feed ingredients, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and animal diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by epidemic diseases.

Save for the procurement of breeder hogs, the Group manages its exposure to fluctuation in the price of the key raw materials used in the operations by maintaining a large number of suppliers so as to limit high concentration in a particular supplier.

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

The following tables detail Group's contractual maturity for its financial liabilities. The tables has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate	**On demand or within one year**	**More than one year but less than two years**	**More than two years but less than five years**	**Total undiscounted cash flow**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2009						
Non-derivative financial liabilities						
Trade and other payables	—	87,754	—	—	87,754	87,754
Amount due to a shareholder	—	12,965	—	—	12,965	12,965
Bank borrowings	6.74	55,000	—	—	55,000	55,000
Loan from government	5.76	—	—	1,780	1,780	1,328
		155,719	—	1,780	157,499	157,047

	Weighted average interest rate	**On demand or within one year**	**More than one year but less than two years**	**More than two years but less than five years**	**Total undiscounted cash flow**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2010						
Non-derivative financial liabilities						
Trade and other payables	—	19,098	—	—	19,098	19,098
Amount due to a shareholder	—	25	—	—	25	25
Bank borrowings	5.31	70,000	—	—	70,000	70,000
Loan from government	6.22	—	—	1,780	1,780	1,431
Financial guarantee liabilities *(note)*	—	24,500	—	—	24,500	31
		113,623	—	1,780	115,403	90,585

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011						
Non-derivative financial liabilities						
Trade and other payables	—	9,608	—	—	9,608	9,608
Amount due to a shareholder	—	307	—	—	307	307
Bank borrowings	5.88	70,000	—	—	70,000	70,000
Loan from government	6.90	—	—	1,780	1,780	1,529
		79,915	—	1,780	81,695	81,444

The Company

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011						
Non-derivative financial liabilities						
Amount due to related companies	—	74	—	—	74	74

Note:

The amount included above for the financial guarantee liabilities is the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the Financial Information approximates to their corresponding fair values.

36. RELATED PARTY TRANSACTIONS

Save as disclosed in notes 11, 21, 22, 25, 27 and 29 in the Financial Information, the Group had also entered into the following related party transactions during the Track Record Period:

(a) Related party transaction

		Year ended 31 December		
		2009	2010	2011
		RMB'000	*RMB'000*	*RMB'000*
Name of Company	**Nature of transaction**			
Hongyuan Feeds Operation Department of Chengxiang District Putian City (莆田市城廂區宏遠飼料經營部) ("Hongyuan")	Purchase of raw materials *(note)*	3,651	—	—

Note: Hongyuan was owned by a close family member of a director of the Group.

The purchases from the related party was made at terms agreed between the parties. The transactions were on arm's length basis and on normal commercial terms. Such transactions had been terminated in June 2009.

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 11 is as follow:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Short term employee benefits	359	409	991
Retirement benefits schemes contributions	2	—	8
	361	409	999

37. OPERATING LEASE COMMITMENTS

The Group as lessee:

At the end of each reporting date, the Group had commitments for future minimum lease payments under in respect of retail outlets and office premises 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 retail outlets. Lease in respect of office premises are negotiated for a term of two years with fixed rentals. Lease in respect of direct sales outlets are negotiated for a term of one year with fixed rentals.

38. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings of the Group (note 28):

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	—	43,880	41,685
Prepaid lease payments	22,190	21,714	21,238
	22,190	65,594	62,923

39. CONTINGENT LIABILITIES

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Guarantees given to banks for:			
— bank borrowings granted to related parties *(note 27)*	—	24,500	—

40. EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no other significant events that have occurred subsequent to the end of the reporting period.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2011.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong