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

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

BUSINESS OVERVIEW

The Group is a vertically integrated pork supplier principally engaged in hog farming, hog slaughtering and sale of pork. Fujian Tianyi is one of the largest pork suppliers in Putian City, Fujian Province, contributed to approximately 21.7% of the aggregate output of hogs in Putian City, Fujian Province in 2010[Note 1].

The Group's revenue increased from approximately RMB51.9 million for the year ended 31 December 2008 to approximately RMB444.4 million for the year ended 31 December 2010 and net profit increased from approximately RMB15.1 million for the year ended 31 December 2008 to approximately RMB71.7 million for the year ended 31 December 2010. The Group's revenue were approximately RMB343.7 million and RMB356.9 million for the nine months ended 30 September 2010 and 30 September 2011 respectively, and the Group's net profit for the same periods were approximately RMB42.1 million and RMB72.4 million respectively.

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

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

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

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

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

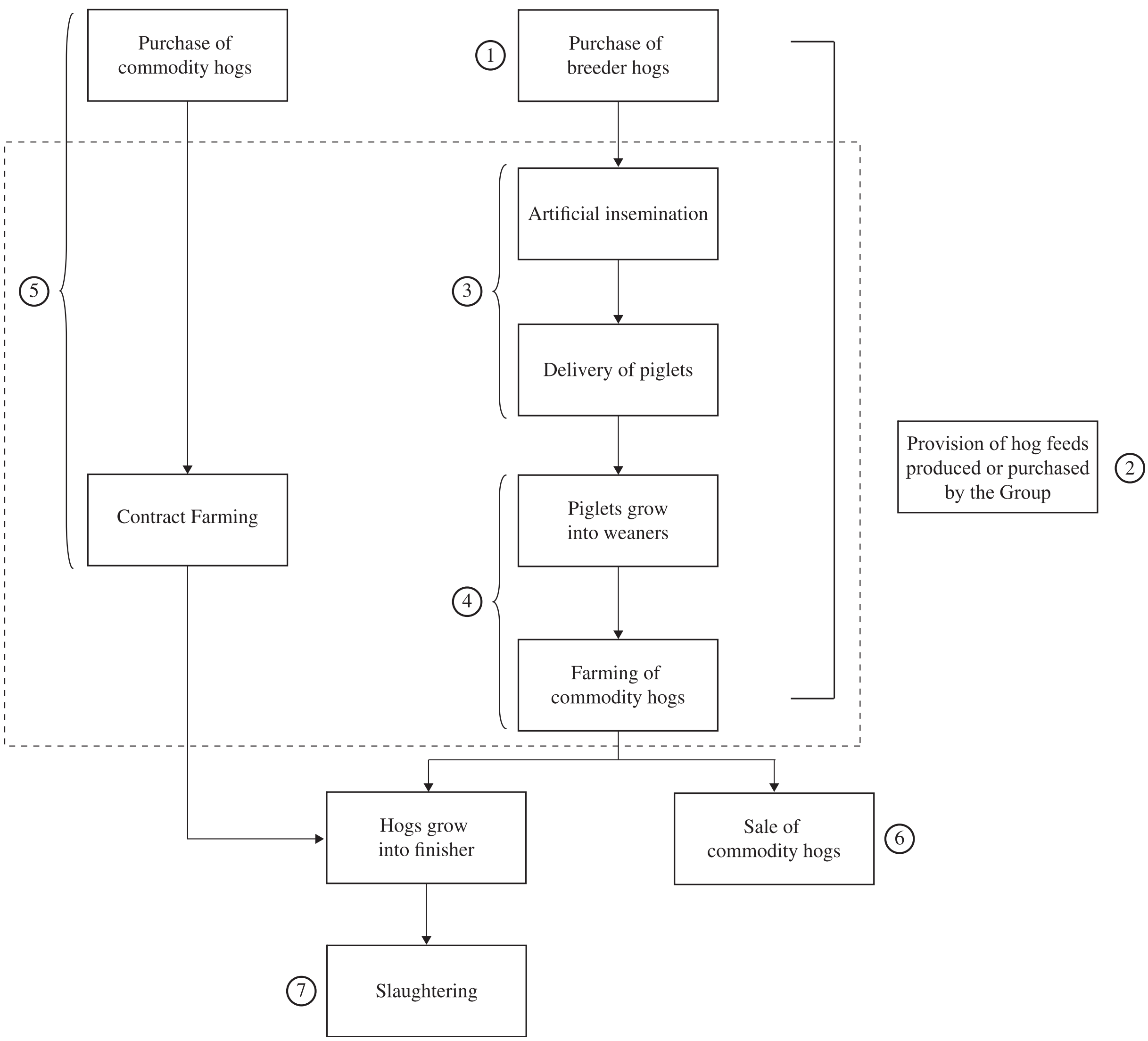
As a result of the change in the Group's business focus, the Group recorded revenue of approximately RMB157.4 million and gross profit of approximately RMB46.6 million for the year ended 31 December 2009, which represented an significant increase of approximately 203.5% and 118.1% respectively compared to those for the year ended 31 December 2008. However, as credit terms offered to the Group's wholesale customers, which were mainly pork product traders, were generally 30 to 90 days whereas customers of commodity hogs settled their purchases upon delivery, trade receivables and trade receivables turnover days of the Group for the year ended 31 December 2009 also increased from 11 days for the year ended 31 December 2008 to 35 days for the year ended 31 December 2009. Moreover, such change in the Group's business focus also changed the cost structure of the Group. The wholesale of pork accounted for 73.5% of the Group's total revenue in the year ended 31 December 2009 and resulted in a decrease in the Group's overall gross profit margin from 41.2% for the year ended 31 December 2008 to 29.6% for the year ended 31 December 2009. While the Group's cost of sales of RMB30.5 million for the year ended 31 December 2008 primarily comprised operating expenses of the Group's hog farm, the Group's cost of sales of RMB110.8 million for the year ended 31 December 2009 also included operating expenses, such as depreciation of equipment and machineries and staff costs, incurred in the Group's operation of the slaughterhouse. The Group's cost of sales for the year ended 31 December 2009, as a result, increased by RMB80.3 million or 263.4% as compared to that for the year ended 31 December 2008. Furthermore, as the Group financed the construction of the slaughterhouse by using short-term borrowing and working capital, the Group recorded net current liabilities of approximately RMB22.9 million and RMB38.5 million as at 31 December 2008 and 2009 respectively. In anticipation of the increase in demand of the Group's products, the Group has also expanded its sales network by developing more Points of Sales in the Fujian Province. This initiative not only significantly increased the Group's sales, but also enhanced the market recognition of the Group.

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

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

PRODUCTION PROCESSES

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



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

BASIS OF PRESENTATION

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

SIGNIFICANT FACTORS AFFECTING THE RESULTS OF OPERATIONS

Feed costs and procurement cost of commodity hogs

The results of operations are affected by feed costs and procurement cost of commodity hogs. The feed costs are in turn affected primarily by costs of raw materials (such as corn, soya meal, wheat bran and feed premix) used. The prices and supplies of such raw materials in the hog feeds and procurement cost of commodity hogs may fluctuate significantly and are affected by various factors, including but not limited to the weather conditions and harvest conditions of the raw materials, the policies of the PRC government and market competition. The costs of raw materials used in the hog feeds and procurement cost of commodity hogs as a percentage of the total cost of sales amounted to approximately 87.8%, 94.2%, 97.1% and 97.1% for the years ended 31 December 2008, 2009 and 2010 and for the nine months ended 30 September 2011, respectively.

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

	Year ended 31 December					**Nine months ended 30 September**		
			Approximate		**Approximate**			**Approximate**
	2008	**2009**	**% change**	**2010**	**% change**	**2010**	**2011**	**% change**
	RMB	*RMB*		*RMB*		*RMB*	*RMB*	
						(unaudited)		
Corn (per kg)	1.89	1.85	(2.1)%	2.10	13.5%	2.06	2.41	17.0%
Soya meal (per kg)	3.92	3.46	(11.7)%	3.22	(6.9)%	3.12	3.30	5.8%
Wheat bran (per kg)	1.49	1.75	17.4%	1.71	(2.3)%	1.74	1.59	(8.6)%
Feed premix (per kg)	7.25	6.39	(11.9)%	5.71	(10.6)%	5.88	6.09	3.6%
Commodity hogs (per head)	700.54	471.24	(32.7)%	674.89	43.2%	544.45	1,256.32	130.8%

For the year ended 31 December 2011, the average prices for procuring corn, soya meal, wheat bran, feed premix and commodity hogs were approximately RMB2.45 per kg, RMB3.20 per kg, RMB1.71 per kg, RMB5.72 per kg and RMB1,276.08 per head respectively.

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

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

The Group is exposed to the business risks of fluctuation of products' prices due to various factors including the market force of supply and demand which is affected by environment regulations, animal diseases, seasons and change of taste or preferences of the customers. Since these factors affect the market as a whole, the Group has little or no control over the same. The average retail selling price of pork for the years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 were approximately RMB22.3 per kg, RMB18.5 per kg, RMB20.9 per kg and RMB25.4 per kg respectively, representing a percentage increase/(decrease) for the years ended 31 December 2009 and 2010 and the nine months ended 30 September 2011 of approximately (17.0)%, 13.0% and 21.5%. Pork, being mainly whole hog carcasses, have been sold to pork product traders by the Group since August 2009. The average wholesale price of pork sold to pork product traders for the years ended 31 December 2009 and 2010 and the nine months ended 30 September 2011 were approximately RMB17.7 per kg, RMB18.1 per kg and RMB23.3 per kg respectively, representing a percentage increase for the year ended 31 December 2010 and the nine months ended 30 September 2011 of approximately 2.3% and 28.7% respectively. If the product prices decrease, it may adversely affect the Group's revenue and profit.

Tax

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

Changes in the fair value of biological assets

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

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

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

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

The Group's operations depend heavily on a sufficient and stable supply of hogs. The Group has engaged Contract Farmers for the provision of hogs farming services since April 2009. For the two years ended 31 December 2010 and the nine months ended 30 September 2011, the Contract Farmers were responsible for the farming of approximately 64.1%, 91.0% and 90.1% of the annual hogs output of the Group. As at 30 September 2011, the Group contracted with five Contract Farmers. The Contract Farmers are required to provide farming services to the Group at an agreed service fee. The Group has not entered into any contracts with its Contract Farmers for a term of over two years. There is no assurance that the Contract Farmers will continue to provide farming services to the Group, or the Group is able to engage sufficient number of Contract Farmers to provide farming services to the Group in the future. Any of the above incidents could have a negative impact on the supply of the Group's hogs, or an adverse effect on the Group's production and productivity. The number of Contract Farmers decreased significantly in 2010 due to the promulgation of the Delimit Plan which restricted the operation of local hog farmers including those engaged by the Group.

Regulatory environment

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

Seasonality

The Group's business is subject to seasonal fluctuations. There is a usual seasonal pattern for movements in the price of pork in the PRC. Price of pork usually peaks at the period around Chinese Lunar New Year. The average selling price of the Group's retail pork in the month of Chinese Lunar New Year were approximately 2.6%, 8.8%, 7.8% and 3.3% higher than the average selling price for each of the years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011, respectively. Due to the seasonality of the business, the results of any period of a year are not necessarily indicative of the results that may be achieved for the full year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Revenue recognition

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

Property, plant and equipment

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

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

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

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

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

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

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

Impairment of tangible assets

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

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

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

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

Impairment of trade and other receivables

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

Fair value of biological assets

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

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

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

	As at 31 December			As at 30 September	
	2008	**2009**	**2010**	**2010**	**2011**
				(unaudited)	
Commodity hogs (RMB/kg)[1]	13.38	12.58	14.56	13.05	19.00
Piglets/weaners (RMB/kg)[2]	23.33	27.39	29.70	28.10	28.00
Boars (RMB/head)[3]	6,000	6,000	6,000	6,000	6,000
Sows (RMB/head)[4]	1,800	1,800	1,800	1,800	2,200

Notes:

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

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

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

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

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

Provision for financial guarantees liabilities

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

RESULTS OF OPERATIONS

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

	Year end 31 December						Nine months ended 30 September			
	2008		2009		2010		2010		2011	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000 (unaudited)*	*% of total revenue*	*RMB'000*	*% of total revenue*
Revenue	51,875	100.0%	157,443	100.0%	444,367	100.0%	343,738	100.0%	356,946	100.0%
Cost of sales	(30,499)	58.8%	(110,819)	70.4%	(364,127)	81.9%	(291,383)	84.8%	(269,060)	75.4%
Gross profit	21,376	41.2%	46,624	29.6%	80,240	18.1%	52,355	15.2%	87,886	24.6%
Other revenue and gains	5,768	11.1%	585	0.4%	605	0.1%	391	0.1%	1,277	0.4%
Change in fair value less costs to sell of biological assets	(3,470)	6.7%	(8,516)	5.4%	11,173	2.5%	5,439	1.6%	3,399	1.0%
Selling and distribution expenses	(2,163)	4.2%	(3,114)	2.0%	(9,441)	2.1%	(8,015)	2.3%	(8,092)	2.3%
Administrative expenses	(4,589)	8.8%	(4,933)	3.1%	(7,000)	1.6%	(5,078)	1.5%	(8,799)	2.5%
Finance costs	(1,790)	3.5%	(3,535)	2.2%	(3,773)	0.8%	(2,957)	0.9%	(3,106)	0.9%
Other operating expenses	(82)	0.2%	(66)	0%	(60)	0%	(42)	0%	(145)	0%
Profit before taxation	15,050	29.0%	27,045	17.2%	71,744	16.1%	42,093	12.2%	72,420	20.3%
Taxation	—	—	—	—	—	—	—	—	—	—
Profit for the year/period	15,050	29.0%	27,045	17.2%	71,744	16.1%	42,093	12.2%	72,420	20.3%
Other comprehensive (loss)/ income										
Exchange differences on translation of foreign operations	—	—	(1)	0%	1	0%	1	0%	152	0%
Other comprehensive(loss)/income for the year/period, net of tax	—	—	(1)	0%	1	0%	1	0%	152	0%
Total comprehensive income for the year/period	15,050	29.0%	27,044	17.2%	71,745	16.1%	42,094	12.2%	72,572	20.3%
Dividends	—	—	—	—	—	—	—	—	8,343	2.3%
Earnings per share										
Basic and diluted *(RMB cents)*	2.51	—	4.51	—	11.96	—	7.02	—	12.07	—

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

Revenue

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

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

	Year ended 31 December						Nine months ended 30 September			
	2008		2009		2010		2010		2011	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000 (unaudited)*	*% of total revenue*	*RMB'000*	*% of total revenue*
Revenue										
Commodity hogs	42,436	81.8	27,462	17.4	3,024	0.7	3,024	0.9	—	—
Pork										
— retail	9,439	18.2	14,263	9.1	76,058	17.1	40,505	11.8	149,257	41.8
— wholesale	—	—	115,718	73.5	365,285	82.2	300,209	87.3	207,689	58.2
Total	51,875	100.0	157,443	100.0	444,367	100.0	343,738	100.0	356,946	100.0

While the Group's products are sold at Points of Sales, including the Group's direct sales outlets or concession counters at supermarkets, throughout the Track Record Period, the Group also sells commodity hogs to hog traders from 2008 to 2010 and pork to pork product traders since August 2009. As at 31 December 2008, 2009, 2010 and 30 September 2011, the Group has 12, 24, 46 and 61 Points of Sales in the Fujian Province respectively. The Group was endeavoured to develop its retail sale segment during the Track Record Period by expanding its network of Points of Sales as well as developing new retail customers, such as food processing factories, the retail sales of pork has been increased during the Track Record Period and represented approximately 18.2%, 9.1%, 17.1% and 41.8% of the total revenue for the years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 respectively whereas the revenue generated from sales of commodity hogs and wholesale of pork represented approximately 81.8%, 90.9%, 82.9% and 58.2% of the total revenue for the years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 respectively.

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

	Year ended 31 December			Nine months ended 30 September	
	2008	**2009**	**2010**	**2010**	**2011**
	'000	*'000*	*'000*	*'000*	*'000*
				(unaudited)	
Total kilograms (kg) sold					
Commodity hogs	2,557	2,056	238	238	—
Pork					
— retail	424	770	3,642	2,011	5,867
— wholesale	—	6,534	20,223	17,112	8,903
	2,981	9,360	24,103	19,361	14,770

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

The decrease in the sales volume of pork for the nine months ended 30 September 2011 compared to that for the nine months ended 30 September 2010, was primarily attributable to the substantial decrease in wholesale volume of pork from approximately 17,112,000 kg for the nine months ended 30 September 2010 to approximately 8,903,000 kg for the nine months ended 30 September 2011 was mainly due to the disruption in the supply of hogs as a considerable number of Contract Farmers engaged by the Group in 2010 were no longer eligible for conducting farming activities in 2011 as a result of the promulgation of the Delimit Plan and the Group's strategy to prioritise the supply of pork to the Group's retail sale which enjoys a higher profit margin.

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

	Year ended 31 December			Nine months ended 30 September	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(unaudited)	
Average selling prices per kg *(note)*					
Commodity hogs	16.6	13.4	12.7	12.7	n.a.
Pork					
— retail	22.3	18.5	20.9	20.1	25.4
— wholesale	n.a.	17.7	18.1	17.5	23.3

Note: Average selling prices represent the revenue for the year/period divided by the sales volume for the year/period. Overall average selling prices of the Group's products for each of the three years ended 31 December 2010 and each of the nine months ended 30 September 2010 and 2011 were approximately RMB17.4 per kg, RMB16.8 per kg, RMB18.4 per kg, RMB17.8 per kg and RMB24.2 per kg respectively.

Due to the adverse effect of outbreak of FMD and influenza A (H1N1) in early 2009 and until early 2010, the average retail selling price of pork decreased from RMB22.3 per kg for the year ended 31 December 2008 to RMB18.5 per kg for the year ended 31 December 2009. Driven by the recovery of market demand for pork as well as the overall increase in hog farming and selling costs in the second half of 2010, the average retail and wholesale prices of pork continuously increased during the year ended 31 December 2010 and for the nine months ended 30 September 2011. For the three months ended 31 December 2011, the average retail and wholesale prices of pork were approximately RMB25.2 per kg and RMB25.9 per kg respectively.

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

Cost of sales

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

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

	Year ended 31 December						**Nine months ended 30 September**			
	2008		**2009**		**2010**		**2010**		**2011**	
	RMB'000	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000 (unaudited)*	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*
Cost of sales										
Direct materials	26,770	87.8	104,438	94.2	353,488	97.1	283,492	97.3	261,401	97.1
Direct labour										
— hog farm	1,020	3.3	1,144	1.0	1,459	0.4	1,092	0.4	1,016	0.4
— slaughterhouse	—	—	268	0.3	1,143	0.3	882	0.3	744	0.3
Fuel and power	224	0.7	237	0.2	334	0.1	326	0.1	159	0.1
Overhead	768	2.5	1,493	1.4	1,854	0.5	1,374	0.5	1,259	0.4
Depreciation										
— hog farm	1,717	5.7	2,447	2.2	3,008	0.8	2,135	0.7	2,073	0.8
— slaughterhouse	—	—	792	0.7	2,841	0.8	2,082	0.7	2,408	0.9
Total	30,499	100.0	110,819	100.0	364,127	100.0	291,383	100.0	269,060	100.0

Direct materials principally comprise corn, soya meal, wheat bran, feed premix and procurement cost of hogs and represented approximately 87.8%, 94.2%, 97.1% and 97.1% of the total cost of sales for the years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 respectively.

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

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

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

	Year ended 31 December						Nine months ended 30 September			
	2008		2009		2010		2010		2011	
	RMB'000	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000 (unaudited)*	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*
Cost of sales										
Commodity hogs	24,781	81.3	19,123	17.2	2,758	0.8	2,758	0.9	—	—
Pork										
— retail	5,718	18.7	9,717	8.8	57,013	15.7	31,431	10.8	109,411	40.7
— wholesale	—	—	81,979	74.0	304,356	83.5	257,194	88.3	159,649	59.3
Total	30,499	100.0	110,819	100.0	364,127	100.0	291,383	100.0	269,060	100.0

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

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
	RMB	*RMB*	*RMB*	*RMB (unaudited)*	*RMB*
Average unit costs *(note)*					
Commodity hogs (per kg)	9.7	9.3	11.6	11.6	n.a
Pork (per kg)					
— retail	13.5	12.6	15.7	15.6	18.6
— wholesale	n.a	12.5	15.1	15.0	17.9

Note: Average unit costs represent the respective cost of sales for the year/period divided by the respective sales volume for the year/period. Overall average unit costs for each of the three years ended 31 December 2010 and each of the nine months ended 30 September 2010 and 2011 were approximately RMB10.2 per kg, RMB11.8 per kg, RMB15.1 per kg, RMB15.0 per kg and RMB18.2 per kg respectively, which were derived by total cost of sales for the respective year/period divided by the respective sales volume for the year/period.

Gross Profit and Gross Profit Margin

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

	Year ended 31 December						Nine months ended 30 September			
	2008		2009		2010		2010		2011	
		Gross profit margin		*Gross profit margin*		*Gross profit margin*		*Gross profit margin*		*Gross profit margin*
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Gross profit and gross profit margin										
Commodity hogs	17,655	41.6	8,339	30.4	266	8.8	266	8.8	n.a.	n.a.
Pork										
— retail	3,721	39.4	4,546	31.9	19,045	25.0	9,074	22.4	39,846	26.7
— wholesale	n.a.	n.a.	33,739	29.2	60,929	16.7	43,015	14.3	48,040	23.1
Total	21,376	41.2	46,624	29.6	80,240	18.1	52,355	15.2	87,886	24.6

Other revenue and gains

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

Change in fair value less costs to sell of biological assets

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

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

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

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

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

- Save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the Group;

- The interest rates and exchange rates will not differ materially from those presently prevailing;

- The biological assets are free from any animal diseases, including but not limiting to FMD and/or influenza A (H1N1) such that they are all healthy and are capable to generate valuable outputs in line with normal expectations and subject to normal operating expenses;

- The availability of finance will not be a constraint on the breeding of biological assets;

- The production facilities, systems and the technology utilised by the Group in carrying out its breeding operations do not infringe any relevant regulations and law;

- The Group has obtained or shall have no impediment to obtain all necessary government permits and approvals to carry out its breeding operations in the PRC;

- The biological assets are not subjected to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date;

- The Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding operations; and

- The estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other typical benefits which may influence the fair value of breeders.

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

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

- To obtain the warehouse records reflecting the quantities of hogs and piglets as at the reporting date;

- To perform physical counting of hogs and piglets within the curtain-barns;

- To obtain the warehouse records in relation to the reduction and addition on the number of hogs and piglets of the curtain-barns between the relevant reporting dates and the date of counting; and

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

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

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

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

Selling and distribution expenses

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

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

	Year ended 31 December						**Nine months ended 30 September**			
	2008		**2009**		**2010**		**2010**		**2011**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* *(unaudited)*	%	*RMB'000*	%
Staff costs	644	29.8	1,309	42.0	2,385	25.3	1,416	17.7	5,270	65.1
Marketing expenses	607	28.1	704	22.6	5,163	54.7	5,128	64.0	360	4.4
Rental expenses	210	9.7	417	13.4	347	3.7	204	2.5	177	2.2
Transportation costs	80	3.7	152	4.9	248	2.6	184	2.3	786	9.7
Others	622	28.7	532	17.1	1,298	13.7	1,083	13.5	1,499	18.6
Total	2,163	100.0	3,114	100.0	9,441	100.0	8,015	100.0	8,092	100.0

Administrative expenses

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

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

	Year ended 31 December						Nine months ended 30 September			
	2008		2009		2010		2010		2011	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Staff costs	942	20.5	1,153	23.4	1,437	20.6	1,010	19.9	2,176	24.7
Depreciation and amortisation	629	13.7	987	20.0	901	12.9	674	13.3	528	6.0
Travel expenses	689	15.0	512	10.4	730	10.4	363	7.1	469	5.3
PRC tax levy	38	0.8	287	5.8	1,197	17.1	584	11.5	1,521	17.3
Fair value of financial guarantee liabilities	—	—	—	—	31	0.4	31	0.6	—	—
Legal and professional fee	253	5.5	608	12.3	952	13.6	1,175	23.1	948	10.8
General administrative expenses	979	21.3	905	18.3	801	11.4	776	15.3	2,083	23.7
Others	1,059	23.2	481	9.8	951	13.6	465	9.2	1,074	12.2
Total	4,589	100.0	4,933	100.0	7,000	100.0	5,078	100.0	8,799	100.0

Finance costs

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

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended 30 September 2011 Compared to Nine Months Ended 30 September 2010 (unaudited)

Revenue

Revenue slightly increased by approximately 3.8%, from approximately RMB343.7 million for the nine months ended 30 September 2010 to approximately RMB356.9 million for the nine months ended 30 September 2011. The slight increase was a combined effect of a decrease in sales volume and an increase in average selling price of pork. The decrease in sales volume was primarily attributable to the disruption in the supply of hogs as a considerable number of Contract Farmers engaged by the Group in 2010 were no longer eligible for conducting farming activities in 2011 due to the promulgation of Delimit Plan which tightened the enforcement of relevant environment protection laws and regulations by the local government hence decreased the supply of hogs to the Group.

Retail of pork

- Revenue from retail of pork significantly increased by approximately 268.6%, from approximately RMB40.5 million for the nine months ended 30 September 2010 to approximately RMB149.3 million for the nine months ended 30 September 2011 which was primarily attributable to the increase in the average retail selling price from RMB20.1 per kg to RMB25.4 per kg and the rapid expansion of sales network by establishing a significant number new concession counters at supermarkets as well as the expansion of the Group's retail customer base. Total number of Point of Sales increased significantly from 33 as at 30 September 2010 to 61 as at 30 September 2011 and revenue derived from these concession counters accounted for approximately 14.6% of the Group's revenue for the nine months ended 30 September 2011 compared to that of approximately 1.4% for the nine months ended 30 September 2010. Moreover, retail of pork to canteens, restaurants, food processing factories and individual customers directly purchase in bulk also significantly increased during the nine months ended 30 September 2011 and accounted for approximately 16.5% of the Group's revenue compared to that of only approximately 3.2% during the nine months ended 30 September 2010.

Wholesale of pork

- Revenue from wholesale of pork decreased by approximately 30.8%, from approximately RMB300.2 million for the nine months ended 30 September 2010 to approximately RMB207.7 million for the nine months ended 30 September 2011. The decrease was primarily attributable to the substantial decrease in wholesale volume of pork from approximately 17,112,000 kg to approximately 8,903,000 kg due to disruption in the supply of hogs described above and the Group's strategy to prioritise the supply of pork to the Group's retail sale which enjoys a higher profit margin. As a result, the number of pork product traders engaged by the Group also decreased from 14 to 8 in the relevant period.

Gross profit and gross profit margin

Gross profit increased by approximately 67.7%, from approximately RMB52.4 million for the nine months ended 30 September 2010 to approximately RMB87.9 million for the nine months ended 30 September 2011. The overall gross profit margin increased from approximately 15.2% for the nine months ended 30 September 2010 to approximately 24.6% for the nine months ended 30 September 2011 which was primarily attributable to the increase in the average selling price of the retail and wholesale of pork by approximately 26.4% and 33.1% respectively driven by the general increase in prices of pork in the PRC during the relevant period and the change in the Group's product mix as discussed above. Please refer to the section "Industry Overview — Price trend of pork in the PRC" in this prospectus for details of price trends of pork in the PRC.

Retail of pork

- Gross profit from retail of pork increased by approximately 337.4%, from approximately RMB9.1 million for the nine months ended 30 September 2010 to approximately RMB39.8 million for the nine months ended 30 September 2011 which was primarily attributable to the increase in the prevailing market selling price of pork and retail sales volume as discussed above. The gross profit margin for retail of pork increased from approximately 22.4% for the nine months ended 30 September 2010 to approximately 26.7% for the nine months ended 30 September 2011 which was primarily attributable to the increase in the average retail price of the Group's pork by approximately 26.4% during the relevant period driven by the increase in the prevailing market price.

Wholesale of pork

- Gross profit from wholesale of pork increased by approximately 11.6%, from approximately RMB43.0 million for the nine months ended 30 September 2010 to approximately RMB48.0 million for the nine months ended 30 September 2011 which was primarily attributable to the increase in the prevailing market selling price and partially offset by the decrease in sales volume discussed above. The gross profit margin for pork sold as wholesale increased from approximately 14.3% for the nine months ended 30 September 2010 to approximately 23.1% for the nine months ended 30 September 2011 which was primarily attributable to the increase in average wholesale price of the Group's products by approximately 33.1% during the relevant period driven by the increase in prevailing market selling price.

Other revenue and gains

Other revenue and gains increased by approximately 225.0%, from approximately RMB0.4 million for the nine months ended 30 September 2010 to approximately RMB1.3 million for the nine months ended 30 September 2011 which was primarily attributable to the increase in the gain on disposal of hog droppings and biological assets principally consists of breeder hogs for the nine months ended 30 September 2011.

Change in fair value of biological assets less costs to sell

Change in fair value less costs to sell of biological assets recorded a gain of approximately RMB3.4 million for the nine months ended 30 September 2011 compared to a gain of approximately RMB5.4 million for the nine months ended 30 September 2010. Regardless of increase in market price of commodity hogs and increase in the quantity of commodity hogs kept at the Group's farms as at 30 September 2011 compared to that as at 30 September 2010, gain from the change in fair value less costs to sell of biological assets recognised in the nine months ended 30 September 2011 was less than that for the nine months ended 30 September 2010. This was primarily attributable to the difference between the average age of commodity hogs kept at the Group's farms as at 31 December 2009 and that as at 30 September 2010 was greater than the difference between the average age of commodity hogs kept at the Group's farms as at 31 December 2010 and that as at 30 September 2011. The greater average age of hogs induced higher weight thus higher market value of commodity hogs resulting in a greater amount of gain in fair value less costs to sell of biological assets recognised in the nine months ended 30 September 2010.

Selling and distribution expenses

Selling and distribution expenses slightly increased by approximately 1.3%, from approximately RMB8.0 million for the nine months ended 30 September 2010 to approximately RMB8.1 million for the nine months ended 30 September 2011. The slight increase was a combined effect of the increase in staff costs by 272.1% or approximately RMB3.9 million, the increase in transportation cost by 169.7% or approximately RMB0.6 million and a decrease in marketing expenses by approximately 93.0% or RMB4.8 million. The increase in staff cost and transportation cost was primarily attributable to the expansion of the Group's network of Points of Sales. Total number of Point of Sales significantly increased from 33 as at 30 September 2010 to 61 as at 30 September 2011. As such, the average number of staff in sales and marketing department increased from around 78 for the nine months ended 30 September 2010 to around 280 for the nine months ended 30 September 2011. As most of the newly established Point of Sales is located outside Putian City, the transportation cost during the same period also increased accordingly. The significant decrease in marketing expenses was mainly due to a one-off marketing expenses for the advertising of the Group's retail network of approximately RMB5.0 million which was incurred in April 2010. Notwithstanding the above, the selling and distribution expenses as a percentage of the Group's revenue remained stable at 2.3%.

Administrative expenses

Administrative expenses increased by approximately 72.5%, from approximately RMB5.1 million for the nine months ended 30 September 2010 to approximately RMB8.8 million for the nine months ended 30 September 2011 which was primarily attributable to the increase in staff cost and PRC tax levy. The average number of administrative staff increased from around 33 for the nine months ended 30 September 2010 to around 54 for the nine months ended 30 September 2011 due to the addition of managerial, finance and administrative staff to accommodate the expanding operation scale of the Group. The PRC tax levy increased by approximately 150.0%, from approximately RMB0.6 million for the nine months ended 30 September 2010 to approximately RMB1.5 million for the nine months ended 30 September 2011 which was primarily attributable to the withholding tax in relation to the dividend payment to the shareholder of Fujian Tianyi. The general administrative expenses increased by approximately 162.5%, which mainly represented the increase of the rental expenses and entertainment expenses. The rental expenses increased from approximately RMB0.3 million for the nine months ended 30 September 2010 to approximately RMB0.7 million for the nine months ended 30 September 2011 due to the commencement of rental of Hong Kong office since May 2011 and the entertainment expenses increased from approximately RMB0.6 million for the nine months ended 30 September 2010 to approximately RMB1.3 million for the nine months ended 30 September 2011 due to the expansion of the Group's business scale.

Finance costs

Finance costs was approximately RMB3.0 million and RMB3.1 million for the nine months ended 30 September 2010 and 2011 respectively, which were remained stable.

Profit for the period and net profit margin

Profit for the period increased by approximately 72.0%, from approximately RMB42.1 million for the nine months ended 30 September 2010 to RMB72.4 million for the nine months ended 30 September 2011 and the net profit margin also improved significantly from 12.2% for the nine months ended 30 September 2010 to 20.3% for the nine months ended 30 September 2011. The improvement of net profit and net profit margin was primarily attributable to the improvement in the gross profit margin and the gain in fair value less costs to sell of biological assets discussed above.

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

Revenue

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

Commodity hogs

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

Retail of pork

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

Wholesale of pork

- Revenue generated from wholesale of pork to pork product traders increased by approximately 215.7%, from approximately RMB115.7 million for the year ended 31 December 2009 to approximately RMB365.3 million for the year ended 31 December 2010 which was primarily attributable to the commencement of the in-house slaughtering in August 2009 resulting in a continuous growth in the wholesale volume of pork from 2009 to 2010. The number of pork product traders engaged by the Group were 9 and 14 as at 31 December 2009 and 2010 respectively. The significant increase in the wholesale volume was in line with the Group's strategy to shift its operation focus from the sale of commodity hogs to the wholesale and retail of pork.

Gross profit and gross profit margin

Gross profit increased by approximately 72.1%, from approximately RMB46.6 million for the year ended 31 December 2009 to approximately RMB80.2 million for the year ended 31 December 2010 which was primarily attributable to the expansion of the Group's sales network and the commencement of in-house slaughtering in August 2009. The overall gross profit margin decreased from approximately 29.6% for the year ended 31 December 2009 to approximately 18.1% for the year ended 31 December 2010 which was primarily attributable to the change in the composition of hogs purchased by the Group. Due to the tightening of the environmental requirements imposed by the local government in Putian City in April 2010, the farming operation of a large number of the Contract Farmers were restricted. In order to maintain stable supply of hogs, the Group started purchasing hogs at older age at 150-day for further farming in the Contract Farms for 30 days instead of purchasing hogs at 60-day old for further farming for 120 days, which has effectively shorten the hogs farming cycle. The average procurement cost of commodity hogs increased from RMB471.24 per head for the year ended 31 December 2009 to RMB674.89 per head for the year ended 31 December 2010. Moreover, the increase in market price of corn, which comprised the largest portion of the Group's hog feeds, also adversely affected the gross profit margin of the Group in 2010.

Commodity hogs

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

Retail of pork

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

Wholesale of pork

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

Other revenue and gains

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

Change in fair value of biological assets less costs to sell

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

Selling and distribution expenses

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

Administrative expenses

Administrative expenses increased by approximately 42.9%, from approximately RMB4.9 million for the year ended 31 December 2009 to approximately RMB7.0 million for the year ended 31 December 2010 which was primarily attributable to the increased in PRC tax levy, legal and professional fee and staff costs. The PRC tax levy increased by approximately 300.0%, from approximately RMB0.3 million for the year ended 31 December 2009 to approximately RMB1.2 million for the year ended 31 December 2010 which was primarily attributable to the payment of real estate tax on the Group's buildings for previous years. The legal and professional fee increased by approximately 66.7% from approximately RMB0.6 million for the year ended 31 December 2009 to approximately RMB1.0 million for the year ended 31 December 2010 which was primarily attributable to the financial consultancy fee paid to banks in respect of mortgage loan borrowings. Staff costs increased by approximately 16.7%, from approximately RMB1.2 million for the year ended 31 December 2009 to approximately RMB1.4 million for the year ended 31 December 2010, primarily as a result of the establishment of the Group's internal control department in March 2010.

Finance costs

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

Profit for the year and net profit margin

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

Year Ended 31 December 2009 Compared to Year Ended 31 December 2008

Revenue

Revenue increased by approximately 203.3%, from approximately RMB51.9 million for the year ended 31 December 2008 to approximately RMB157.4 million for the year ended 31 December 2009 which was primarily attributable to the commencement of in-house slaughtering and the wholesale of pork since August 2009.

Commodity hogs

- Revenue from sales of the commodity hogs decreased by approximately 35.1%, from approximately RMB42.4 million for the year ended 31 December 2008 to approximately RMB27.5 million for the year ended 31 December 2009 which was primarily attributable to the change in the Group's strategy from sales of commodity hogs to wholesale and retail of pork in the second half of 2009.

Retail of pork

- Revenue from retail of pork increased by approximately 52.1%, from approximately RMB9.4 million for the year ended 31 December 2008 to approximately RMB14.3 million for the year ended 31 December 2009 which was primarily attributable to the expansion of the sales networks for pork sold at Points of Sales. The number of Point of Sales increased from 12 as at 31 December 2008 to 24 as at 31 December 2009.

Wholesale of pork

- The Group's wholesale of pork commenced in August 2009. Revenue from wholesale of pork was approximately RMB115.7 million for the year ended 31 December 2009, accounted for approximately 73.5% of the Group's total revenue of the year ended 31 December 2009.

Gross profit and gross profit margin

Gross profit increased by approximately 117.8%, from approximately RMB21.4 million for the year ended 31 December 2008 to approximately RMB46.6 million for the year ended 31 December 2009 was primarily attributable to the increase in retail volume of pork as a result of the expansion of the

Group's sales network and the commencement of in-house slaughtering in August 2009. The overall gross profit margin decreased from 41.2% for the year ended 31 December 2008 to 29.6% for the year ended 31 December 2009. The significant decrease in gross profit margin in the year ended 31 December 2009 was mainly due to the outbreak of FMD and influenza A (H1N1) in early 2009 which caused the significant drop in the market prices of hogs and pork in the PRC. According to the Yearbook of the Animal Husbandry Industry of the PRC 2010 (中國畜牧業年鑒2010), overall wholesale price of hogs and pork dropped from approximately RMB13.4 per kg and RMB21.3 per kg respectively to January 2009 to a trough of approximately RMB9.2 per kg and RMB15.7 per kg respectively in May 2009, representing a decrease of approximately 31.3% and 26.3% respectively. Driven by the overall decrease in pork prices in the PRC, overall average selling price of the Group's commodity hogs and pork for the year ended 31 December 2009 decreased by approximately 19.5% and 16.8% respectively compared to that for the year ended 31 December 2008. Moreover, the change in the Group's sales mix also contributed to a decrease in the Group's overall gross profit margin, since the commencement of the Group's in-house slaughtering in August 2009. In 2008, the cost of sales mainly comprised of the operating expenses of the Group's hog farms whereas the cost of sales since the commencement of the Group's slaughterhouse also included the operating expenses of the slaughterhouse such as depreciation and staff costs. As the cost of sale for the year ended 31 December 2009 increased by additional operating expenses of the slaughterhouse, the gross profit margin was thus lowered.

Commodity hogs

- Gross profit from commodity hogs decreased by approximately 53.1%, from approximately RMB17.7 million for the year ended 31 December 2008 to approximately RMB8.3 million for the year ended 31 December 2009 which was attributable to the decrease in both average selling price from RMB16.6 per kg to RMB13.4 per kg and decrease in sales volume of commodity hogs from approximately 2,557,000 kg to approximately 2,056,000 kg in the relevant periods. The gross profit margin for commodity hogs decreased from 41.6% for the year ended 31 December 2008 to 30.4% for the year ended 31 December 2009 which was mainly due to the decrease in the average selling price of commodity hogs by approximately 19.3%.

Retail of pork

- Gross profit from retail of pork increased by approximately 21.6%, from approximately RMB3.7 million for the year ended 31 December 2008 to approximately RMB4.5 million for the year ended 31 December 2009 was attributable to the increase in retail volume of pork as a result of the expansion of sales network and the commencement of in-house slaughtering in August 2009. The gross profit margin for retail of pork decreased from 39.4% for the year ended 31 December 2008 to 31.9% for the year ended 31 December 2009 mainly was attributable to the decrease in the average retail price of pork by approximately 17.0%.

Wholesale of pork

- Since the commencement of the Group's in-house slaughtering in August, gross profit derived from the wholesale of pork contributed to the largest portion of the Group total gross profit. Gross profit and gross profit margin of the wholesale of pork for the year ended 31 December 2009 was approximately RMB33.7 million and 29.2% respectively.

Other revenue and gains

Other revenue and gains decreased by approximately 89.7%, from approximately RMB5.8 million for the year ended 31 December 2008 to approximately RMB0.6 million for the year ended 31 December 2009 which was primarily attributable to the decrease in the gain of disposal of the biological assets. The gain of disposal of biological assets for the year ended 31 December 2008 included the gain on disposal of breeder hogs due to the end of the useful life span, but no such disposal was noted for the year ended 31 December 2009.

Change in fair value of biological assets less costs to sell

The loss in change in fair value less costs to sell of biological assets increased by 142.9% from a loss of approximately RMB3.5 million for the year ended 31 December 2008 to a loss of approximately RMB8.5 million for the year ended 31 December 2009. Regardless of the increase in the quantity of commodity hog kept at the Group's farms as at 31 December 2009 compared to that as at 31 December 2008 and a smaller percentage of decline in the market price for the year ended 31 December 2009 than that for the year ended 31 December 2008, a greater amount of loss in change in fair value recognised in 2009. This was mainly attributable to a decrease in the average age of commodity hogs kept at the Group's farms as at 31 December 2009 compared to that as at 31 December 2008 whereas an increase in the average age of commodity hogs kept as at 31 December 2008 and that as at 31 December 2007. The decrease in the average age of hogs induced lower weight thus a lower market value of commodity hogs resulted in a greater amount of loss in fair value less costs to sell of biological assets recognised for the year ended 31 December 2009 as compared to that for the year ended 31 December 2008.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 40.9%, from approximately RMB2.2 million for the year ended 31 December 2008 to approximately RMB3.1 million for the year ended 31 December 2009 primarily attributable to the increase in staff costs. The average number of staff in the sales and marketing department increased from around 41 in 2008 to around 67 in 2009 due to the expansion of sales network. The selling and distribution expenses as a percentage of the revenue decreased from approximately 4.2% for the year ended 31 December 2008 to approximately 2.0% for the year ended 31 December 2009 primarily attributable to the Group's greater economies of scale through expansion of operation in 2009.

Administrative expenses

Administrative expenses increased by approximately 6.5%, from approximately RMB4.6 million for the year ended 31 December 2008 to approximately RMB4.9 million for the year ended 31 December 2009 which was primarily attributable to the increase in staff costs, depreciation and legal and professional fee. The staff costs increased by approximately 33.3%, from approximately RMB0.9 million for the year ended 31 December 2008 to approximately RMB1.2 million for the year ended 31 December 2009 which was primarily attributable to the expansion of the business operation. Depreciation increased by approximately 66.7% from RMB0.6 million for the year ended 31 December 2008 to RMB1.0 million for the year ended 31 December 2009, which was mainly due to the commencement of depreciation of the new slaughterhouse in 2009. The legal and professional fee increased by approximately 100.0% from RMB0.3 million for the year ended 31 December 2008 to RMB0.6 million for the year ended 31 December 2009, which was primarily attributable to the financial consultancy fee paid to banks in respect of mortgage loan borrowings.

Finance costs

Finance costs increased by approximately 94.4%, from approximately RMB1.8 million for the year ended 31 December 2008 to approximately RMB3.5 million for the year ended 31 December 2009 which was primarily attributable to the increase in interest expenses on bank borrowings as a result of the increase in bank borrowings for financing the construction of the Group's slaughterhouse.

Profit for the year and net profit margin

Profit for the year increased by approximately 78.8%, from approximately RMB15.1 million for the year ended 31 December 2008 to approximately RMB27.0 million for the year ended 31 December 2009 which was primarily attributable to the increase in sales volume as a result of the change in the Group's sales focus from sale of commodity hogs to wholesale and retail of pork in the second half of 2009. Net profit margin decreased from approximately 29.0% for the year ended 31 December 2008 to approximately 17.2% for the year ended 31 December 2009 primarily attributable to the decrease in gross profit margin as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

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

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

	Year ended 31 December			**Nine months ended 30 September**	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net cash generated from operating activities	4,801	15,071	43,013	30,222	38,502
Net cash used in investing activities	(29,492)	(50,022)	(18,255)	(17,968)	(21,963)
Net cash generated from/(used in) financing activities	30,014	29,304	(1,610)	(830)	(11,083)
Net increase/(decrease) in cash and cash equivalents	5,323	(5,647)	23,148	11,424	5,456
Cash and cash equivalents at beginning of the year/period	908	6,231	583	583	23,732
Effect of foreign exchange rate changes	—	(1)	1	1	163
Cash and cash equivalents at end of the year/period	6,231	583	23,732	12,008	29,351

Operating activities

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

For the nine months ended 30 September 2011, the Group had an operating cash flow before movements in working capital of approximately RMB77.2 million. The net cash generated from operating activities of approximately RMB38.5 million was primarily attributable to the increase in trade and other receivables and the decrease in trade and other payables of approximately RMB24.2 million and RMB6.3 million respectively.

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

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

For the year ended 31 December 2008, the Group had an operating cash flow before movements in working capital of approximately RMB23.1 million. The net cash generated from operating activities of approximately RMB4.8 million was primarily attributable to the decrease in amount due to a related party and trade and other payables of approximately RMB3.6 million and RMB13.6 million respectively.

Investing activities

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

For the nine months ended 30 September 2011, the Group had net cash used in investing activities of approximately RMB22.0 million primarily attributable to the payment for the construction of the new office building adjacent to the slaughterhouse.

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

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

For the year ended 31 December 2008, the Group had net cash used in investing activities of approximately RMB29.5 million primarily attributable to the payment for the construction of the hog farm and slaughterhouse.

Financing activities

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

For the nine months ended 30 September 2011, the Group had net cash used in financing activities of approximately RMB11.0 million which was primarily attributable to the dividends paid to owners of the Group of approximately RMB8.3 million and the repayment of interest expenses on bank borrowings of approximately RMB3.0 million.

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

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

For the year ended 31 December 2008, the Group had net cash generated from financing activities of approximately RMB30.0 million which was primarily attributable to the proceeds from bank borrowings of approximately 40.0 million and a capital injection from a shareholder of Fujian Tianyi of approximately RMB5.5 million partially offset by the repayment of bank borrowings of approximately RMB11.0 million.

NET CURRENT ASSETS/LIABILITIES

Details of the Group's current assets and current liabilities at the end of each reporting period and 7 January 2012, being the latest practicable date for the purpose of the indebtedness statement, are as follows:

	As at 31 December			As at 30 September	As at 7 January
	2008	**2009**	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current assets					
Inventories	273	986	7,504	4,610	3,945
Biological assets	8,368	96,387	40,760	54,817	48,107
Trade and other receivables	4,551	18,081	40,452	64,664	59,956
Prepaid lease payments	476	476	476	476	476
Amount due from a shareholder	3,016	—	—	—	—
Amount due from a related party	—	985	—	—	—
Cash and bank balances	6,231	583	23,732	29,351	4,639
	22,915	117,498	112,924	153,918	117,123

	As at 31 December			As at 30 September	As at 7 January
	2008	**2009**	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current liabilities					
Trade and other payables	5,681	87,754	19,098	12,771	6,153
Amount due to a shareholder	—	12,965	25	—	—
Amount due to a related party	46	—	—	—	—
Financial guarantee liabilities	—	—	31	—	—
Bank borrowings	40,000	55,000	70,000	70,000	70,000
Deferred revenue	80	302	368	377	377
	45,807	156,021	89,522	83,148	76,530
Net current (liabilities)/ assets	(22,892)	(38,523)	23,402	70,770	40,593

The net working capital worsened in 2009. The Group recorded a net current liabilities position of approximately RMB38.5 million as at 31 December 2009, compared to a net current liabilities position of approximately RMB22.9 million as at 31 December 2008. The net current liabilities position of approximately RMB22.9 million as at 31 December 2008 was primarily attributable to the use of short-term borrowings to fund the long-term capital requirements of the Group, which reflected the management's expectation and optimism that the financial performance will continue to improve in the coming years. The net current liabilities position increased to approximately RMB38.5 million as at 31 December 2009 was primarily attributable to the use of working capital, increasing in short-term borrowings and amount due to a shareholder to finance the long-term capital requirements of the Group in relation to the construction of hog farm, slaughterhouse and machinery for the production line.

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

The net working capital improved during the nine months ended 30 September 2011. The Group recorded a net current assets position of approximately RMB23.4 million and RMB70.8 million as at 31 December 2010 and 30 September 2011 respectively. The net current asset position of approximately RMB70.8 million as at 30 September 2011 was primarily attributable to the continuous improvement in business performance and cash inflow of the Group as reflected in the continuous increase in the trade and other receivables and cash and bank balances and the reduction in trade and other payables. The reduction in trade and other payables was primarily due to a significant amount of purchases from hog suppliers required the Group to settle the payment immediately.

As at 7 January 2012, the Group recorded a net current assets position of approximately RMB40.6 million compared to that of approximately RMB70.8 million as at 30 September 2011. The decrease was mainly attributable to the dividend paid to Mr. Cai Chenyang of approximately RMB56.2 million in November and December 2011.

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

WORKING CAPITAL

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

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

INVENTORY ANALYSIS

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

	As at 31 December			As at 30 September
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Inventories				
Hog feeds	2	246	6,620	1,350
Raw materials	271	740	884	3,260
	273	986	7,504	4,610

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

The inventories increased by approximately 233.3%, from approximately RMB0.3 million as at 31 December 2008 to approximately RMB1.0 million as at 31 December 2009. This was primarily attributable to the expansion of the output capacity of hogs by engaging Contract Farmers in April 2009 which resulted in the increase in hog feeds and advanced procurement for new Contract Farmers.

The inventories increased by approximately 650.0%, from approximately RMB1.0 million as at 31 December 2009 to approximately RMB7.5 million as at 31 December 2010 was primarily attributable to the increase in quantity of hog feeds as it was the Group's strategy to stock up a sufficient level of hog feeds about a month before the Chinese New Year to ensure a sufficient amount of hog feeds for the operation of hog farms during the Chinese New Year. As the Chinese New Year of 2011 was in early

February of 2011 while the Chinese New Year of the previous year was in mid-February of 2010, the impact of Chinese New Year on the inventory balance as at 31 December 2009 was not as significant as that for the year ended 31 December 2010.

The inventories decreased by approximately 38.7%, from approximately RMB7.5 million as at 31 December 2010 to approximately RMB4.6 million as at 30 September 2011 which was primarily due to decrease in the number of Contract Farmers engaged by the Group. This resulted in the decrease in the demand of hog feeds and the level of inventories. The Group strategically reduced its purchases of readily consumable pre-mixed hog feeds, which has a higher unit cost, and alternatively increased its purchase of raw materials for the self-mixing of hog feeds. As a result, hog feeds decreased by 78.8% from approximately RMB6.6 million as at 31 December 2010 to approximately RMB1.4 million as at 30 September 2011 and raw materials increased by 266.7% from approximately RMB0.9 million as at 31 December 2010 to approximately RMB3.3 million as at 30 September 2011.

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

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

				As at
		As at 31 December		**30 September**
	2008	**2009**	**2010**	**2011**
Inventory turnover days *(note (1) and (2))*	3	3	8	5

Notes:

(1) Inventory turnover days for each of the years ended 31 December 2008, 2009 and 2010 is equal to the inventory as of the end of the respective year divided by cost of sales of the respective year and multiplied by 365 days.

(2) Inventory turnover days for the nine months ended 30 September 2011 is equal to the inventories as at 30 September 2011 divided by cost of sales and multiplied by 273 days.

The inventory turnover days for the year ended 31 December 2008 and 2009 remained stable.

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

As at 30 November 2011, the inventories as at 30 September 2011 had been fully used or consumed.

TRADE AND OTHER RECEIVABLES ANALYSIS

Trade receivables

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

	As at 31 December			As at 30 September
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aging analysis of trade receivables				
Within 30 days	1,519	12,533	25,449	45,508
31 days to 90 days	—	2,063	9,045	5,357
91 days to 180 days	—	263	772	173
Over 180 days	—	426	1,340	—
Total	1,519	15,285	36,606	51,038

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

The following table sets out those trade receivables that are past due but not considered impaired. These related to a number of independent customers for whom there is no recent history of default.

	As at 31 December			As at 30 September
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aging analysis of trade receivables				
91 days to 180 days	—	263	772	173
Over 180 days	—	426	1,340	—
Total	—	689	2,112	173

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

	As at 31 December			As at 30 September
	2008	2009	2010	2011
Trade receivables turnover days *(note (1) and (2))*	11	35	30	39

Notes:

(1) Trade receivables turnover days for each of the years ended 31 December 2008, 2009 and 2010 is equal to the trade receivables as of the end of the respective year divided by revenue of the respective year and multiplied by 365 days.

(2) Trade receivables turnover day for the nine months ended 30 September 2011 is equal to the trade receivables as at 30 September 2011 divided by revenue and multiplied by 273 days.

The increase of the trade receivables during the Track Record Period was attributable to the different credit terms offered to customers of commodity hogs and pork product traders as well as the continuous increase in the Group's revenue. The credit term offered to commodity hog traders are mainly cash basis, whilst the credit term offered to supermarkets and pork product traders are around 30 days.

In 2008, the majority of revenue was generated from the sale of commodity hogs and retail sales of pork, therefore the trade receivables turnover days was considerably shorter compared with other period during the Track Record Period.

The trade receivables turnover days increased from 11 days for the year ended 31 December 2008 to 35 days for the year ended 31 December 2009 primarily due to the commencement of wholesale of pork to pork product traders, which was generally granted with a settlement term of 30 to 90 days. The slightly higher turnover days compared to the credit terms granted to the customers was mainly due to the offering of more relaxed credit terms to wholesale customers by the Group in order to penetrate the market.

The trade receivables turnover days increased from 30 days for the year ended 31 December 2010 to 39 days for the nine months ended 30 September 2011 which was primarily due to the Group's management exercised a more relaxed credit control policy to certain customers having considered their length of business relationship and credit-worthiness.

As at 30 November 2011, the trade receivables outstanding as at 30 September 2011 had been fully settled and therefore no impairment was considered necessary.

Deposits paid, prepayments and other receivables

The Group's deposits paid, prepayments and other receivables mainly consist of deposits paid for property, plant and equipments, advances to staff and deposits paid and prepayments to suppliers. Deposits paid for property, plant and equipments include deposits paid for purchases of equipments for improvement of the Group's slaughterhouse. Deposits paid and prepayments include deposits and prepayments for purchases of hogs, raw materials and rental. The Group's deposits paid, prepayments and other receivables amounted to approximately RMB3.0 million, RMB2.8 million, RMB3.8 million and RMB13.6 million as at 31 December 2008, 2009 and 2010, and 30 September 2011 respectively, accounted for approximately 13.2%, 2.4%, 3.4% and 8.9% respectively, of the Group's total current assets.

The increase of the Group's deposits, prepayments and other receivables from approximately RMB3.8 million as of 31 December 2010 to approximately RMB13.6 million as of 30 September 2011 was primarily attributable to (i) the increase in deposits paid for property, plant and equipment by approximately RMB2.9 million which mainly related to the purchases of equipment and machinery for upgrading of the production facilities in the Group's slaughterhouse; (ii) the increase in deposits paid and prepayments of approximately RMB2.2 million which were mainly related to guarantees paid to, amongst others, two commodity hog suppliers to secure a stable supply of commodity hogs as requested by such suppliers; and (iii) amount paid in relation to the listing of approximately RMB4.8 million. It is not usual for the Group to be required to pay the suppliers of commodity hogs a guarantee to secure the supply of commodity hogs. Such arrangement was due to the instability of supply of commodity hogs in mid-2011 driven by the rapid increase of market price of commodity hogs in the PRC. Further, the Group agreed to pay such guarantee to the respective suppliers of commodity hogs since they were able to supply a relatively larger volume of commodity hogs compared to other supplier of commodity hogs engaged by the Group. Nevertheless, given the Group has established stable relationships with a list of hog suppliers and total hogs supplied to the Group other than those from these two hog suppliers accounted for a majority of hogs procured by the Group during the Track Record Period, the Directors consider that even if the Group did not pay the abovementioned guarantees to such hog suppliers, the Group would still be able to procure sufficient amount of commodity hogs from other hog suppliers on similar terms.

TRADE AND OTHER PAYABLES ANALYSIS

Trade payables

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

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

	As at 31 December			As at 30 September
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aging analysis of trade payables				
Within 30 days	103	25,406	7,622	7,320
31 days to 90 days	29	25,375	1,347	1,752
91 days to 180 days	9	2,021	1,760	34
Over 180 days	43	1,753	712	96
Total	184	54,555	11,441	9,202

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

	As at 31 December			As at 30 September
	2008	**2009**	**2010**	**2011**
Trade payables turnover days *(note (1) and (2))*	2	180	11	9

Notes:

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

(2) Trade payables turnover day for the nine months ended 30 September 2011 is equal to the trade payables as at 30 September 2011 divided by cost of sales and multiplied by 273 days.

The Group recorded trade payables of approximately RMB0.2 million, RMB54.6 million, RMB11.4 million and RMB9.2 million as at 31 December 2008, 2009 and 2010 and 30 September 2011. The significant increase in the trade payables from approximately RMB0.2 million as at 31 December 2008 to RMB54.6 million as at 31 December 2009 was mainly attributable to expansion of the Group's operation and the change in cost structure as a result of the change of business focus. During 2008, the trade payables were mainly arisen from purchases of hog feeds and raw materials for mixing the hog feeds whilst in 2009 the trade payables were mainly arisen from purchases of commodity hogs for further farming in Contract Farms due to the shift of the Group's business focus in 2009. The substantial amount of trade payables as at 31 December 2009 was mainly related to purchase of a large quantity of commodity hogs for further farming by the Contract Farmers in late 2009 as well as the increased purchase of hog feeds. As at 31 December 2009, there were approximately 100,000 hogs housed in the Contract Farms, which was significantly higher than that as at the end of other year/period ends during the Track Record Period. Given the above, trade payables turnover days significantly increased to 180 day in 2009. In 2010, due to recovery of the pork market and rapid increase in the price of hogs, the Group shortens its settlement period to its hog suppliers in order to ensure a stable supply of the commodity hogs to the Group. The credit period on purchases granted to the Group during the Track Record Period was generally ranging from 30 days to 90 days and there was no material change in relation to such credit terms during the Track Record Period.

The trade payables turnover days increased from 2 days for the year ended 31 December 2008 to 180 days for the year ended 31 December 2009 was primarily due to the particular balance in respect of the purchase of a large quantity of commodity hogs for further farming by Contract Farmers in late 2009 as well as the increased purchase of hog feeds, the amount of which was not yet settled as at 31 December 2009.

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

The trade payables turnover days decreased from 11 days for the year ended 31 December 2010 to 9 days for the nine months ended 30 September 2011 was primarily due to a significant amount of purchases from hog suppliers were on cash basis which required the Group to settle the payment immediately.

As at 30 November 2011, approximately 74% of the trade payables outstanding as at 30 September 2011 were settled.

Deposits received, accurals and other payables

The Group's deposits received, accruals and other payables primarily consist of other payables in connection with construction or improvement work of the Group's slaughterhouse, purchases of equipment and accruals of operating expenses and withholding tax. The Group's deposits received, accruals and other payables amounted to approximately RMB5.5 million, RMB33.2 million, RMB7.7 million and RMB3.6 million as at 31 December 2008, 2009 and 2010, and 30 September 2011 respectively, accounted for approximately 12.0%, 21.3%, 8.6% and 4.3% respectively of the Group's total current liabilities. The significant amount of the Group's deposits received, accruals and other payables in 2009 was mainly relates to other payables for the construction of slaughterhouse and purchases of equipment, amounted to approximately RMB30.6 million, for the establishment of the Group's slaughterhouse and improvement work of the Group's hog farm.

AMOUNT DUE FROM/(TO) A RELATED PARTY

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

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

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

AMOUNT DUE FROM/(TO) A SHAREHOLDER

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

BIOLOGICAL ASSETS

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

	As at 31 December			As at 30 September
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Breeder hogs	3,055	3,765	2,921	3,124
Commodity hogs	8,368	96,387	40,760	54,817
	11,423	100,152	43,681	57,941

The numbers of biological assets are summarised as follows:

	As at 31 December			As at 30 September
	2008	**2009**	**2010**	**2011**
Breeder hogs	1,230	1,442	1,412	1,368
Commodity hogs	7,076	117,468	34,840	36,836
	8,306	118,910	36,252	38,204

The Group's biological assets principally consist of breeder hogs and commodity hogs. The significant increase from approximately RMB11.4 million for the year ended 31 December 2008 to approximately RMB100.2 million for the year ended 31 December 2009 was primarily attributable to the increase in the Group's output capacity by engaging Contract Farmers. However, the biological assets decreased significantly in 2010 and 2011 as a considerable number of Contract Farmers engaged by the Group were no longer eligible for conducting farming activities due to the tightening of the enforcement of relevant environmental protection laws and regulations. As a result, the number of Contract Farmers engaged by the Group decreased significantly.

INFORMATION ABOUT THE VALUER OF THE GROUP'S BIOLOGICAL ASSETS

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

Mr. Tse Wai Leung, a director of the Valuer, is a professional member of the Royal Institution of Chartered Surveyors (MRICS), a professional member of the Hong Kong Institute of Surveyors (MHKIS) and a professional member of the China Institute of Real Estate Appraisal (CIREA), a charterholder of the Chartered Financial Analyst Institute (CFA) and a member of the Global Association of Risk Professional (FRM). He has over 15 years of appraisal experiences in different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Singapore and Thailand.

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

Among the professional institutions mentioned above, the Royal Institution of Chartered Surveyors, the Australian Property Institute and the Hong Kong Institute of Surveyors are members of the International Valuation Standards Committee (IVSC) and are governed by the International Valuation Standards (including relevant standards on Biological Asset Valuation) laid down by IVSC.

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

RELATED PARTY TRANSACTIONS

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

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

INDEBTEDNESS

Borrowings

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

	As at 31 December			As at 30 September
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings — secured	40,000	55,000	70,000	70,000

Carrying amount repayable:

	As at 31 December			As at 30 September
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
On demand or within one year	40,000	55,000	70,000	70,000

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

	As at 31 December			As at 30 September
	2008	2009	2010	2011
Floating interest rates	6.975%–7.844%	6.075%–7.169%	5.310%–7.169%	6.560%

The borrowings increased by approximately 37.5%, from approximately RMB40.0 million as at 31 December 2008 to approximately RMB55.0 million as at 31 December 2009. This was primarily attributable to the increase in the bank borrowing for the purchase of raw materials and commodity hogs.

The borrowings increased by approximately 27.3%, from approximately RMB55.0 million as at 31 December 2009 to approximately RMB70.0 million as at 31 December 2010. This was primarily attributable to the increase in the bank borrowing for the purchase of raw materials and commodity hogs.

As at 31 December 2010, the Group's bank borrowings of approximately RMB70.0 million was guaranteed by Mr. Cai Chenyang. The bank borrowing was used to finance the working capital of the Group. Such guarantees were released prior to the Listing.

As at 7 January 2012, being the latest practicable date for the purpose of this indebtedness statement, the Group had approximately RMB70.0 million outstanding bank borrowings which were due within one year. As at the Latest Practicable Date, the Group had unutilised banking facilities of approximately RMB88.0 million. During the Track Record Period, the Group did not experience any withdrawal of banking facilities by banks and any demand for early repayment of outstanding loans from banks. The Directors confirmed that as at the Latest Practicable Date, they do not anticipate any difficulties for the Group to renew existing banking facilities when they are expired.

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

	As at 31 December			As at 30 September
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loan from government	—	1,328	1,431	1,498

As at 31 December 2009 and 2010 and 30 September 2011, the loan from government of RMB1,780,000 was guaranteed by Mr. Cai Chenyang.

Such loan from government had been settled before the Listing.

Except as disclosed in this paragraph headed "Borrowings", the Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, loan from government, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 December 2010. The Group confirms that there has not been any material change in the indebtedness since 7 January 2012.

The Directors confirmed that there was no special covenants that are not customary regarding the Group's banking facilities and there had been no delay or default in repayment of bank borrowings and other covenants during the Track Record Period.

Gearing ratio

The gearing ratios were 36.6%, 22.5%, 27.9% and 22.7% as of 31 December 2008, 2009 and 2010 and nine months ended 30 September 2011, respectively. Gearing ratio is calculated by dividing total borrowings with total assets as at the respective year/period end. The continuous decrease in the gearing ratio was attributable to the increase in profitability of the Group.

Contingent Liabilities

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

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

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

	As at 31 December			As at 30 September
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	388	710	529	1,424
In the second to fifth year inclusive	250	581	144	936
	638	1,291	673	2,360

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

Capital commitments

The Group had no capital commitments during the Track Record Period.

CAPITAL EXPENDITURES

Capital Expenditures during the Track Record Period

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

	As at 31 December			As at 30 September
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Historical capital expenditures				
Plant, machinery and equipment	287	5,291	456	3,921
Construction in progress	29,240	44,755	17,857	18,092
Buildings	—	47	—	—
Total	29,527	50,093	18,313	22,013

The Group's capital expenditures for the years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 principally consisted of expenditures on acquisitions of plant, machinery and equipment and construction in progress. The significant increase of the capital expenditure from approximately RMB29.5 million for the year ended 31 December 2008 to approximately RMB50.1 million for the year ended 31 December 2009 was attributable to the construction of hog farm and slaughterhouse and the acquisition of machinery for the production line.

Planned Capital Expenditure

The planned capital expenditures of approximately RMB305.7 million in aggregate for the year ending 31 December 2012 are mainly on the construction and purchase of equipment for the new breeding farms, the upgrading of the Group's production facilities and the expansion of the Group's sales and distribution network.

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

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

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had been taken place on 30 September 2011 and based on the audited combined net tangible assets attributable to owners of the Company as of 30 September 2011 as shown in the Accountants' Report set forth in Appendix I to this prospectus, and adjusted as described below.

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

	Audited combined net tangible assets attributable to owners of the Company as at 30 September 2011	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted combined net tangible assets**	**Unaudited pro forma adjusted combined net tangible assets per share**	**Unaudited pro forma adjusted combined net tangible assets per share**
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(note 1)	*(note 2)*		*(note 3)*	*(note 4)*
Based on an Offer Price of HK$1.09 per share	225,314	156,880	382,194	0.48	0.59
Based on an Offer Price of HK$1.53 per share	225,314	226,682	451,996	0.56	0.69

Notes:

(1) The audited combined net tangible assets attributable to owners of the Company as at 30 September 2011 is based on the combined net assets of the Group attributable to owners of the Company as of 30 September 2011, set forth in the Accountants' Report of which is set Appendix I to this prospectus.

(2) The estimated net proceeds from Global Offering are based on the indicative Offer Price of HK$1.09 or HK$1.53 per share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and related expenses payable by the Company and taking no account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB0.8136.

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

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

(5) By comparing the valuation of the Group's property interest of RMB149,000,000 set forth in Appendix IV to this prospectus and the unaudited net book value of these properties as at 31 December 2011, the net revaluation surplus is approximately RMB16,676,000, which has not been included in the above net tangible assets attributable to owners of the Company as at 30 September 2011. The revaluation of the Group's property interests will not be incorporated in the Group's financial information. If the revaluation surplus is to be included in the Group's financial information, an additional depreciation charge of approximately RMB834,000 per annum related to these properties would be recorded.

(6) No adjustments have been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2011.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2011

The Group estimate that, in the absence of unforeseeable circumstances and on the bases and assumptions set out in "Profit Estimate" in Appendix III to this prospectus, the estimated combined total comprehensive income of the Group for the year ended 31 December 2011 as follows.

Estimated combined total comprehensive income of the Group for the year ended 31 December 2011 *(Note 1)*. . . . . not less than RMB92.0 million (equivalent to approximately HK$113.1 million)

Unaudited pro forma estimated earnings per Share for the year ended 31 December 2011 *(Note 2)*. . . . . .not less than RMB11.50 cents (equivalent to approximately HK$0.1413)

Notes:

(1) The basis and assumptions on which the estimated combined comprehensive income of the Group for the year ended 31 December 2011 have been prepared are summarised in the section headed "Profit Estimate" in Appendix III to this prospectus.

(2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated combined the comprehensive income of the Group for the year ended 31 December 2011 and assuming a total of 800,000,000 Shares had been in issue throughout the year ended 31 December 2011 (assuming the Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Capitalisation Issue and the Global Offering had been in issue on 1 January 2011 but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or of any options which have been or may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the issuing mandate and repurchase mandate).

The Directors estimate that the Group would experience a decrease in its net profit margin for the three months ended 31 December 2011, primarily attributable to (i) an one-off marketing activity carried out in November and December 2011 in relation to promotional discount offered in some of the Group's Points of Sales causing the percentage increase in the average selling price being less than the percentage increase in the average unit cost of pork during the said three-month period; (ii) the recognition of a loss in fair value less costs to sell of biological assets during the three months ended 31 December 2011 compared to a gain of approximately RMB3.4 million recognised for the nine months ended 30 September 2011 which consequently led to a loss in fair value less costs of sell of the biological assets for the year ended 31 December 2011; and (iii) the occurrence of a withholding tax paid during the three months ended 31 December 2011, which was an one-off expense, in relation to the dividend payment during the three months ended 31 December 2011.

As the decline in the net profit margin of the Group for the last quarter in 2011 was, to a large extent, due to factors that were non-recurring in nature, the Directors are of the view that there has been no material adverse change in the financial and trading positions of the Group since 30 September 2011.

DIVIDEND POLICY

During the nine months ended 30 September 2011 and the three months ended 31 December 2011, the Group declared and paid dividends of approximately RMB8,343,000 and approximately RMB56,241,000 respectively to Mr. Cai Chenyang from the retained earnings of Fujian Tianyi up to the year ended 31 December 2010. The Group has generated sufficient cash from its operating activities for such dividend payment during the year ended 31 December 2011. The Directors confirmed that no dividend was declared or paid by the Group in respect of any profit generated by Fujian Tianyi for the year ended 31 December 2011.

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

DISTRIBUTION RESERVES

As at 30 September 2011, the Company did not have any distributable reserves available for distribution to shareholders.

RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES

Further information on the property interest is set forth in Appendix IV to this prospectus. The Valuer has valued the properties owned by the Group as at 31 December 2011. The text of its letter, summary of valuations and valuation certificate are set forth in Appendix IV to this prospectus.

The table below shows the reconciliation of the net book value of the property interests from the audited financial statements as at 30 September 2011 to the valuation of the property interests as at 31 December 2011:

	RMB'000
Reference value *(note (1))*	149,000
Net book value as at 30 September 2011 (as included in the Accountants' Report set forth in Appendix I to this prospectus) *(note (2))*	133,755
Movements for the 3 months ended 31 December 2011	
— Depreciation and amortisation	(1,431)
Net book value as of 31 December 2011	132,324
Valuation surplus	16,676

Notes:

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

(2) The net book value represents the sum of the closing net book amount of prepaid lease payments and buildings as at 30 September 2011 as stated in the Accountants' Report set out in Appendix I to this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

Credit risk

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

As at 31 December 2008, 2009 and 2010 and 30 September 2011, the Group had concentration risk of nil, 13.5%, 18.6% and 8.7%, respectively, of the total trade receivables due from the Group's largest customer and 5.7%, 62.5%, 78.3% and 40.8%, respectively, of the five largest customers.

Interest rate risk

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

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 would decrease/increase by approximately RMB90,000, RMB173,000, RMB184,000 and RMB152,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Currency risk

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

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

Inflation risk

According to the China Statistical Bureau, China's overall national inflation rate, as represented by changes in the general consumer price index, was 5.9%, –0.7% and 3.3% for the years ended 31 December 2008, 2009 and 2010. Although there can be no assurance as to the impact in future periods, inflation had no significant effect on the Group's business during the Track Record Period.

Liquidity risk

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

NO MATERIAL ADVERSE CHANGE

The Directors confirmed that, up to the Latest Practicable Date, there had been no material adverse change in the financial or trading position or prospects since 30 September 2011 and there had been no event since 30 September 2011 which would materially affect the information shown in the combined financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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