FUTURE PLANS

The Group aims to increase its production capacity and the market share of its products in the Fujian Province as well as to increase its product varieties and to expand its sale and distribution network to higher spending areas. In order to achieve this objective, the Group intends to implement the following plans:

Expand the Group's hog breeding and farming capacity

The Group is planning to expand its hog breeding and farming capacity by constructing six additional hog farms, including one for farming breeder hogs, three for farming commodity hogs (grow up to 60-day old) and two for farming commodity hogs (grow up to 180-day old), all of which would be built according to the standards of the Group's existing hog farms. By this capacity expansion, the Group could (i) capture the growing market demand; (ii) better utilise the capacity of the Group's slaughterhouse; (iii) reduce the Group's reliance on the Contract Farmers; (iv) reduce the Group's reliance on commodity hog suppliers; and (v) secure the quantity and quality of the Group's hogs production.

Currently, a major proportion of the Group's total annual output of hogs are provided by the Contract Farmers, and commodity hogs farmed by such Contract Farmers were purchased from third party suppliers of commodity hogs. For the years ended 31 December 2009 and 2010 and the nine months ended 30 September 2011, the hogs farmed by the Contract Farmers accounted for approximately 64.1%, 91.0% and 90.1% of the Group's total annual output of hogs. With the completion of the six additional hog farms, the Group would gradually reduce its reliance on the supply of commodity hogs from hog suppliers and the farming service from the Contract Farmers and thus would achieve economy of scale for the Group as a whole, reduce production costs and increase the profit margin of the Group's products. With the increase in the scale of the Group's hog output upon the completion of the construction of the additional hog farms, the Directors are confident that the efficiency and the utilisation rate of the Group's hog farms would improve. The Directors are also of the view that since the total output of hogs would increase significantly, the utilisation rate of the Group's slaughterhouse would also increase after the commencement of operation of the Group's new hog farms.

Details of the six additional hog farms and their respective additional capacity contributions by 2014 are as follow:

Hog farm	**Application**	**Approximate Capacity**
One breeder hog farm	For cultivation of breeder hogs	Farming capacity of 1,000 parental gilts and 20 parental boars for further cultivation and output capacity of 9,400 gilts and 11,500 commodity hogs *(Note 1)*
Three commodity hog farms	For breeding and farming of commodity hogs up to 60-day old for supply to Contract Farmers for further farming	Each has a farming capacity of 3,000 gilts and 50 boars, and output capacity of 72,600 commodity hogs up to 60-day old *(Note 2)*
Two commodity hog farms	For breeding and farming of commodity hogs up to 180-day old for further production of the Group's pork	Each has a farming capacity of 3,000 gilts and 50 boars, and output capacity of 72,600 commodity hogs up to 180-day old *(Note 2)*

Notes:

(1) Output capacity of gilts is calculated based on the farming capacity of 1,000 parental gilts for further cultivation, assuming each parental gilt sow is pregnant, on average, 2.2 times annually and delivers 9.5 piglets on each pregnancy (without taking into account its mortality rate), of which approximately 45% will be selected as gilts (according to the quality) and the remaining hogs will be used as commodity hogs.

(2) Output capacity of commodity hogs is calculated based on the farming capacity of 3,000 gilts, assuming each gilt sow is pregnant, on average, 2.2 times annually and delivers 11 piglets on each pregnancy (without taking into account mortality rate).

To accommodate the increase in the Group's farming capacity, the Group is planning to purchase additional parental breeder hogs and breeder hogs for further breeding and farming in the new hog farms upon the completion of the construction of the new hog farms. The Group will also install new equipment for processing of raw materials for hog feeds and purchase those raw materials from the their place of origin. To cope with the expansion, the Group is planning to hire about 460 additional staff to manage and run the new facilities and support the expanded sales network as described below.

The table below shows the respective stages of investments of the six additional hog farms:

Stages of investments into the six additional hog farms	Estimated capital expenditure (RMB million) (approximate)	Expected date for expenditure *(Note 1)*	Sources of fund	Current status of the investment	Expected date of completion *(Note 1)*
Land leasing	38	Approximately RMB26 million as compensation to be paid prior to the commencement of the construction work and an estimated rent of approximately RMB12 million payable in three instalments *(Note 2)*	Proceeds from the Global Offering and internal resources	Fujian Tianyi entered into memoranda of understanding with three Villagers Committees of Putian City *(Note 2)*	First quarter of 2012
Facilities construction	162	Second to third quarter 2012	Proceeds from the Global Offering and internal resources	In the course of inquiring the procedures for obtaining government approvals required *(Note 3)*	Third quarter of 2012
Acquisition and installation of equipment	45	Third quarter 2012	Proceeds from the Global Offering	Not yet started	Third quarter of 2012
Acquisition of breeder hogs and parental breeder hogs	52	Third to fourth quarter 2012	Proceeds from the Global Offering and internal resources	Not yet started	Fourth quarter of 2012

Notes:

(1) The expected dates of expenditure and completion may vary depending on when the Company would obtain all the relevant and necessary regulatory approvals and permits in relation to the land use rights, construction and development of the relevant land.

(2) In June 2011, Fujian Tianyi entered into memoranda of understanding with three Villagers Committees (村民委員會) of Putian City leasing from them a total of 800 Mu (approximately 533,000 square meters) of land in Putian City for a term of 30 years for the construction of the six hog farms. Pursuant to those memoranda, Fujian Tianyi and the Villagers Committees in Putian City shall enter into formal lease agreements finalising and detailing their rights and obligations. As advised by the PRC legal Advisers, the memoranda of understanding are valid contracts under the laws of the PRC and pursuant to the relevant rules and requirements, the approvals of two-third of the delegates of those villagers and the town government (鄉政府) need to be obtained for the formal lease agreements to be effective. The PRC legal Advisers have further confirmed that the relevant land situates in the permitted area for livestock farming according to the Delimit Plan and that there are no material legal impediments in obtaining the land use rights of the relevant land. The total rent is expected to be approximately RMB12 million, which will be payable in three instalments: at signing of the formal lease agreements and every 10 years thereafter. As advised by the PRC Advisors, as those lands are woodland, pursuant to the relevant rules and requirements, Fujian Tianyi also needs to obtain the approval for the use of land (使用林地審核同意書) as hog farm from the Forestry Bureau and to pay a compensation fee for the recovery of the woodland plantation (森林植被恢復費) and for the use of such woodland (佔用徵用林地費) prior to the commencement of the construction work. The total compensation fee is estimated to be RMB26 million and would only be finalised after the number of trees thereon is ascertained. As advised by the PRC legal Advisers, there are no material legal impediments in obtaining the approval for the use of land (使用林地審核同意書) from the Forestry Bureau. As at the Latest Practicable Date, no formal agreements was signed in relation to such leases. As noted above, the Group plans to use part of the proceeds from the Global Offering to finance the land leasing, thus it is the Group's intention to finalise and enter into the formal lease agreements after the Global Offering is completed. Otherwise, the Group will have to pay a substantial sum before the fund raising from the Global Offering since the Villagers Committees expect the first instalment of rent to be paid upon signing of the formal lease agreements.

Indeed, prior to signing the memoranda, the Group had carried out feasibility studies on the land concerned, including checking its terrain, surroundings, transport, water supply, sewage work and electricity supply, and was satisfied with its conditions. The Group had also consulted the relevant government bodies in respect of the approvals and time to be involved for the leasing of the land and the construction of the facilities thereon. Although not until the signing of the formal agreements, the rights and obligations will not be ascertained, the Group had since signing the memoranda always been negotiating with the Villagers Committee. Given the efforts made by the Group, and the Group was verbally assured by the Villagers Committees that they will lease the land to the Group on the terms as discussed.

(3) The PRC Legal Advisers have confirmed that there are no material legal impediments in obtaining the relevant regulatory approvals regarding the construction and development of the new hog farms.

Upgrade the Group's production facilities and increase its product varieties

The Group plans to upgrade its slaughterhouse to produce chilled pork. Hence, it intends to install additional equipment (including freezing facilities) and implement necessary quarantine and control systems for the production of chilled pork. As advised by the PRC Legal Advisers, the Group is not aware of any legal impediments to the production of chilled pork. The estimated cost of upgrading such production facilities of the Group's slaughterhouse (including procuring the necessary chilling facilities) is approximately RMB16.3 million. The upgrade is expected to be completed by June 2012.

Expand the Group's sales and distribution network

As at the Latest Practicable Date, the Group had established a total of 68 Point of Sales. The Group plans to expand its sales network by opening 12 additional Point of Sales from the day following the Latest Practicable Date to 31 December 2012, among which 6 will be in Putian City, 3 will be in Fuzhou City and 3 will be in Quanzhou City. The estimated capital expenditure for the development of the additional 12 Point of Sales is approximately RMB513,000.

The table below shows the total Point of Sales of the Group before and after the expansion of Group's sales network:

	Total number of Point of Sales as at the Latest Practicable Date	Total number of additional Point of Sales expected to be established by 31 December 2012	Expected total number of Point of Sales as at 31 December 2012
Putian City	35	6	41
Fuzhou City	10	3	13
Quanzhou City	18	3	21
Zhangzhou City	5	0	5
Total	68	12	80

To support the expansion of the 12 Points of Sales, from the Latest Practicable Date to 31 December 2012, the Group intends to recruit approximately 48 staff members in total from the three cities mentioned above. As advised by the PRC Legal Advisers, the Group is not aware of any legal impediments to the opening of the above 12 Points of Sales.

In view of the favourable policy under the Summary of National Development Plan for Hog Slaughtering Industry (2010–2015) of the PRC (全國生豬屠宰行業發展規劃綱要(2010–2015年) which encourages the development of chilled pork in the PRC, the Group is planning to upgrade its production facilities in the slaughterhouse to produce chilled pork for distribution to farther areas. The Group also plans to expand its sales and distribution network further to higher spending areas such as Yangtze River Delta and Pearl River Delta for chilled pork. As advised by the PRC Legal Advisers, the Group is not aware of any legal impediments in the PRC for expansion to the Yangtze River Delta and Pearl River Delta.

As at the Latest Practicable Date, the Group had yet to incur any expenses regarding the aforementioned expansion plan.

USE OF PROCEEDS

Assuming an Offer Price of HK$1.31 per Offer Share (being the mid-point of the indicative Offer Price range of HK$1.09 to HK$1.53 per Offer Share), the net proceeds from the Global Offering ("Net Proceeds"), after deducting the underwriting fees and estimated expenses payable by the Group in connection with the Global Offering, are estimated to be HK$235.7 million (equivalent to approximately RMB191.8 million). The Directors presently intend to apply the Net Proceeds as follows:

— as to approximately HK$147.5 million (equivalent to approximately RMB120.0 million and approximately 62.6% of the Net Proceeds) will be used to finance the cost of constructing the Group's six new hog farms;

— as to approximately HK$32.0 million (equivalent to approximately RMB26.0 million and approximately 13.6% of the Net Proceeds) will be used to finance the cost of leasing land on which the six new hog farms would be constructed;

— as to approximately HK$30.7 million (equivalent to approximately RMB25.0 million and approximately 13.0% of the Net Proceeds) will be used to finance the cost of acquiring and installing equipment in the Group's six new hog farms; and

— as to approximately HK$25.5 million (equivalent to approximately RMB20.8 million and approximately 10.8% of the Net Proceeds) will be used to finance the cost of acquiring breeder hogs and parental breeder hogs.

In the event that the Offer Price is set at HK$1.53 per Offer Share, being the high-end of the indicative Offer Price range, the Net Proceeds (assuming that the Over-allotment Option is not exercised) will increase to approximately HK$278.6 million (equivalent to approximately RMB226.7 million). The Company will receive additional Net Proceeds of approximately HK$42.9 million (equivalent to approximately RMB34.9 million) when compared to the net proceeds receivable by the Company with the Offer Price being determined at the mid-point of the indicative Offer Price range as stated above. Under such circumstance, the Directors intend to apply such additional Net Proceeds to finance the construction cost of the six new hog farms.

In the event that the Offer Price is set at HK$1.09 per Offer Share, being the low-end of the indicative Offer Price range, the Net Proceeds (assuming that the Over-allotment Option is not exercised) will decrease to HK$192.8 million (equivalent to approximately RMB156.9 million). Under such circumstance, the Directors intend to reduce its allocation of the Net Proceeds to finance the cost of constructing cost of the six new hog farms by HK$24.6 million (equivalent to approximately RMB20.0 million) and its allocation of Net Proceeds to finance the cost of acquiring and installing equipment in the Group's six new hog farms by HK$18.3 million (equivalent to approximately RMB14.9 million), and any shortfall to such cost is intended by the Directors to be financed by bank borrowings or internal resources of the Group.

In the event that the Over-allotment Option is exercised in full, and assuming an Offer Price is set at HK$1.53 per Offer Share (being the high-end of the stated Offer Price range between HK$1.53 per Offer Share and HK$1.09 per Offer Share), the Group will receive additional Net Proceeds of approximately HK$87.6 million (equivalent to approximately RMB71.3 million). Under such circumstance, the Directors intend to increase its allocation of the Net Proceeds by HK$49.3 million (equivalent to approximately RMB40.1 million) to finance the construction cost of the six new hog farms and HK$38.3 million (equivalent to approximately RMB31.2 million) to finance the cost of acquiring breeder hogs.

To the extent that the net proceeds from the Global Offering and the Over-allotment Option are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed as short-term deposits with financial institutions.

The Directors consider that the Net Proceeds together with internally generated funds and the banking facilities available to the Group will be sufficient to finance the future business development of the Group as described in this prospectus.