

HISTORY, DEVELOPMENT AND REORGANIZATION

GENERAL

The history of our Group can be traced back to September 2008 when YST Heilongjiang was established, which started our primary business of dairy farming. With the establishment of YST Heilongjiang, we commenced the construction of dairy farms and the setting up of other production facilities. In 2010, we started to supply super premium raw milk in the PRC. We commenced recording revenue in October 2010.

Our Group

The following table contains certain information of the Company and its subsidiaries as of the Latest Practicable Date:

<u>Entity</u>	<u>Date of incorporation</u>	<u>Place of incorporation</u>	<u>Principal activities</u>
YST Heilongjiang	5 Sept 2008	PRC	Operation of Kedong YST Farm/Investment holding
YST Zhenlai	9 July 2009	PRC	Operation of Zhenlai Farm Phase I
YST Heping	3 July 2007 ⁽¹⁾	PRC	Operation of Kedong Oumei Farm
YST Yongjin	5 July 2013	PRC	Construction and operation of Kedong Yongjin Farm, which is under operation
Ruixinda Baiquan	25 June 2013	PRC	Construction and operation of Baiquan Farm, which is under operation
Ruixinda Gannan	9 July 2007 ⁽¹⁾	PRC	Operation of Gannan Oumei Farm
YST Honghai	5 May 2009	PRC	In preparation for operations
YST Sifang	7 May 2009	PRC	In preparation for operations
YST Qiqihar	10 Sept 2012	PRC	In preparation for operations
Ruixincheng	3 May 2013	PRC	In preparation for operations
Ruixinda	9 Dec 2010	PRC	Investment holding
The Company	1 May 2012	Bermuda	Investment holding
BVI Subsidiary	3 May 2012	BVI	Investment holding
HK Subsidiary	17 May 2012	Hong Kong	Investment holding

See “— Corporate Structure” for the chart and as of the Latest Practicable Date setting forth the shareholding and corporate structure of our Group immediately after the Reorganization on page 138 of this Prospectus.

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Note:

- (1) Completion of acquisitions of YST Heping and Ruixinda Gannan by Ruixinda took place in September 2011. Prior to such acquisition, YST Heping and Ruixinda Gannan were not part of our Group.

MILESTONES

Set forth below are the key milestones of our Group since our establishment in September 2008:

Time	Key Milestones
September 2008	YST Heilongjiang, our first operating entity, was established for the purpose of constructing and operating our first farm, namely Kedong YST Farm.
July 2009	YST Zhenlai was established for the purpose of constructing and operating our Zhenlai Farm Phase I.
October 2010	Our first farm, Kedong YST Farm, started commercial production and we commenced recording revenue.
July 2011	Our Zhenlai Farm Phase I started commercial production.
September 2011	Ruixinda acquired Gannan Oumei Farm and Kedong Oumei Farm from Feihe Dairy Group.
January 2012	Ruixinda became the holding company of all our subsidiaries established in the PRC (except Ruixincheng).
May 2012	The Company was incorporated for the purpose of implementing the Reorganization.
October 2012	The HK Subsidiary became the sole shareholder of Ruixinda.
April 2013	Ares, OCBC and KNI (all being the Pre-IPO Investors) became our Shareholders.

OUR RELATIONSHIP WITH FEIHE DAIRY GROUP

Background of Feihe Dairy Group

Feihe Dairy Group, one of the top five customers of our Group during the Track Record Period, is based in Heilongjiang and is principally engaged in the production and distribution of milk powders and other dairy products in China. Feihe Dairy Group was not on the list of the dairy products manufacturers whose infant formula products were detected to contain melamine based on the sample inspections conducted by the PRC General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) in the wake of the melamine incident in 2008. Feihe Dairy HLJ confirmed that it and its associated dairy companies were not involved in the melamine incident in 2008 and did not encounter any issues in relation to the quality of its dairy products. Feihe Dairy International is a member of Feihe Dairy Group, and its securities were listed on the New York Stock Exchange up to June 2013, when the privatization offer of the securities of Feihe Dairy International by a consortium of investors led by its controlling shareholder was completed. Feihe Dairy Group had constructed and operated the two modern demonstrating large-scale dairy farms in Heilongjiang since July 2007, namely

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Kedong Oumei Farm and Gannan Oumei Farm, which were subsequently acquired by us in September 2011. In addition, Feihe Dairy Group, as part of its initiatives to promote dairy farming business in Heilongjiang and to secure a stable and quality raw milk supply to support its core dairy product business and promoting Heilongjiang as a leading quality dairy farming business base in China, has also supported certain market participants (including our Group) along the dairy farming business supply chain, including animal feed producers, dairy farm operators and dairy products producers.

Given that the long-established relationship with Feihe Dairy Group, being one of our customers, and no material change in the core business and management of Feihe Dairy International after its privatization, our Directors do not expect such privatization would affect the relationship between Feihe Dairy International and our Group.

Feihe Dairy Group's assistance in the establishment of YST Heilongjiang

Our founder, Mr. HL Zhao, who was an entrepreneur in various industries, has past experience in raising dairy cows and cattle management in Heilongjiang Province and has been paying attention to the development of the dairy farming industry in China from time to time. In 2007, the General Office of the State Council of the PRC promulgated the Opinions of the State Council on Promoting the Sustainable and Healthy Development of Dairy Industry which indicated the government's emphasis on achieving a sustainable development of China's dairy industry. Subsequently in 2008, following the melamine incident, the PRC Government introduced more stringent control measures and food safety laws to ensure the safety of domestic dairy products, while local governments such as Heilongjiang provincial government also promulgated and implemented favorable policies to encourage the growth of the dairy farming industry in the region and the operation of large-scale modernized dairy farms. Leveraging the opportunities in the dairy farming industry and recognizing Feihe Dairy Group's reputation, experience and business network in the dairy business in Heilongjiang, Mr. HL Zhao, being a long time acquaintance and business partner of the controlling shareholder of Feihe Dairy Group, sought advice and assistance from Feihe Dairy Group with respect to matters such as choice of farm location, construction and operation of dairy farms, liaison with local government entities as well as on government incentive policy. Given that Mr. HL Zhao's intention to enter into dairy farming industry was in line with Feihe Dairy Group's own business objective to ensure a stable source of supply of raw milk in Heilongjiang, Feihe Dairy Group agreed to assist Mr. HL Zhao on his requests.

To facilitate the relevant regulatory process for establishing our businesses by leveraging Feihe Dairy Group's experience in and familiarity with the application and registration procedures for obtaining the local government's approvals, when we first established YST Heilongjiang, among all 12 registered equity-holders, 11 of them were then existing or previous employees of Feihe Dairy Group (while the 12th registered equity-holder was Mr. HL Zhao). One of such registered equity-holders was Mr. Wang Shaogang, who joined our Group since then as the general manager of our Group and was then in charge of the supervision of the daily business management of our Group. The other trustees assisted the establishment of our business by liaising and coordinating with local authorities in Heilongjiang and Jilin Province relating to environmental, land acquisition and tax matters. Except for Mr. Wang Shaogang, none of the trustees held specific role and position of managing YST Heilongjiang or our Group.

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All the 11 registered equity-holders held equity interests in YST Heilongjiang on trust for the benefit of Mr. HL Zhao. Our PRC Legal Advisers have reviewed the trust agreements signed by the said 11 trustees all dated 1 August 2008, and confirmed that the trust relationship as evidenced and constituted by each agreement was legal, valid, enforceable and binding on the trustee. Such 11 trustees had not provided any capital contribution upon the establishment of our Group.

As it was our early stage in the dairy farming industry in the local market, we have also recruited certain employees of Feihe Dairy Group during our start-up phase. The recruitment of such experienced former staff from Feihe Dairy Group provided us with a good foundation during the earlier years of our business operations when we did not have an established business track record and a strong financial position. Feihe Dairy Group gave advice on the choice of farm location and construction of the then new farms of our Group. Our Group does not expect to receive any business advice from Feihe Dairy Group after Listing. In addition, during the Track Record Period, Feihe Dairy Group also assisted our Group in certain overseas procurements (as we did not possess the qualification for banks to issue the required letters of credit to carry out oversea procurements at the early stage of the establishment of our Group) and acted as guarantors in certain of our Group's bank borrowings. As the commercial production of our Group had not begun until October 2010, we required guarantees provided by Feihe Dairy Group for bank borrowings at such time. Given the relatively well-established business and the reputation of Feihe Dairy Group, our Group was thus able to obtain additional funds for our daily operation and expenses. In particular, pursuant to two import agency agreements entered into between Feihe Dairy HLJ and a local heifer importer (an Independent Third Party) in November 2009 and April 2010, Feihe Dairy HLJ assisted our Group in the procurement of a total of 8,300 imported Holstein heifers from Uruguay. On 31 January 2011, Feihe Dairy HLJ paid RMB68.6 million on our behalf to the local heifer importer as a portion of the total purchase price of RMB132.8 million. We fully settled such amount with Feihe Dairy HLJ in June 2013. Such procurement was conducted at the same imported cost paid by Feihe Dairy HLJ to the Independent Third Parties, and therefore, was based on normal commercial terms. From March 2011 up to the Latest Practicable Date, we did not procure any imported heifers because we were able to sustain the operations at all of our farms using our self-bred heifers during this period. As of 31 December 2010, 2011 and 2012, our borrowings that were guaranteed by Feihe Dairy Group amounted to RMB159.9 million, RMB402.5 million and RMB365.0 million, respectively. With our improved financial position and reputation in the industry in recent years, we negotiated with our lending banks and all the guarantees from Feihe Dairy Group had been released as of the Latest Practicable Date. Given the overseas procurement assisted by Feihe Dairy Group was on a one-off basis and our Group's ability to obtain release of all bank guarantees provided by Feihe Dairy Group, our Directors are of the view that our Group is capable of operating and obtaining financing independently from Feihe Dairy Group now and after Listing.

In June 2012, due to its cash requirements, Feihe Dairy Group sought to obtain loans from Mr. HL Zhao and given the relationship between Mr. HL Zhao and the controlling shareholder of Feihe Dairy Group, Mr. HL Zhao made two advances of non-interest bearing loan without any security to Feihe Dairy HLJ amounted to about US\$7.08 million and RMB19.8 million, respectively, both with a term of 24 months. In December 2012, Feihe Dairy HLJ made another loan amounted to about RMB19.8 million to Ms. SX Li (being the spouse of Mr. HL Zhao) in order to set off the same amount of such loan made by Mr. HL Zhao to Feihe Dairy HLJ in June 2012. As the above financing arrangements were only between Mr. HL Zhao and his spouse on the one part and Feihe Dairy Group on the other part, our Group has not been involved in such financing arrangements and in any other matter in relation thereto. Save as disclosed in this paragraph above, each of our Controlling Shareholders did not have any other financing arrangements with Feihe Dairy Group as of the Latest Practicable Date.

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Save as disclosed in this Prospectus, there were no other financing arrangements between our Group, our Directors, Controlling Shareholders or their respective associates on the one part and Feihe Dairy Group on the other part.

In February 2010, as the operations of our Group grew and we have become a reputable dairy farm operator in Heilongjiang Province, we did not consider it necessary to leverage Feihe Dairy Group's reputation in the local market. As such, we did not require the then employees or former employees of Feihe Dairy Group to hold the equity interests in YST Heilongjiang. The number of nominee equity-holders to hold equity interests in YST Heilongjiang on trust for Mr. HL Zhao was reduced to enhance the administrative convenience of our Group. For such reasons, all such employees of Feihe Dairy Group (except Mr. Wang Shaogang, an executive Director) terminated their entrusted shareholding arrangements with Mr. HL Zhao in March 2010 through the equity-transfer agreements described below and ceased to be registered equity holders of YST Heilongjiang.

For reasons as mentioned in the above paragraph, in February 2010, ten of the then said 12 registered equity-holders of YST Heilongjiang (i.e. not including Mr. HL Zhao and Mr. Wang Shaogang) entered into equity-transfer agreements, pursuant to which 77.33% of the total registered capital in YST Heilongjiang held by such holders was agreed to be transferred at nil consideration to four individuals (who were all unrelated to Feihe Dairy Group) as nominated by Mr. HL Zhao below:

<u>Name of transferee</u>	<u>Relationship with our Group and/or the Controlling Shareholders</u>	<u>Percentage of registered capital in YST Heilongjiang</u>
Shi Guanghua	Spouse of Mr. Wang Shaogang who is an executive Director	71.33%
Zhou Haifen	A member of our Group's middle management	2%
Du Baojun	A friend of Mr. HL Zhao and the spouse of Ms. Su Shiqin (who is an executive Director)	2%
Yang Chunyu	A friend of Mr. HL Zhao and the spouse of one of our Group's management	2%
Total:		<u>77.33%</u>

The remaining 22.67% of the registered capital were held by Mr. Wang Shaogang (an executive Director) (16%) and Mr. HL Zhao (6.67%), respectively. Following such transfers, YST Heilongjiang had six registered equity-holders, all of whom (other than Mr. HL Zhao himself) held the equity-interests in YST Heilongjiang on trust for the benefit of Mr. HL Zhao. All the trust agreements mentioned above were dated 20 January 2010 (other than Mr. Wang Shaogang whose two trust agreements were dated August 2008 and 10 June 2010, respectively). Our PRC Legal Advisers have reviewed the trust agreements signed by the said five trustees, and confirmed that the trust relationship as evidenced and constituted by each such agreement was legal, valid, enforceable and binding on such trustees. The above trust arrangements were made because at that relevant time, Mr. HL Zhao frequently traveled away from Heilongjiang Province for his other businesses, and he anticipated that he might not

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be available to sign documents concerning YST Heilongjiang on a timely basis. He then decided to nominate other personnel to be the registered equity-holders of YST Heilongjiang to expedite documents processing.

All approvals from the relevant authorities for the above transfers have been obtained and the registration of change in the registered equity-holders of YST Heilongjiang was effected on 5 March 2010.

Acquisition of Kedong Oumei Farm and Gannan Oumei Farm

In line with our strategy of expanding our operations and enhancing our raw milk production capacity, Ruixinda (a member of our Group) entered into the Oumei Transfer Agreement dated 1 August 2011 with Feihe Dairy HLJ (a member of Feihe Dairy Group) and Mr. Ma Jinyan (a then employee of Feihe Dairy Group), pursuant to which Ruixinda agreed to purchase the entire share capital of YST Heping and Ruixinda Gannan (which own Kedong Oumei Farm and Gannan Oumei Farm, respectively). The consideration for the purchase was RMB849.0 million. It was determined based on (i) the sum of registered capital of YST Heping and Ruixinda Gannan being RMB114.5 million in aggregate as of 30 June 2011, and (ii) the amounts payable from YST Heping and Ruixinda Gannan to Feihe Dairy HLJ being RMB734.5 million in aggregate. A portion of the purchase price mentioned in (i) above (i.e. RMB114.5 million) was payable in cash (out of which RMB110.7 million was payable to Feihe Dairy HLJ and RMB3.8 million was payable to Mr. Ma Jinyan) and had been settled in full as of January 2012. The remaining purchase price was agreed to be satisfied by our delivery to Feihe Dairy Group, in six quarterly installments from 29 September 2011, of raw milk valued at an aggregate value of RMB734.5 million (the “Second Payment”).

During the Track Record Period, our Group’s sale of raw milk to Feihe Dairy Group was based on normal commercial terms, and such selling prices were at similar levels compared to the selling prices of the raw milk that our Group sold to other customers. Pursuant to the Oumei Transfer Agreement, in the event that any quarterly raw milk payment provided to satisfy the Second Payment is insufficient to satisfy such quarterly quota amount, the shortfall will be immediately payable in cash by Ruixinda to Feihe Dairy HLJ. Since Feihe Dairy Group’s demand was less than the amount of raw milk agreed to be supplied to Feihe Dairy Group under the Oumei Transfer Agreement, accordingly, during the Track Record Period, our Group on several occasions did not fulfill the quantities specified under such agreement. In such case, although we may be required to pay Feihe Dairy HLJ such shortfall in cash under the Oumei Transfer Agreement or to indemnify and hold harmless Feihe Dairy HLJ for damages and loss if Feihe Dairy HLJ enforced the contract, we obtained the waiver for such breach of the Oumei Transfer Agreement under a supplemental agreement which our Group entered into with Feihe Dairy HLJ in April 2013.

Subsequently, pursuant to a supplemental agreement entered into between Ruixinda and Feihe Dairy HLJ on 25 April 2013 (the “Supplemental Milk Supply Agreement”), Feihe Dairy HLJ unconditionally and irrevocably waived Ruixinda’s past obligation from fulfilling its payment obligations and legal liabilities potentially arising out of any shortfall of raw milk delivery under such exclusive raw milk supply contract. Under such supplemental agreement, as of 31 March 2013, the outstanding consideration payable to Feihe Dairy HLJ under the Oumei Transfer Agreement amounted to RMB532.3 million (the “Outstanding Consideration”). According to the Company’s PRC Legal Advisers, if our Group defaults the payment/delivery of raw milk under the Oumei Transfer Agreement

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and the Supplemental Milk Supply Agreement, Feihe Dairy HLJ may have recourse to the arbitral tribunal, requiring our Group to fulfill the payment/delivery of raw milk obligations and indemnify and hold harmless Feihe Dairy HLJ for damage and loss resulting therefrom. Feihe Dairy HLJ would not be entitled to unwind the acquisition of Gannan Oumei Farm and Kedong Oumei Farm under the Oumei Transfer Agreement for reason of any historical default or any future default of our Group on the payment/delivery of raw milk to Feihe Dairy Group or other terms of the Oumei Transfer Agreement and the Supplemental Milk Supply Agreement.

As part of the overall strategic arrangement for such acquisition, on 1 August 2011, Ruixinda, YST Heping and Ruixinda Gannan also entered into an exclusive raw milk supply contract with Feihe Dairy HLJ, pursuant to which YST Heping and Ruixinda Gannan agreed to exclusively supply Feihe Dairy Group with raw milk produced at these two farms. As part of our normal customer relationship activities, Ruixinda and Feihe Dairy HLJ maintained frequent dialogs after the execution of the above exclusive milk supply agreement with a view to try to monitor and adjust the volume of raw milk supply to match the actual requirements of Feihe Dairy HLJ. In late 2012, Ruixinda was informed by Feihe Dairy HLJ that its demand of raw milk was decreasing due to slowdown in its milk product markets. Having discussed with Feihe Dairy HLJ, Ruixinda has therefore reduced its raw milk supply to Feihe Dairy Group. At the advice of its legal counsel, Ruixinda formalized the above arrangement by subsequently replacing this exclusivity requirement with a raw milk priority supply arrangement pursuant to the Supplemental Milk Supply Agreement. In addition, pursuant to the Supplemental Milk Supply Agreement, the Outstanding Consideration shall be satisfied by YST Heping and Ruixinda Gannan supplying raw milk valued RMB48.4 million in total for a quarterly basis for 33 months from 1 April 2013. Under the Supplemental Milk Supply Agreement, any shortfall would also be immediately payable in cash by Ruixinda to Feihe Dairy HLJ. For details of such supply contracts, please refer to “Business — Sales and Marketing — Contract Terms.”

In conjunction with the Oumei Transfer Agreement, on 30 September 2011, YST Heping and Ruixinda Gannan entered into an asset mortgage agreement with Feihe Dairy HLJ, pursuant to which YST Heping and Ruixinda Gannan agree to grant Feihe Dairy HLJ a primary security interest over the grass shed, milking halls, barns and certain buildings in Gannan Oumei Farm and Kedong Oumei Farm to secure the repayment of the Second Payment (including the interest, liquidated damages and other fees arising therefrom). Pursuant to the Supplemental Milk Supply Agreement, Feihe Dairy HLJ has waived our obligation to register such mortgage. Further, such mortgage is expected to be released when all consideration related to the Oumei Transfer Agreement has been repaid. As disclosed in an announcement of Feihe Dairy International, the primary reasons for Feihe Dairy Group to enter into the Oumei Transfer Agreement were to (i) improve overall liquidity and reduce its debt level, (ii) eliminate dairy farm operating expenses, and (iii) ensure access to high quality milk.

As confirmed by PRC Legal Advisers, all approvals from the relevant authorities have been obtained and the registration of change in the registered equity-holders of both YST Heping and Ruixinda Gannan was effected on 28 September 2011 and 29 September 2011, respectively. The acquisitions of the Kedong Oumei Farm and Gannan Oumei Farm were completed on the said dates and since then the ownership of these two farms has been fully vested in our Group. According to the annual report of Feihe Dairy International for the year ended 31 December 2011, Feihe Dairy Group only operated its dairy products segment and ceased to operate its dairy farms segment as of 31 December 2011.

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Pursuant to the Oumei Transfer Agreement, after completion of the acquisition, Feihe Dairy HLJ then enjoyed the right to (i) appoint a financial supervisor to inspect and monitor the financial statements and other financial documents of the Kedong Oumei Farm and Gannan Oumei Farm; and (ii) nominate a director to each of YST Heping and Ruixinda Gannan. By a supplemental agreement to the Oumei Transfer Agreement entered into between the relevant parties on 31 October 2011, the above two rights (among others) were terminated and ceased to have effect retrospectively from the date of Oumei Transfer Agreement. After the said completion and before the signing of the said supplemental agreement, Feihe Dairy Group had not appointed any financial supervisor or director to YST Heping and Ruixinda Gannan. Save as disclosed above in this paragraph, each of Feihe Dairy Group and its controlling shareholder has not signed any agreement with our Group, our Controlling Shareholders, Directors and employees in respect of the management and/or ownership of the Company and the Kedong Oumei Farm and Gannan Oumei Farm.

Feihe Dairy Group as one of our current top five customers and its assistance with our overseas procurement

In 2010, when we were in the initial stage of our commercial production, sales made to Feihe Dairy Group accounted for all of our revenue. As our Group has grown and diversified our customer base, our sales made to Feihe Dairy Group (as one of our top five customers) decreased to 35.5% and 13.3% of our revenue for 2011 and 2012, respectively. We expect Feihe Dairy Group to continue to be one of our top five customers in the near future. In addition, in order to benefit from Feihe Dairy Group's financial position to secure overseas letter of credit, we have worked with Feihe Dairy Group to supplement our overseas sourcing efforts.

According to the controlling shareholder of Feihe Dairy Group, he does not hold any beneficial interests in the Company or any of its subsidiaries; and neither Feihe Dairy Group nor such controlling Shareholder has any direct or indirect influence on the Board or management of our Group, which may affect the capability of our Group to carry on its business independently, for the entire Track Record Period.

As confirmed by the Directors, apart from the relationship disclosed in “— Our Relationship with Feihe Dairy Group” and in “Directors, Senior Management and Employees,” (i) none of them has any relationships (including family, trust or employment relationships) with Feihe Dairy Group since the establishment of our Group; (ii) there were no overlap in directorships and management teams of our Group and Feihe Dairy Group; and (iii) none of them directly or indirectly hold any equity interest in Feihe Dairy Group.

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Our transactions with Feihe Dairy Group during the Track Record Period

During the Track Record Period, we had sales of raw milk to Feihe Dairy Group and acquired the entire equity interests of Kedong Oumei Farm and Gannan Oumei Farm from Feihe Dairy HLJ and Mr. Ma Jinyan with the relevant transaction amounts stated below:

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Sales of raw milk	337	52,820	91,673	57,989	94,806
Acquisition of farms	—	845,226	—	—	—

In addition, in 2011, Feihe Dairy HLJ paid RMB68.6 million on our behalf to a local heifer importer as a portion of the total purchase price for the procurement of 8,300 Holstein heifers from Uruguay and we fully settled such amount with Feihe Dairy HLJ in June 2013.

Furthermore, as of 31 December 2010, 2011 and 2012 and 30 June 2013, our borrowings that were guaranteed by Feihe Dairy Group amounted to RMB159.9 million, RMB402.5 million, RMB365.0 million and RMB349.0 million, respectively.

Deemed connected person after Listing

Feihe Dairy Group (comprising Feihe Dairy HLJ and its subsidiaries) is not a connected person of the Company for the purpose of Rule 14A.11 of the Listing Rules. However, due to our past relationship and transactions with Feihe Dairy Group as disclosed in “— Our Relationship with Feihe Dairy Group,” it is deemed by the Stock Exchange as our connected person after Listing pursuant to Rule 14A.06 of the Listing Rules.

For other information of Feihe Dairy Group, please refer to Appendix V to this Prospectus.

CHANGE IN REGISTERED/ISSUED CAPITAL AND/OR EQUITY-HOLDERS OF MEMBERS OF OUR GROUP

Change in Registered Capital and/or Equity-holders of the Subsidiaries of Our Group which were established in the PRC

Ruixinda

Since the establishment of Ruixinda in December 2010 and up to the Latest Practicable Date, the registered capital in Ruixinda was RMB180 million which was fully paid up on 22 December 2011.

At the time of Ruixinda's establishment, Ms. SX Li (the spouse of Mr. HL Zhao) was the registered holder and beneficial owner of 61.1% of the registered capital in Ruixinda. The remaining 38.9% of the registered capital was owned by five individual investors. Four of the five individuals (namely, Zhang Chaohui, Hu Yiyao, Xiong Han and Zhang Dijun) became the beneficial owners of approximately 11.55%, in aggregate, of the issued share capital in the Company upon its establishment.

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As part of the Reorganization, and pursuant to equity-transfer agreements dated 18 May 2012 entered into among the above six equity-holders of Ruixinda (as vendors) and our HK Subsidiary (as purchaser), our HK Subsidiary agreed to acquire the entire registered capital in Ruixinda at the purchase price of RMB180 million in aggregate, which was determined based on the valuation by reference to the paid-up registered capital of Ruixinda. Such purchase price was settled in February 2013 and the above acquisition was completed on 26 October 2012. For further details, please refer to “— Reorganization” below in this section.

Following such change and up to the Latest Practicable Date, the registered holder and beneficial owner of Ruixinda, being our HK Subsidiary, remained unchanged.

YST Heilongjiang

YST Heilongjiang is one of our key operating subsidiaries established in the PRC. It was incorporated on 5 September 2008 with an initial registered capital of RMB30 million. From September 2009 to 6 January 2011, its registered capital was increased by several rounds of investment to RMB185 million. During the period from the establishment of YST Heilongjiang (and the subsequent change in trust arrangements as described in “— Our Relationship with Feihe Dairy Group” above) to 9 January 2011, the entire registered capital in YST Heilongjiang was beneficially owned by Mr. HL Zhao.

Ruixinda first became an equity-holder of YST Heilongjiang by paying RMB45 million in cash to subscribe for 24.32% of the registered capital in YST Heilongjiang, which relevant registration procedures were completed on 10 January 2011. Such subscription price was fully paid by Ruixinda on 6 January 2011. Subsequently, on 28 December 2011, Ruixinda and YST Heping (as purchasers) entered into equity transfer agreements with the then holders of registered capital of YST Heilongjiang (who held such registered capital on trust for Mr. HL Zhao), pursuant to which Ruixinda and YST Heping agreed to acquire 74.68% and 1% of the registered capital in YST Heilongjiang, respectively at an aggregate purchase price paid by Ruixinda and YST Heping for the entire registered capital in YST Heilongjiang amounted to RMB140 million. The purchase price was determined based on the nominal registered capital in YST Heilongjiang. The purchase price had been fully paid as of October 2012.

The registration of the change in the registered equity-holders of YST Heilongjiang was effected on 17 January 2012.

As part of the Reorganization in relation to the settlement of the Total Indebtedness (as defined below) by YST Heilongjiang to the Creditors (as defined below), (i) Ms. SX Li subscribed for an aggregate of 0.99% of the registered capital of YST Heilongjiang (representing 1.85 million shares with a par value of RMB1 each) by paying up an aggregate amount of RMB459,355,000 to YST Heilongjiang in March and April 2013, respectively, which resulted in an increase of registered capital in YST Heilongjiang from RMB185 million to RMB186.85 million. The relevant registration procedures were completed on 3 April 2013; and (ii) Ms. SX Li and YST Heping entered into an equity transfer agreement dated 14 June 2013, pursuant to which Ms. SX Li sold such 0.99% equity interest in YST Heilongjiang to YST Heping at a consideration of RMB1.85 million, which was determined based on the nominal registered capital of YST Heilongjiang. The relevant registration procedures were completed on 18 June 2013. For further details, please refer to “— Reorganization” below in this section.

Following such change and up to the Latest Practicable Date, the registered capital, the registered holders and beneficial owners of YST Heilongjiang remained unchanged.

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YST Heping and Ruixinda Gannan

As disclosed in “— Our Relationship with Feihe Dairy Group” above in this section, in September 2011, Ruixinda completed the acquisition of the entire registered capitals of YST Heping and Ruixinda Gannan from Feihe Dairy HLJ and Mr. Ma Jinyan. Immediately before such acquisition, the entire registered capital in each of YST Heping and Ruixinda Gannan amounted to RMB76.52 million and RMB38 million, respectively, and was beneficially owned by Feihe Dairy HLJ (as to 97.5% and 95% of the registered capital in YST Heping and Ruixinda Gannan, respectively) and Mr. Ma Jinyan, being a then employee of Feihe Dairy Group (as to 2.5% and 5% of the registered capital in YST Heping and Ruixinda Gannan, respectively).

Since September 2011 and up to the Latest Practicable Date, the respective registered capital and equity holders of YST Heping and Ruixinda Gannan remained unchanged.

YST Zhenlai

YST Zhenlai was incorporated in the PRC on 9 July 2009, which is one of the operating entities of our Group. The initial registered capital of YST Zhenlai was RMB5 million and was fully paid-up upon its incorporation. In June and July 2010, its registered capital was increased by several rounds of investment to RMB60 million, and the relevant registration procedures were completed in June and July 2010. Since then and up to the Latest Practicable Date, its registered capital remained unchanged.

At the time of its incorporation, the registered capital of YST Zhenlai was owned as to 98% by YST Heilongjiang and 2% by Mr. HL Zhao. Immediately after the increase in registered capital to RMB60 million in July 2010, the registered capital of YST Zhenlai was owned as to 99.83% by YST Heilongjiang and 0.17% by Mr. HL Zhao.

In February 2012, Ruixinda agreed to acquire 0.17% of the registered capital in YST Zhenlai from Mr. HL Zhao at a consideration of RMB100,000, which was the paid-up registered capital contributed by Mr. HL Zhao originally in YST Zhenlai. The purchase price was settled in full in October 2012 and such acquisition was completed on 7 March 2012. Since then and up to the Latest Practicable Date, YST Zhenlai was owned as to 99.83% by YST Heilongjiang and as to 0.17% by Ruixinda.

YST Honghai, YST Sifang, YST Qiqihar, Ruixincheng, Ruixinda Baiquan and YST Yongjin

At the time of their incorporation on 5 May 2009, 7 May 2009, 10 September 2012 and 3 May 2013, the registered capital of each of YST Honghai, YST Sifang, YST Qiqihar and Ruixincheng amounted to RMB5 million, RMB5 million, RMB3 million and RMB550 million, respectively. The registered capital of each of these companies remained unchanged up to the Latest Practicable Date.

At the time of their incorporation, the registered capital of each of YST Honghai and YST Sifang was owned as to 98% by YST Heilongjiang. 2% of the registered capital in each of YST Honghai and YST Sifang was owned by Mr. HL Zhao until 17 March 2013 and 12 March 2013, respectively. Such 2% registered capital in each of YST Honghai and YST Sifang was transferred to (at nil consideration) and registered in the name of Ruixinda on 18 March 2013 and 13 March 2013, respectively. Since then and up to the Latest Practicable Date such equity-holders of YST Honghai and YST Sifang remained unchanged.

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At the time of its incorporation, the registered capital of YST Qiqihar was owned as to 95% by YST Heilongjiang and as to 5% by Mr. Wang Shaogang (an executive Director) as trustee for the benefit of Mr. HL Zhao. Our PRC Legal Advisers reviewed the trust agreement signed by Mr. Wang Shaogang, and confirmed that the trust relationship as evidenced and constituted by such agreement was legal, valid, enforceable and binding on Mr. Wang Shaogang as trustee. Pursuant to an equity transfer agreement dated 1 April 2013 entered into by Mr. Wang Shaogang and Ruixinda, Ruixinda agreed to acquire 5% of the equity interest in YST Qiqihar from Mr. Wang Shaogang at nil consideration and such acquisition was completed on 2 April 2013. Such equity-holders have since then remained unchanged up to the Latest Practicable Date.

At the time of their incorporation, the registered capital of each of Ruixinda Baiquan and YST Yongjin were owned as to 99% by YST Heilongjiang and 1% by Ruixinda. Since then and up to the Latest Practicable Date such equity-holders of Ruixinda Baiquan and YST Yongjin remained unchanged.

Ruixincheng was incorporated in the PRC on 3 May 2013 to prepare for the future expansion of our Group. At the time of its incorporation, the registered capital of Ruixincheng was wholly owned by the HK Subsidiary. The initial registered capital of Ruixincheng was RMB550 million and approximately RMB247 million was paid-up as of 5 June 2013. Since then and up to the Latest Practicable Date, its registered capital remained unchanged.

Change in Issued Capital and/or Owners of Our BVI Subsidiary and HK Subsidiary

The Company was the sole shareholder of the BVI Subsidiary at the time of its incorporation, and remained so up to the Latest Practicable Date.

The BVI Subsidiary was the sole shareholder of the HK Subsidiary at the time of its incorporation, and remained so up to the Latest Practicable Date.

As part of the Reorganization on 26 April 2013, the BVI Subsidiary entered into a call option deed with ZHL Asia Limited, HYY Asia Limited, XH Asia Limited, ZDJ Asia Limited and ZCH Asia Limited (collectively, “Subscribers”), pursuant to which the BVI Subsidiary granted call options to each of these five Subscribers, by which the Subscribers will collectively be issued and allotted one ordinary share of the BVI Subsidiary upon exercise of such options by ZHL Asia Limited (for itself and on behalf of all other Subscribers) within three calendar days from the date of the deed (the “Option Period”), in order to set off the advance of a HK\$224 million loan by the Subscribers to the BVI Subsidiary pursuant to a loan agreement dated 26 April 2013. The exercise price of such options was HK\$1 million in cash. On 29 April 2013, the option deed (and the options) lapsed upon the expiry of the Option Period. Please refer to paragraphs (iv) and (v) on page 125 in “— Reorganization.”

HISTORY, DEVELOPMENT AND REORGANIZATION

Change in Issued Capital and/or Owners of the Company

Incorporation

The Company, the BVI Subsidiary and the HK Subsidiary were incorporated on 1, 3 and 17 May 2012, respectively. They were incorporated for the purpose of implementing the Reorganization.

On 4 May 2012, a total of 58,000 Shares were issued by the Company to the corporate Shareholders in the proportion as stated below (the following also summarizes the ownership of such corporate Shareholders at such time):

Serial no.	Name of corporate holder of our Shares (Note 1)	Owner of the issued share capital in such corporate holder (Note 2)	Relationship with our Group and/or our Controlling Shareholder(s) (Notes 3 and 4)	No. of Shares held (Note 5)	Percentage of holding of Shares (%)
1.	ZHL Asia Limited	Mr. HL Zhao (趙洪亮)	A Controlling Shareholder and an executive Director	29,085	50.15
2.	ZHY Asia Limited	Mr. HY Zhao (趙宏宇)	The younger brother of Mr. HL Zhao and a Controlling Shareholder	4,255	7.34
3.	MFQ Asia Limited	Meng Fanqing (孟凡慶)	Individual investor of our Group	4,895	8.44
4.	ZCH Asia Limited	Zhang Chaohui (張朝暉)	Individual investor of our Group	3,100	5.34
5.	YHW Asia Limited	Yang Hongwei (楊宏偉)	Individual investor of our Group	2,000	3.45
6.	SB Asia Limited	Sun Bo (孫博)	Individual investor of our Group	1,900	3.28
7.	Inno Technology (HK) Limited	Tang Xiaoyang (唐曉陽)	Individual investor of our Group	2,000	3.45
8.	Fine Time Holdings Limited	Liu Shuguang (劉曙光)	Individual investor of our Group	1,000	1.72
9.	Guo Xin Investments Limited	Xia Xinyu (夏鑫玉)	Individual investor of our Group	666	1.15
10.	ZDJ Asia Limited	Zhang Dijun (張迪軍)	Individual investor of our Group	800	1.38
11.	SM Asia Limited	Song Miao (宋淼)	An employee of our Group	700	1.21

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Serial no.	Name of corporate holder of our Shares (Note 1)	Owner of the issued share capital in such corporate holder (Note 2)	Relationship with our Group and/or our Controlling Shareholder(s) (Notes 3 and 4)	No. of Shares held (Note 5)	Percentage of holding of Shares (%)
12.	MLW Asia Limited	Mo Liwei (莫麗偉)	Individual investor of our Group	700	1.21
13.	SXY Asia Limited	Sun Xiaoyan (孫曉燕)	Individual investor of our Group	730	1.26
14.	XH Asia Limited	Xiong Han (熊瀚)	Individual investor of our Group	1,200	2.07
15.	HYY Asia Limited	Hu Yiyao (胡藝耀)	Individual investor of our Group	1,600	2.76
16.	ZSY Asia Limited	Zhao Siyuan (趙思源)	Individual investor of our Group	1,330	2.29
17.	XDH Asia Limited	Xie Dehe (解德河)	Individual investor of our Group	333	0.57
18.	SYL Asia Limited	Sun Yulong (孫玉龍)	Individual investor of our Group	310	0.53
19.	Precious View Investments Limited	Meng Xiaobin (孟曉斌) (70%) Ren Jie (任傑) (30%)	Individual investor of our Group Individual investor of our Group	396	0.68
20.	Zhongchi Management Consulting Limited	Zhang Ye (張曄) (40%) Xu Qing (徐青) (20%) Yu Taifeng (俞太鋒) (20%) Zhou Zhigang (周志剛) (10%) Ren Hong (任宏) (10%)	Individual investor of our Group Individual investor of our Group Individual investor of our Group Individual investor of our Group	1,000	1.72
Total:				<u>58,000</u>	<u>100%</u>

Notes:

- Except for Inno Technology (HK) Limited (no.7 above) which is incorporated in Hong Kong, each of the corporate Shareholders set forth in the second column above is incorporated in the BVI. The corporate Shareholders numbered 1–20 are principally engaged in investment holdings. As of the Latest Practicable Date, except for their respective investments in the Shares, the corporate Shareholders numbered 1–20 did not have other material assets and operation. Save for the (i) investments in the Company and HLJ Beian NKTH (see note 3 below) and (ii) the sole owner of corporate Shareholder no.11 (namely Ms. Song Miao) who is an employee of our Group, the individual owners of these corporate Shareholders did not have business relationship with our Group.

HISTORY, DEVELOPMENT AND REORGANIZATION

2. Except for Precious View Investments Limited and Zhongchi Management Consulting Limited (no.19 and 20 above), the entire issued share capital in each corporate Shareholder is owned by the individual person named in the third column. Each of individuals named in the third column is a PRC citizen, where Mr. HL Zhao is also a permanent resident of Republic of Guinea-Bissau.
3. All ultimate individual owners of such Shareholders numbered 1–20 above were also shareholders of HLJ Beian NKTH as of the Latest Practicable Date. As disclosed in “— Reorganization” in this section below, HLJ Beian NKTH advanced funds to our Group for its operations (before the incorporation of the Company). The subscription for Shares at the Company’s incorporation by the corporate Shareholders named in the second column was implemented as part of an overall reorganization plan of our Group so that their previous contribution to our Group (through loan advance) was reorganized by the allotment of Shares.
4. Save for the relationship as disclosed in note 3 above, all ultimate individual owners of such Shareholders numbered 3–20 above are Independent Third Parties.
5. The total subscription price of such 58,000 Shares were HK\$580, which was based on the nominal price of HK\$0.01 per Share and was received in full by the Company in May 2012. As disclosed in note 3 above, since the ultimate beneficial owners of the respective corporate Shareholders numbered 1–20 had advanced funds to our Group (through HLJ Beian NKTH) for its operations before the incorporation of the Company, the Shares were issued to the respective corporate Shareholders at nominal value in order to recognize their previous contribution to our Group (instead of requiring them to inject more funds into our Group). There was not any special right on the Shares held by these Shareholders named in the second column.

Subscription and issue of new Shares under the Pre-IPO Investments

On 28 March 2013, the Company (as the issuer), the BVI Subsidiary, Mr. HL Zhao and ZHL Asia Limited entered into the Pre-IPO Subscription Agreements with each of the Pre-IPO Investors. Under the Subscription Agreements, Ares, OCBC and KNI agreed to subscribe for 5,201 Shares, 5,044 Shares and 5,044 Shares at the subscription price in US\$ or HK\$ (as the case may be) equivalent to RMB206,220,500, RMB200,000,000 and RMB200,000,000, respectively. The Pre-IPO Subscription Agreements were completed on 30 April 2013, and we received a total Pre-IPO Subscription Price of US\$33,151,756, US\$32,151,756.29 and HK\$249,392,106.74 (approximately RMB606,220,500 in aggregate) from Ares, OCBC and KNI, respectively, on the same date. Following completion of such subscriptions, the aggregate number of Shares held by the Pre-IPO Investors was 15,289, which represented 20.86% of the enlarged issued share capital (immediately after the said completion) in the Company.

For further details, please refer to “— Pre-IPO Investments” below.

Further changes in ownership of the Shares

On 15 May 2013, one of our minority Shareholders, MFQ Asia Limited, transferred its 770 Shares to Maximum Shine Limited and 1204.2831 Shares to HQ-China Fund L.P. at a consideration of US\$4,801,993.75 and US\$7,550,000, respectively, which were determined with reference to the subscription price per Share paid by the Pre-IPO Investors under the Pre-IPO Subscription Agreements. Such considerations were settled in full by Maximum Shine Limited on 24 April 2013 and by HQ-China Fund L.P. on 26 April 2013. The approval of such transfers from the Bermuda Monetary Authority was obtained on 13 May 2013.

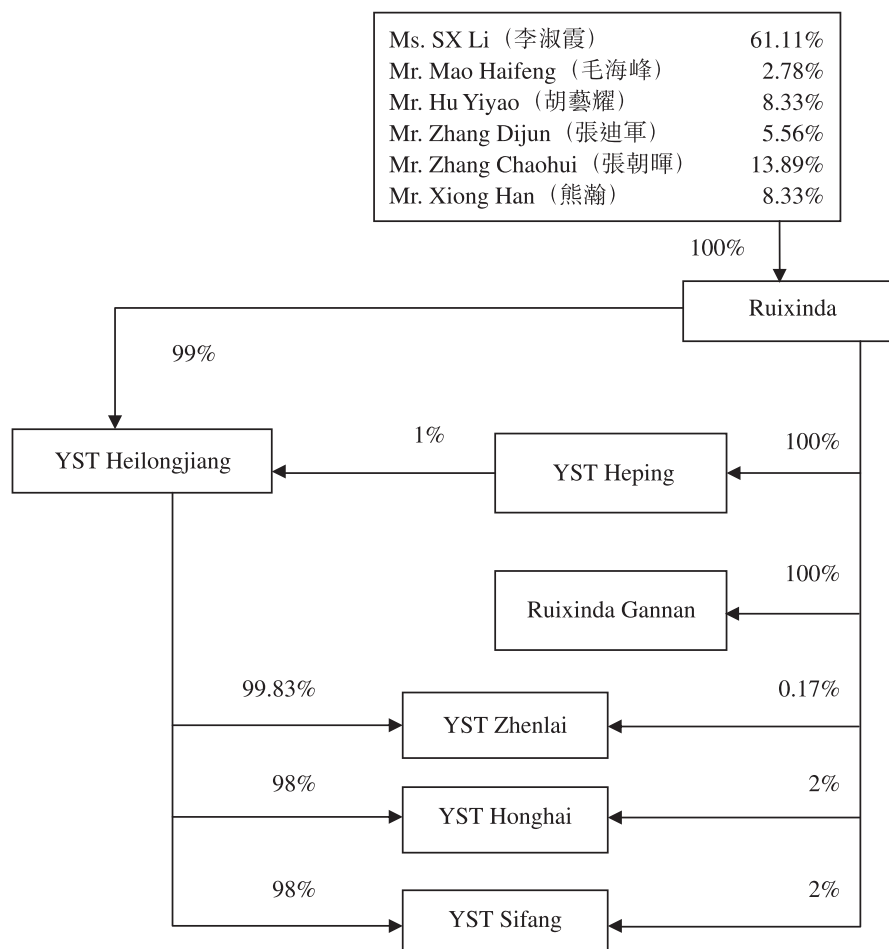
For further details, please refer to “— Pre-IPO Investments” below.

HISTORY, DEVELOPMENT AND REORGANIZATION

For more information on the above minority Shareholders, please refer to note (b) to the chart setting out the shareholding and corporate structure immediately after the Reorganization and as of the Latest Practicable Date in “— Corporate Structure” below on page 138.

REORGANIZATION

Prior to the Reorganization, the corporate structure of our Group (as of 30 April 2012) was as follows:



To rationalize our Group’s structure, our Group underwent the Reorganization prior to Listing, which involved the following steps:

- (i) on 1 May 2012, the Company was incorporated with an issued share capital of HK\$580 (comprising 58,000 Shares) and there were a total of 20 corporate Shareholders. For further information of such corporate Shareholders, please refer to “— Change in Registered/Issued Capital and/or Equity-holders of Members of Our Group — Change in Issued Capital and/or Owners of the Company” in this section;
- (ii) on 3 May 2012, the BVI Subsidiary was incorporated, whose sole registered and beneficial owner was the Company;

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- (iii) on 17 May 2012, the HK Subsidiary was incorporated, whose sole registered and beneficial owner was our BVI Subsidiary;
- (iv) by equity-transfer agreements dated 18 May 2012 and made by the then six equity-holders of Ruixinda (as vendors) and our HK Subsidiary (as purchaser), our HK Subsidiary agreed to acquire the entire registered capital in Ruixinda at the purchase price of RMB180 million. All purchase prices were settled in April 2013, which were financed by five of the then Shareholders pursuant to a loan agreement dated 26 April 2013 (as mentioned in sub-paragraph (v) below). Following the grant of approvals by Harbin Investment Promotion Bureau* (哈爾濱市投資促進局) on 30 May 2012 and the issue of the relevant updated business license of Ruixinda by Harbin AIC on 26 October 2012, the HK Subsidiary became the registered equity-holder of Ruixinda;
- (v) as mentioned in sub-paragraph (iv) above, pursuant to a loan agreement dated 26 April 2013, ZHL Asia Limited, HYY Asia Limited, XH Asia Limited, ZDJ Asia Limited and ZCH Asia Limited (all being Shareholders) advanced an interest-free loan of HK\$224 million (equivalent to approximately RMB180 million) to the BVI Subsidiary for the purpose of settling the purchase prices payable by the HK Subsidiary to the six equity-holders of Ruixinda. On 26 April 2013, the BVI Subsidiary entered into a call option deed with the Subscribers, pursuant to which the BVI Subsidiary granted a call option to each of these five Subscribers, which the Subscribers will be issued and allotted in aggregate one ordinary share of the BVI Subsidiary upon exercise of such options by ZHL Asia Limited (for itself and on behalf of all other Subscribers) within the Option Period, in order to set off the advance of the above HK\$224 million loan by the Subscribers. The exercise price of such options would be the sum of HK\$1 million in aggregate in cash. On 29 April 2013, the option deed (and the options) lapsed upon the expiry of the Option Period.

The purpose of the above arrangement was to facilitate our Group to acquire Ruixinda as part of the Reorganization; and

- (vi) to finance the construction and operations of the dairy farms by the PRC subsidiaries of our Group in previous years, certain connected persons and employees of our Group and shareholders and employees of Mr. HL Zhao's private company made several interest-free advances to certain PRC subsidiaries of our Group during the period between December 2010 to April 2012. As of 28 February 2013, the amount of indebtednesses owing by the relevant

HISTORY, DEVELOPMENT AND REORGANIZATION

PRC subsidiaries of our Group (namely, Ruixinda, YST Heilongjiang, YST Zhenlai and YST Sifang) (collectively, the “Original Debtors”) to such individuals and corporate entities (collectively, the “Creditors”) are shown as follows:

Serial No.	Creditor	Relationship of the Creditor with our Group	Original Debtor	Amount of Indebtedness (RMB)
a.	HLJ Beian NKTH	A company incorporated in the PRC, which certain ultimate beneficial owners of the then Shareholders were shareholders of HLJ Beian NKTH as of the Latest Practicable Date	Ruixinda	164,209,782
b.	Ms. Song Miao	An employee of our Group	Ruixinda	10,000,000
c.	Ms. SX Li	Spouse of Mr. HL Zhao	Ruixinda	133,210,000
d.	Mr. Liu Chengmin (“Mr. CM Liu”)	An employee of Mr. HL Zhao’s private company	YST Heilongjiang	32,437,000
e.	HLJ Beian NKTH	See item a	YST Heilongjiang	93,762,870
f.	HLJ Beian NKTH	See item a	YST Zhenlai	17,000,000
g.	Mr. CM Liu	See item d	YST Zhenlai	14,563,000
h.	HLJ Beian NKTH	See item a	YST Sifang	6,636,234
i.	Mr. Mao Haifeng	An employee of Mr. HL Zhao’s private company	YST Sifang	6,000,000
Total:				<u><u>477,818,886</u></u>
(the “Total Indebtedness”)				

To facilitate the settlement of the Total Indebtedness before Listing, Ms. SX Li subscribed for an aggregate of 0.99% of the registered capital of YST Heilongjiang (represented by 1.85 million shares with a par value of RMB1 each) by paying up an aggregate amount of RMB459,355,000 (the “Heilongjiang Subscription Price”) to YST Heilongjiang (i.e. at a premium) in March and April 2013, respectively. The relevant registration procedures were completed on 3 April 2013. The Heilongjiang Subscription Price received was applied by YST Heilongjiang on behalf of the other Original Debtors, together with the internal funds of the Original Debtors, to repay the Total Indebtedness to the respective Creditors in full as of 13 May 2013.

In such connection, the Heilongjiang Subscription Price consisted of (i) RMB280.32 million which came from Mr. HL Zhao and Ms. SX Li’s own funds; and (ii) RMB178.68 million which was borrowed from 14 then ultimate individual Shareholders, namely, Hu Yiyao, Xiong Han, Liu Shuguang, Xia Xinyu, Zhou Zhigang, Sun Xiaoyan, Sun Bo, Song Miao, Sun Yulong, Mo Liwei, Xie Dehe, Zhao Siyuan, Meng Fanqing, and Yang Hongwei (collectively, the “Lending Shareholders”). As shown in the table above, approximately 90% of the Total Indebtedness was owing by our Group to HLJ Beian

HISTORY, DEVELOPMENT AND REORGANIZATION

NKTH, Ms SX Li and Song Miao, and all the Lending Shareholders were also shareholders of HLJ Beian NKTH. The rationale of such arrangement was to facilitate the settlement of the Total Indebtedness by our Group by reorganizing the relevant amount of such indebtedness (i.e. the aforesaid RMB178.68 million) to become one only between Ms. SX Li and the Lending Shareholders so that our Group does not have to be involved therein. Such advances are non-interest-bearing and no agreement was entered into regarding such capital contribution. As confirmed by each of the Lending Shareholders, moneys paid for such capital injection came from their respective own funds.

Following such repayment and prior to the Listing, Ms. SX Li and YST Heping entered into an equity transfer agreement dated 14 June 2013, pursuant to which Ms. SX Li sold such 0.99% equity interest in YST Heilongjiang to YST Heping at a consideration at RMB1.85 million, which was equivalent to 0.99% of the registered capital in YST Heilongjiang. The relevant registration procedures were completed on 18 June 2013.

Note: The aggregate amount due to shareholders and related companies from our Group in the amount of approximately RMB446 million as of 31 December 2012, as disclosed on page 278 of this Prospectus, was part of the Total Indebtedness and thus was settled in full as of 13 May 2013 through applying the Heilongjiang Subscription Price received from Ms. SX Li by YST Heilongjiang for repayment as mentioned above.

PRE-IPO INVESTMENTS

A. Investments by Ares, OCBC and KNI and issue of new Shares

Background

On 28 March 2013, the Company, Mr. HL Zhao, ZHL Asia Limited and the BVI Subsidiary entered into the Ares Investment Agreements, the OCBC Investment Agreements and the KNI Investment Agreements with each of Ares, OCBC and KNI, respectively, for the purpose of implementing the Pre-IPO Investments. Following completion of the Pre-IPO Investments on 30 April 2013, the parties to the respective Pre-IPO Investment Agreements entered into supplemental agreements all dated 15 May 2013, pursuant to which certain provisions in each of the Pre-IPO Subscription Agreements concerning events of default triggering the Put Option (as defined below) were amended. Pursuant to three separate side letters (collectively, “Put Option Side Letters”) all dated 28 October 2013 entered into between Mr. HL Zhao, ZHL Asia Limited, the Company, Natural Dairy Farm and each of the Pre-IPO Investors, respectively, pursuant to which the prescribed date of the triggering event of the Put Option was extended from 30 June 2014 to 1 January 2015.

Each of the Pre-IPO Investors is an Independent Third Party to the Company and the Controlling Shareholder (other than being a Shareholder of the Company pursuant to the Pre-IPO Investment Agreements). To the best knowledge and belief of the Directors, the Pre-IPO Investors made such investments in our Group based on their expectations of our growth potential and prospects.

Backgrounds of the Pre-IPO Investors are set out below:

Ares: Ares, an exempted limited partnership organized and existing under the laws of the Cayman Islands and is 100% controlled by ACOF Asia Management, L.P. which in turn is 100% controlled by Ares Management (Cayman), Ltd. Ares is affiliated with Ares

HISTORY, DEVELOPMENT AND REORGANIZATION

Management LLC, an investment adviser registered with the U.S. Securities and Exchange Commission with approximately US\$68 billion of assets under management and headquartered in Los Angeles, with offices across the United States, Europe and Asia.

OCBC: OCBC is a licensed bank in Singapore listed on the Singapore Exchange Securities Trading Limited. It is a Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912.

KNI: the ultimate sole beneficial owner of KNI is VMS Investment Group Limited which is incorporated in the BVI. VMS Investment Group Limited is a private equity firm which was founded in October 2006. It is the holding company of an investment group of companies covering businesses of proprietary investments, asset management, securities brokerage and corporate advisory services. It makes and/or advises on investments in private equity, pre-IPO investments and other forms of investments. It has more than 10 investment projects under management with assets under active management and advisory exceeding US\$1 billion as of the Latest Practicable Date. VMS Securities Limited (“VMS Securities”), the financial adviser to the Company relating to the Global Offering, is a wholly owned subsidiary of VMS Investment Group Limited. The main role of VMS Securities is to provide advisory services to the Company throughout the listing process, including the selection of cornerstone investor(s) and strategic investor(s) for the Company.

Our Directors are of the view that the Pre-IPO Investments will broaden our Shareholders’ base and further improve our corporate governance and internal control, which in turn will benefit the Company and our Shareholders as a whole.

Subscription for Shares under the Pre-IPO Investment Agreements

Pursuant to the Pre-IPO Investment Agreements, each of the Pre-IPO Investors subscribed for and the Company issued and allotted certain number of Shares to such Pre-IPO Investors upon completion of the Pre-IPO Investment Agreements. Such completion took place on 30 April 2013. Brief details of the subscription made by the Pre-IPO Investors are as follows:

Pre-IPO Investors	Ares	OCBC	KNI
Number of Shares subscribed	5,201	5,044	5,044
Total consideration (the “Pre-IPO Subscription Price”)	US\$ equivalent of RMB206,220,500	US\$ equivalent of RMB200,000,000	HK\$ equivalent of RMB200,000,000
Basis of determination of consideration	The respective considerations were arrived at through arm’s length negotiation between the parties with reference to a pre-money valuation of our Group of RMB2.3 billion		
Effective purchase cost per Share	RMB39,650	RMB39,651	RMB39,651
Payment date (i.e. the completion date)	30 April 2013	30 April 2013	30 April 2013

HISTORY, DEVELOPMENT AND REORGANIZATION

Pre-IPO Investors	Ares	OCBC	KNI
Percentage shareholding of the Pre-IPO Investor immediately following completion of the Pre-IPO Investment Agreements	7.10%	6.88%	6.88%
Percentage of shareholding of the Pre-IPO Investor immediately following completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised at all)	4.82%	4.66%	4.66%
Discount to the mid-point of indicative offer price (i.e. HK\$2.84 per Offer Share)	56.0%	56.0%	56.0%
Use of proceeds	<p>The aggregate Pre-IPO Subscription Price was agreed to be applied solely for the following purposes:</p> <ul style="list-style-type: none"> (i) expansion and development of existing pastures owned by any member(s) of our Group; (ii) acquisition, contracting, developing or leasing of new pastures in a manner which complies with applicable laws as well as the requirements of the Pre-IPO Investors; and (iii) meeting working capital requirements of any member(s) of our Group. <p>As of the Latest Practicable Date, approximately US\$86 million (equivalent to approximately RMB529 million) of the aggregate Pre-IPO Subscription Price received pursuant to the Pre-IPO Investment Agreements had been used.</p>		
Lock-up	<p>The Pre-IPO Investment Agreements are silent as to whether the Shares held by each Pre-IPO Investor will be subject to any lock-up requirements after the Listing.</p>		
Public float	<p>The Shares subscribed by the Pre-IPO Investors pursuant to the Pre-IPO Investment Agreements will be counted as part of the public float of the Company given that each of the Pre-IPO Investors is solely a strategic investor in our Group and is an Independent Third Party.</p>		

HISTORY, DEVELOPMENT AND REORGANIZATION

Other Rights of the Pre-IPO Investors under the Pre-IPO Investment Agreements

The principal rights of the Pre-IPO Investors under the Pre-IPO Investment Agreements are summarized below:

- (i) **Put option:** each Pre-IPO Investor has been granted a put option (the “Put Option”) to require the Company, ZHL Asia Limited and/or Mr. HL Zhao (collectively, the “Put Option Covenanters”), on a joint and several basis, to repurchase or purchase (as the case may be) the Shares held by such Pre-IPO Investor upon the occurrence of the event that an initial public offering of Shares on a qualified exchange (including the Listing) (for the purpose of this subsection headed “Pre-IPO Investments,” the “IPO”) does not occur on or before 1 January 2015 (as amended by the Put Option Side Letters).

The price payable by the Put Option Covenanters to any Pre-IPO Investor upon such Pre-IPO Investor’s exercise of its Put Option will be the respective Pre-IPO Subscription Price paid by such Pre-IPO Investor plus an agreed rate of return being an internal rate of return of 20%.

On 28 March 2013, Mr. HL Zhao, ZHL Asia Limited and the Company entered into a side agreement (“Side Agreement”), pursuant to which these parties agreed so long as their obligations (“Put Option Obligations”) to purchase or to repurchase, as the case may be, the Shares held by the Pre-IPO Investor under the Pre-IPO Investment Agreements subsist, Mr. HL Zhao and ZHL Asia Limited shall be the primary obligors for the performance and discharge of the Put Option Obligations. Further, in the event the Put Option Covenanters receive such Put Option notice from the Pre-IPO Investor(s), Mr. HL Zhao and ZHL Asia Limited agreed and undertook to the Company, on a joint and several basis, to (i) assume the Put Option Obligations in respect of the Company and take all necessary actions, including but not limited to paying the price payable under the Put Option Obligations, in accordance with the instructions of the Company; and (ii) indemnify the Company against any cost, expenses, loss and liability incurred by the Company in respect of its Put Option Obligations.

- (ii) **Fixed monetary return to the Pre-IPO Investors through a two-way compensation between the Pre-IPO Investors and ZHL Asia Limited:** Each Pre-IPO Investor is entitled to the following pre-agreed return based on the formula set forth below:

$$\text{Pre-agreed return} = (T \times R) - D1 + D2$$

Where:

“T” is the respective Pre-IPO Subscription Price paid by a Pre-IPO Investor reduced by the same percentage as the number of Shares repurchased/purchased by the Put Option Covenanters upon exercise of the Put Option (if any) bears to the number of Shares held by the Pre-IPO Investor

HISTORY, DEVELOPMENT AND REORGANIZATION

“R” is the respective percentages set forth below which will be varied with the occurrence of the following events:

<u>Pre-IPO Investors</u>	<u>Ares</u>	<u>OCBC</u>	<u>KNI</u>
if the IPO occurs before the first anniversary of the date of subscription of the Shares by the respective Pre-IPO Investor (the “Subscription Date”)	210%	200%	190%
if the IPO occurs from (and including) the first anniversary of the Subscription Date and before the second anniversary of the Subscription Date.	230%	220%	210%
if the IPO occurs from (and including) the second anniversary of the Subscription Date and before the third anniversary of the Subscription Date.	250%	240%	230%
if the IPO occurs on or after the third anniversary of the Subscription Date.	300%	290%	280%

“D1” is the aggregate distributions of profits and other distributions received by the Pre-IPO Investor in respect of all of the Shares held by such Pre-IPO Investor as of the business day immediately prior to the date of the IPO; and

“D2” is the amount of accrued but unpaid distributions of profits and other distributions payable to the Pre-IPO Investor in respect of all of the Shares held by the Pre-IPO Investor.

At the time of an IPO, if the value of the Shares held by the Pre-IPO Investor (as determined with reference to the issue price per Share in the IPO (the “IPO Price”)) is such that it results in a return greater than the above relevant pre-agreed return to such Pre-IPO Investor, such Pre-IPO Investor shall compensate ZHL Asia Limited the excessive value in cash. Conversely, ZHL Asia Limited and Mr. HL Zhao shall make such cash compensation to the Pre-IPO Investor if the value of the Shares held by such Pre-IPO Investor at the IPO Price is such that it results in a return less than the pre-agreed return as set forth in the above table.

The cash compensation arrangement referred to in this paragraph is hereinafter called the “Compensation Mechanism.”

- (iii) **Share Charge:** as a security for the performance by ZHL Asia Limited and Mr. HL Zhao of the payment obligations under the Pre-IPO Investment Agreements, ZHL Asia Limited has executed a first fixed charge in favor of each Pre-IPO Investor over a certain number of Shares held by ZHL Asia Limited (in proportion to such Pre-IPO Investor’s respective investment in the Company relative to the Pre-IPO Subscription Price). Such charged Shares represent an aggregate of approximately 50.15% of the issued share capital of the Company prior to the completion of the Pre-IPO Investment Agreements (collectively, the “Pre-IPO Charges” and each, a “Pre-IPO Charge”). Each Pre-IPO Charge will be released upon

HISTORY, DEVELOPMENT AND REORGANIZATION

Listing if the obligations of ZHL Asia Limited and Mr. HL Zhao to pay the relevant Pre-IPO Investor the cash amount under the Compensation Mechanism have been discharged in full by the Listing Date. In addition, Mr. HL Zhao has confirmed that he and ZHL Asia Limited have and will continue to have the capability (financial or otherwise) to fulfill their payment obligations under the Compensation Mechanism (if so arising) to the Pre-IPO Investors. Mr. HL Zhao has further undertaken that he will fully discharge his payment obligations under the Compensation Mechanism (if so arise) prior to the Listing Date, so that the pre-IPO Charges will not survive the Listing.

- (iv) **Release of certain Shares for sale in the IPO:** if ZHL Asia Limited intends to dispose of a number of its Shares (which are subject to the Pre-IPO Charge(s)) for the sole purpose of financing the payment to a Pre-IPO Investor of the cash amount under the Compensation Mechanism (the “ZHL Sale Shares”), the relevant Pre-IPO Investor (being the chargee of such Pre-IPO Charge) shall use all commercially reasonable efforts to facilitate the release of the ZHL Sale Shares from the Pre-IPO Charge, and the Company shall ensure that all proceeds of the ZHL Sale Shares from the IPO (up to the maximum amount ZHL Asia Limited is obligated to pay the relevant Pre-IPO Investor under the Compensation Mechanism) shall be paid directly to such Pre-IPO Investor as if such Pre-IPO Investor (and not ZHL Asia Limited) were the selling shareholder in the IPO in respect of the ZHL Sale Shares. Any unpaid proceeds shall bear interest from the due date for payment until the date on which the relevant Pre-IPO Investor receives such proceeds in full, at a compound interest rate of 20% per annum accrued on the unpaid proceeds.
- (v) **Board nomination:** the Board shall consist of no less than three and no more than 17 Directors. Each Pre-IPO Investor shall be entitled to appoint one Director, whom may only be removed by the relevant Pre-IPO Investor that had appointed him. The chairman of the Board shall be appointed by the Board.
- (vi) **Pre-emption rights:** ZHL Asia Limited and the Company shall not (and ZHL Asia Limited and Mr. HL Zhao shall procure that none of ZHL Asia Limited or the Company shall) issue or sell any Shares (and/or equivalent interests) to any person or incur any indebtedness in favor of any person (other than for the purpose of the transactions permitted under the Pre-IPO Investments, the restructuring for a qualified IPO, an incentive scheme where the Pre-IPO Investors’ approval is not required, and the Listing), unless such issue or sale of Shares (and/or equivalent interests) is offered to the Pre-IPO Investors under the same terms and conditions or terms and conditions more favorable to the Pre-IPO Investors in accordance with the prescribed manner under the Pre-IPO Investment Agreements and is not taken up by the Pre-IPO Investors.
- (vii) **Anti-dilution:** Without prejudice to the pre-emption rights as mentioned above, ZHL Asia Limited and Mr. HL Zhao shall procure that the Company not to issue or sell any Shares (and/or equivalent interests) to any person or incur any indebtedness in favor of any person (other than for the purpose of the transactions permitted under the Pre-IPO Investments, the restructuring for a qualified IPO, an incentive scheme where the Pre-IPO Investors’ approval is not required, and the Listing), unless prior to or at the same time of such new issue of Shares, the Company shall issue such number of additional Shares credited as fully paid-up to the Pre-IPO Investors (without payment of any additional subscription monies or other

HISTORY, DEVELOPMENT AND REORGANIZATION

consideration) so that the Pre-IPO Investors shall continue to hold their respective shareholding percentages of the enlarged share capital of the Company immediately after such new issue of Shares, on an as-converted and fully-diluted basis.

- (viii) **Sales guarantee:** Mr. HL Zhao and ZHL Asia Limited guarantee to the Pre-IPO Investors that for each of the two financial years after the occurrence of an IPO (excluding any financial year after 2016) (the “Relevant Financial Years” each, a “Relevant Financial Year”), the total sales volume of our Group’s milk and milk products (the “Actual Sales Volume”), as represented by the total sales volume of biological assets of our Group for each of the Relevant Financial Years shall be no less than the guaranteed sales volume of the Relevant Financial Years (the “Guaranteed Sales Volume”) specified below:

<u>For the financial year ending</u>	<u>Guaranteed Sales Volume (million kilograms)</u>
2013	180
2014	240
2015	290
2016	360

In the event the Actual Sales Volume is less than the Guaranteed Sales Volume in any Relevant Financial Year, Mr. HL Zhao and ZHL Asia Limited will unconditionally and irrevocably, on a joint and several basis, pay to the Pre-IPO Investors within 120 calendar days of the end of that Relevant Financial Year an amount (the “Sales Guarantee Compensation”) in immediately available funds as determined by the formula set out below:

$$MS = G - A$$

$$ST = S/T \times 100\%$$

$$\text{Amount of Sales Guarantee Compensation for the Relevant Financial Year} = MS \times AG \times ST$$

Where:

“MS” is the shortfall on the total sales volume of our Group’s milk and milk products for that Relevant Financial Year, i.e. the difference between the Guaranteed Sales Volume for the Relevant Financial Year and the Actual Sales Volume for the Relevant Financial Year;

“G” is the Guaranteed Sales Volume for the Relevant Financial Year;

“A” is the Actual Sales Volume for the Relevant Financial Year;

“AG” is the average gross profit per kilogram of our Group’s total milk and milk products sales as set out in the audited financial statements for each of the Relevant Financial Years, which is to be determined as follows:

- (a) For the amount of Sales Guarantee Compensation for the Relevant Financial Year of 2013, AG is determined by the average gross profit per kilogram of our Group’s total milk and milk products sales for each of the three financial years ending 31 December 2011, 2012 and 2013;

HISTORY, DEVELOPMENT AND REORGANIZATION

- (b) For the amount of Sales Guarantee Compensation for the Relevant Financial Year of 2014, AG is determined by the average gross profit per kilogram of our Group's total milk and milk products sales for the three financial years ending 31 December 2012, 2013 and 2014;
- (c) For the amount of Sales Guarantee Compensation for the Relevant Financial Year of 2015, AG is determined by the average gross profit per kilogram of our Group's total milk and milk products sales for the three financial years ending 31 December 2013, 2014 and 2015; or
- (d) For the amount of Sales Guarantee Compensation for the Relevant Financial Year of 2016, AG is determined by the average gross profit per kilogram of our Group's total milk and milk products sales for the three financial years ending 31 December 2014, 2015 and 2016.

If AG in any of the Relevant Financial Year is less than zero, the AG for that Relevant Financial Year will be excluded from the calculation of AG;

“S” is the number of Shares held by the Pre-IPO Investor as of 31 December of that Relevant Financial Year; and

“T” is the total number of outstanding Shares in issue as of 31 December of that Relevant Financial Year.

Notwithstanding the above, if Mr. HL Zhao or ZHL Asia Limited provides to the Pre-IPO Investor, within 120 calendar days of the end of a Relevant Financial Year, evidence reasonably satisfactory to the Investor that the fact that the Actual Sales Volume in that Relevant Financial Year is less than the Guaranteed Sales Volume in that Relevant Financial Year is mainly attributable to one or more force majeure events, Mr. HL Zhao and ZHL Asia Limited shall not be under any obligation to guarantee the sales volume of our Group's milk and milk products in that Relevant Financial Year or pay the Sales Guarantee Compensation in respect of that Relevant Financial Year.

Pursuant to the Pre-IPO Investment Agreements, the above rights (save and except the Pre-IPO Charges and the Sales Guarantee Compensation as mentioned above) will be terminated upon Listing. Mr. HL Zhao has confirmed that he and ZHL Asia Limited has and will continue to have the capability (financial or otherwise) to fulfill their payment obligations under the Compensation Mechanism (if so arising) to the Pre-IPO Investors. Mr. HL Zhao has further undertaken that before the Listing Date, he will procure the Pre-IPO Investors to come to agreement with him on a fixed amount of compensation (if any), and that he will make such payment before the Listing Date, so that no further compensation will have to be paid after Listing. As such, the Directors are of the view that the Company and the Controlling Shareholders will be able to comply with the requirements under Rule 10.07 of the Listing Rules.

Our Directors confirm that the Pre-IPO Investment Agreements were entered into on normal commercial terms. The Joint Sponsors are of the view that the Pre-IPO Investment Agreements are in compliance with the Interim Guidance on Pre-IPO Investments issued on 13 October 2010 by the Stock Exchange.

HISTORY, DEVELOPMENT AND REORGANIZATION

Note: On 4 February 2013, Ares, the Company, Mr. HL Zhao, ZHL Asia Limited and the BVI Subsidiary entered into a subscription agreement and certain other documents in relation to the proposed investment by Ares in the Company. These agreements were rescinded by the Ares Investment Agreements as mutually agreed between the parties.

B. Transfer of Shares by a minority Shareholder

Background

Pursuant to two share transfer agreements both dated 2 April 2013 (“Minority Transfer Agreements”) made by MFQ Asia Limited and Mr. Meng Fanqing on the one part with each of the purchasers (namely, Maximum Shine Limited and HQ-China Fund L.P.) on the other part respectively, one of our minority Shareholders, namely MFQ Asia Limited, transferred its 770 Shares to Maximum Shine Limited and 1204.2831 Shares to HQ-China Fund L.P. at a consideration of US\$4,801,993.75 and US\$7,550,000, respectively. The approval of such transfers by the Bermuda Monetary Authority was obtained on 13 May 2013.

As of the date of the above transfer, Maximum Shine Limited was owned as to 90% by Yang Xiaofeng (楊效豐) and 10% by Ma Liang (馬良) (both are Independent Third Parties). On 21 May 2013, Yang Xiaofeng completed the transfer his entire interest in Maximum Shine Limited to Ma Liang at a consideration of RMB27,581,400, which was determined with reference to the subscription price per Share paid by the Pre-IPO Investors under the Pre-IPO Subscription Agreements. The consideration was fully settled as of 23 May 2013. As of the Latest Practicable Date, Maximum Shine Limited was wholly owned by Ma Liang.

As of the date of the above transfer and the Latest Practicable Date, HQ-China Fund L.P., being an Independent Third Party, was a limited partnership established in the Cayman Islands, of which CSCI Co. Ltd (being an indirect wholly owned subsidiary of China Securities (International) Asset Management Company Limited) was the sole general partner. China Securities (International) Asset Management Company Limited and China Securities (International) Corporate Finance Company Limited (being one of the Joint Sponsors) were direct wholly owned subsidiaries of China Securities (International) Finance Holding Company Limited.

To the best knowledge and belief of the Directors, such transfer of Shares was made because each of Maximum Shine Limited and HQ-China Fund L.P. appreciated our Group’s potential and prospects.

Details of the transfer of Shares

	Maximum Shine Limited	HQ-China Fund L.P.
Date of transfer	15 May 2013	15 May 2013
Number of Shares transferred	770	1204.2831
Consideration	US\$4,801,993.75	US\$7,550,000
Basis of determination of consideration	The respective considerations were determined with reference to the subscription price per Share paid by the Pre-IPO Investors under the Pre-IPO Subscription Agreements.	

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	Maximum Shine Limited	HQ-China Fund L.P.
Approximate effective purchase cost per Share	US\$6,236.36	US\$6,269.29
Payment date	24 April 2013	26 April 2013
Completion date	15 May 2013	15 May 2013
Percentage shareholding immediately following the transfer	1.05%	1.64%
Percentage shareholding immediately following completion of the Global Offering and Capitalization Issue	0.79%	1.23%
Discount to mid-point of indicative offer price (i.e. HK\$2.84 per Offer Share)	57.4%	57.2%
Use of proceeds (if any)	No proceeds were received by the Company.	
Lock-up	Such transfers of Shares to Maximum Shine Limited and HQ-China Fund L.P. are silent as to whether such Shares will be subject to any lock-up requirements after the Listing.	
Public float.	The Shares held by Maximum Shine Limited and HQ-China Fund L.P. will be counted as part of the public float of the Company given that each of such Shareholders is an Independent Third Party.	
Special rights (if any)	Except the put option and tag-along right mentioned below which would lapse on the Listing Date, there was not any special right on the Shares held by Maximum Shine Limited or HQ-China Fund L.P..	

Put option and tag-along right under the share transfer agreement

Put option: Each of Maximum Shine Limited and HQ-China Fund L.P. (collectively the “Transferees” and each a “Transferee”) has been granted a put option to require the MFQ Asia Limited to purchase (if the option is exercised) the Shares then held by such Transferee, on the condition (“Triggering Event”) that an initial public offering of Shares on the Stock Exchange does not occur within three years from 15 May 2013, being the date (“Completion Date”) of completion of the respective Minority Transfer Agreements.

If the put option is exercised, the price payable by MFQ Asia Limited to the Transferee will be equal to such amount which shall be no less than the total of:

- (i) $\{\text{RMB}39,000 \text{ per Share}\} \times \{\text{Total number of Shares then transferred}\} \times \{(1 + 0.05 \times N)\}$,
and

HISTORY, DEVELOPMENT AND REORGANIZATION

- (ii) amount of capital injected by the Transferee into the Company during the period starting from the Completion Date to the date of completion of the transfer of Shares upon the exercise of the put option.

and for the purpose of this formula, $N = \{\text{number of days elapsed from the Completion Date to the said date of completion of transfer of the relevant Shares upon the put option being exercised}\} \div 365$

Tag-along Right: Mr. Meng Fanqing and MFQ Asia Limited have undertaken to each Transferee under the respective share purchase agreement that if Mr. HL Zhao or ZHL Asia Limited (“Relevant Shareholder”) intends to sell or transfer any of its Shares (whether held directly or indirectly) to any person upon the occurrence of the Triggering Event, Mr. Meng Fanqing and MFQ Asia Limited shall use all reasonable efforts to procure the Relevant Shareholder to consent to the Transferee to sell all the Shares then held by the Transferee on price and terms no less favorable than those offered by the intended buyer to the Relevant Shareholder.

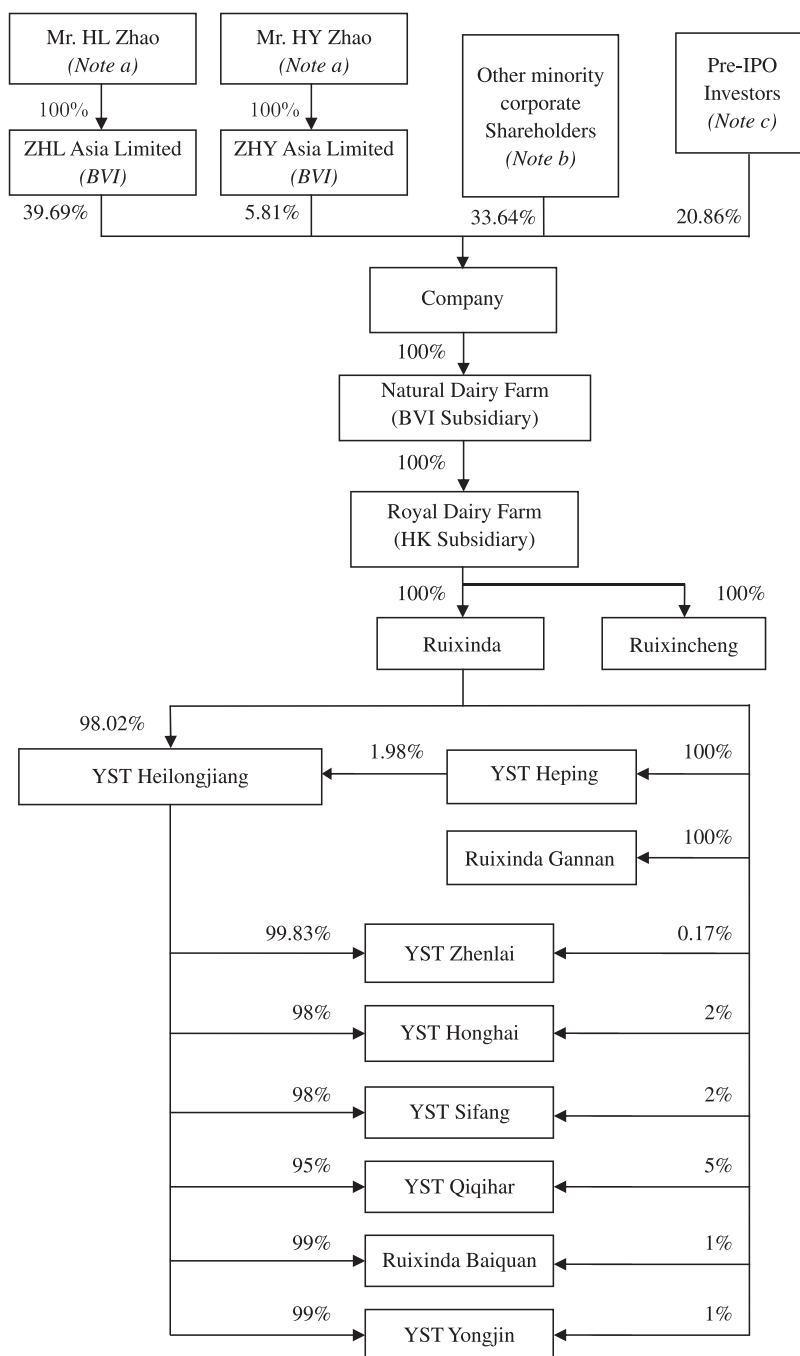
Pursuant to the Minority Transfer Agreement, the above rights will be terminated upon Listing.

Our Directors confirm that the above transfers were entered into on normal commercial terms. The Joint Sponsors are of the view that the above transfers are in compliance with the Interim Guidance on Pre-IPO Investments issued on 13 October 2010 by the Stock Exchange.

HISTORY, DEVELOPMENT AND REORGANIZATION

CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganization and as of the Latest Practicable Date:



Notes:

- a. Mr. HL Zhao and Mr. HY Zhao are brothers. ZHL Asia Limited, ZHY Asia Limited, Mr. HL Zhao and Mr. HY Zhao are parties acting in concert and on 29 October 2013 they entered into a deed of acting in concert to, among others, confirm their acting-in-concert agreement. As such, as of the Latest Practicable Date, ZHL Asia Limited and ZHY Asia Limited together controlled approximately 45.5% interest in the issued share capital in the Company.

HISTORY, DEVELOPMENT AND REORGANIZATION

b. As of the Latest Practicable Date, these minority corporate Shareholders were:

Serial no.	Name of minority corporate holder of our Shares	Owner of the issued share capital in such corporate holder	Attributable percentage of holding of Shares (%)
1.	MFQ Asia Limited	Meng Fanching (孟凡慶)	3.99
2.	ZCH Asia Limited	Zhang Chaohui (張朝暉) (91.94%) Hu Yiyao (胡藝耀) (8.06%)	4.23
3.	YHW Asia Limited	Yang Hongwei (楊宏偉)	2.73
4.	SB Asia Limited	Sun Bo (孫博)	2.59
5.	Inno Technology (HK) Limited	Tang Xiaoyang (唐曉陽)	2.73
6.	Fine Time Holdings Limited	Liu Shuguang (劉曙光)	1.36
7.	Guo Xin Investments Limited	Xia Xinyu (夏鑫玉)	0.91
8.	ZDJ Asia Limited	Zhang Dijun (張迪軍)	1.09
9.	SM Asia Limited	Song Miao (宋淼)	0.96
10.	MLW Asia Limited	Mo Liwei (莫麗偉)	0.96
11.	SXY Asia Limited	Sun Xiaoyan (孫曉燕)	1.00
12.	XH Asia Limited	Xiong Han (熊瀚)	1.64
13.	HYY Asia Limited	Hu Yiyao (胡藝耀)	2.18
14.	ZSY Asia Limited	Zhao Siyuan (趙思源)	1.81
15.	XDH Asia Limited	Xie Dehe (解德河)	0.45
16.	SYL Asia Limited	Sun Yulong (孫玉龍)	0.42
17.	Precious View Investments Limited	Meng Xiaobin (孟曉斌) (70%) Ren Jie (任傑) (30%)	0.54
18.	Zhongchi Management Consulting Limited	Zhang Ye (張曄) (40%) Xu Qing (徐青) (20%) Yu Taifeng (俞太鋒) (20%) Zhou Zhigang (周志剛) (10%) Ren Hong (任宏) (10%)	1.36
19.	Maximum Shine Limited	Ma Liang (馬良)	1.05
20.	HQ-China Fund L.P.	—	1.64
Total:			33.64

HISTORY, DEVELOPMENT AND REORGANIZATION

For brief details of the change in our Shareholders prior to Listing, please refer to “— Change in Registered/Issued Capital and/or Equity-holders of Members of our Group — Change in Issued Capital and/or Owners of the Company” in this section.

In respect of item no. 2 above of this note b, on 15 May 2013, Zhang Chaohui, the ultimate beneficial owner of ZCH Asia Limited, transferred 0.08065 shares of ZCH Asia Limited, representing approximately 8.06% of its issued share capital, to Hu Yiyao, being the ultimate beneficial owner of a minority corporate Shareholder, namely HYY Asia Limited (see item 13 of this note b), at a consideration of RMB9.9 million, which was determined with reference to the subscription price per Share by the Pre-IPO Investors under the Pre-IPO Subscription Agreements. Such consideration had been settled in full as of 4 December 2012. Immediately after the above transfer, Zhang Chaohui held 0.91935 shares of ZCH Asia Limited and Hu Yiyao held 0.08065 shares of ZCH Asia Limited, representing approximately 91.94% and 8.06% of its issued share capital, respectively.

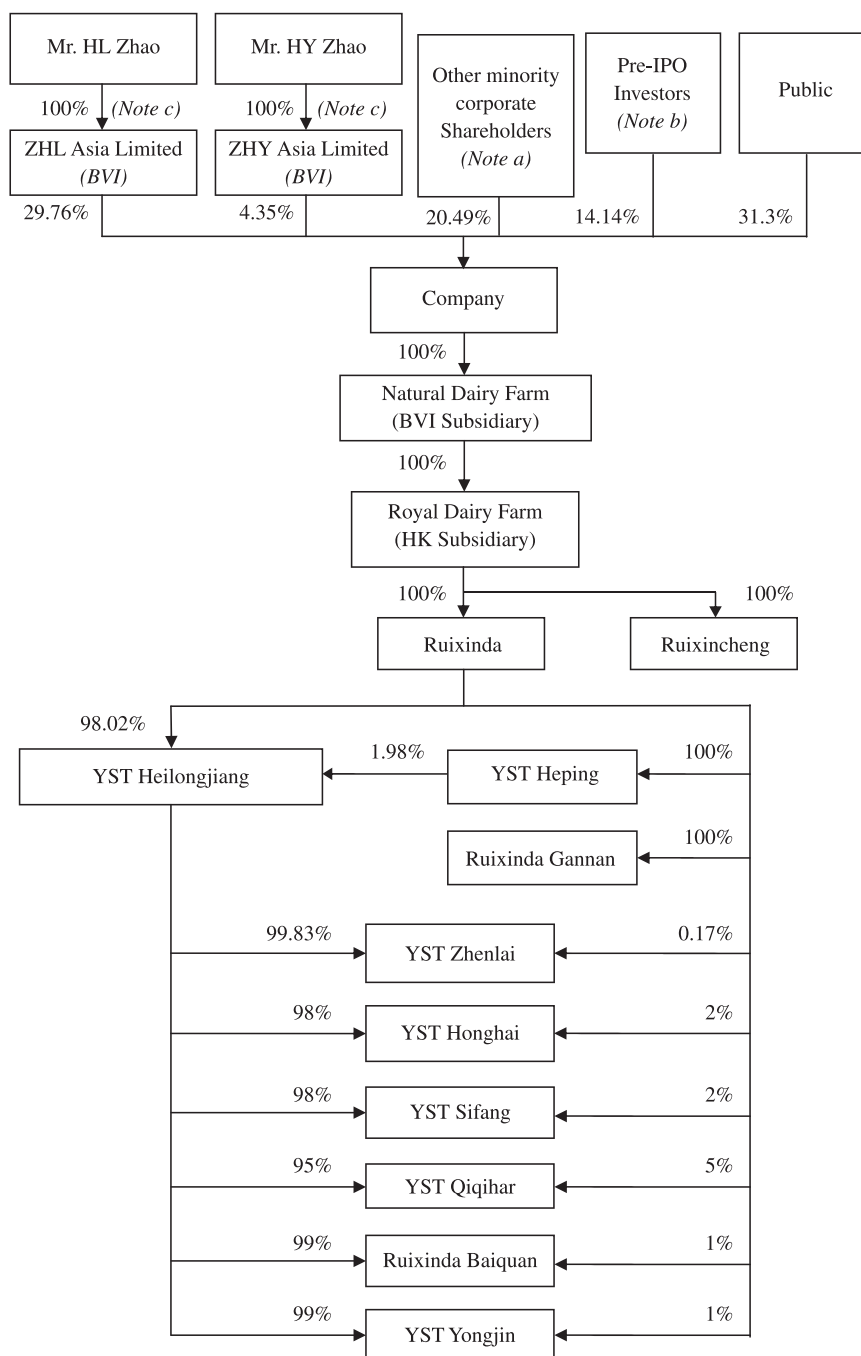
Except for ZCH Asia Limited, Precious View Investments Limited and Zhongchi Management Consulting Limited (no. 2, 17 and 18 above), the entire issued share capital in each corporate Shareholder is owned by the individual person named in the third column. Each of individuals named in the third column is a PRC citizen.

Except for Inno Technology (HK) Limited (no. 5 above) which is incorporated in Hong Kong and HQ-China Fund L.P. (no. 20 above) which is a limited partnership registered in the Cayman Islands, each of the corporate Shareholders set forth in the second column above is incorporated in BVI.

- c. These Pre-IPO Investors include Ares, OCBC and KNI. As of the Latest Practicable Date, these Pre-IPO Investors held 15,289 Shares. For further details, please refer to “— Pre-IPO Investments” in this section.

HISTORY, DEVELOPMENT AND REORGANIZATION

The following chart sets forth the shareholding and corporate structure of our Group immediately upon completion of the Global Offering (including the offer for sale of the Sale Shares by the Selling Shareholders) and the Capitalization Issue (assuming that the Over-allotment Option is not exercised):



HISTORY, DEVELOPMENT AND REORGANIZATION

Notes:

- a. On such bases and assumptions as set forth in the sub-paragraph immediately preceding the above corporate chart, the number of Shares and percentage shareholdings attributable to such minority corporate Shareholders are:

Serial no.	Name of minority corporate holder of our Shares	Owner of the issued share capital in such corporate holder	Attributable percentage of holding of Shares (%) (assuming that the Over-allotment Option is not exercised at all)	Attributable percentage of holding of Shares (%) (assuming that the Over-allotment Option is exercised in full)
1.	MFQ Asia Limited	Meng Fanching (孟凡慶)	0	0
2.	ZCH Asia Limited	Zhang Chaohui (張朝暉) (91.94%) Hu Yiyao (胡藝耀) (8.06%)	3.17	3.17
3.	YHW Asia Limited	Yang Hongwei (楊宏偉)	1.14	0.59
4.	SB Asia Limited	Sun Bo (孫博)	1.09	0.56
5.	Inno Technology (HK) Limited	Tang Xiaoyang (唐曉陽)	2.05	2.05
6.	Fine Time Holdings Limited	Liu Shuguang (劉曙光)	1.02	1.02
7.	Guo Xin Investments Limited	Xia Xinyu (夏鑫玉)	0.68	0.68
8.	ZDJ Asia Limited	Zhang Dijun (張迪軍)	0.82	0.82
9.	SM Asia Limited	Song Miao (宋淼)	0.72	0.72
10.	MLW Asia Limited	Mo Liwei (莫麗偉)	0.72	0.72
11.	SXY Asia Limited	Sun Xiaoyan (孫曉燕)	0.75	0
12.	XH Asia Limited	Xiong Han (熊瀚)	1.23	1.23
13.	HYY Asia Limited	Hu Yiyao (胡藝耀)	1.64	1.64
14.	ZSY Asia Limited	Zhao Siyuan (趙思源)	1.36	0
15.	XDH Asia Limited	Xie Dehe (解德河)	0.34	0.34
16.	SYL Asia Limited	Sun Yulong (孫玉龍)	0.32	0.32
17.	Precious View Investments Limited	Meng Xiaobin (孟曉斌) (70%) Ren Jie (任傑) (30%)	0.41	0.41
18.	Zhongchi Management Consulting Limited	Zhang Ye (張曄) (40%) Xu Qing (徐青) (20%) Yu Taifeng (俞太鋒) (20%) Zhou Zhigang (周志剛) (10%) Ren Hong (任宏) (10%)	1.02	1.02
19.	Maximum Shine Limited	Ma Liang (馬良)	0.79	0.79
20.	HQ-China Fund L.P.	—	1.23	1.23
Total:			<u>20.49</u>	<u>17.30</u>

For other details of these minority Shareholders, please refer to note b to the corporate chart immediately after the Reorganization and as of the Latest Practicable Date on page 139 of this Prospectus as illustrated above.

HISTORY, DEVELOPMENT AND REORGANIZATION

- b. The number of Shares and percentage shareholdings attributable to the Pre-IPO Investors are:

Serial no.	Pre-IPO Investor	Attributable percentage of holding of Shares (%) (assuming that the Over- allotment Option is not exercised at all)	Attributable percentage of holding of Shares (%) (assuming that the Over- allotment Option is exercised in full)
1.	Ares	4.82	4.32
2.	OCBC	4.66	4.16
3.	KNI	4.66	4.16

- c. Mr. HL Zhao and Mr. HY Zhao are brothers. ZHL Asia Limited, ZHY Asia Limited, Mr. HL Zhao and Mr. HY Zhao are parties acting in concert and on 29 October 2013 they entered into a deed of acting in concert to, among others, confirm their acting-in-concert agreement. As such, immediately following completion of the Global Offering and the Capitalization Issue, ZHL Asia Limited and ZHY Asia Limited will together control approximately 34.12% interest in the issued share capital in the Company.

PRC REGULATORY REQUIREMENTS AND M&A RULES

Our PRC Legal Advisers have confirmed that all equity transfers, increases in registered capital and steps of the Reorganization in respect of the PRC companies in our Group as described above have obtained all necessary approvals, completed all registrations and the procedures involved are in accordance with the PRC laws and regulations.

Under Article 11 of the M&A Provisions, which were promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission, the CSRC, the State Administration of Taxation, the SAIC and the SAFE and became effective on 8 September 2006, where a domestic natural person intends to takeover his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of the MOFCOM. As advised by the Company's PRC Legal Advisers, as Mr. HL Zhao held permanent residence of Republic of Guinea-Bissau at the time of the acquisition of Ruixinda by Royal Dairy Farm, he was not a domestic natural person under Article 11 of the M&A Provisions. Therefore the acquisition did not constitute an acquisition under Article 11 of the M&A Provisions and shall not be subject to the approval of the MOFCOM. The Investment Promotion Bureau of Harbin City (哈爾濱市投資促進局), which is the competent commerce authority having the relevant approval power at provincial level, had the same view on the matter and approved such acquisition.

As advised by our PRC Legal Advisers, we have complied with all applicable PRC rules and regulations and have obtained all relevant approvals from PRC Government authorities for the Reorganization and the Listing and we do not need to obtain approval from the MOFCOM and the CSRC.