
HISTORY AND CORPORATE STRUCTURE

INTRODUCTION

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 8 June 2009.

Our Group is primarily engaged in the production, distribution and sale of high-priced and premium-priced paediatric nutrition products in the PRC, with paediatric milk formula products as our major products.

HISTORY AND DEVELOPMENT

Establishment of Ausnutria Hunan and incorporation of Ausnutria Australia and subsequent transfers of certain interests

Hunan Ausnutria Functional Dairy Company Ltd (湖南澳優功能乳品有限公司) was established in the PRC as a sino-foreign equity joint venture company on 15 September 2003 with a registered capital and total investment of RMB10 million and RMB12.8 million respectively. Its equity interests were held as to 75% by Mornring, 20% by Pearl Time Australia Pty Ltd. (澳大利亞明珠時代有限責任公司) (“**Pearl Time Australia**”) and 5% by American Functional Foodstuff respectively. Pearl Time Australia is a company incorporated in Australia on 25 June 2003 principally engaged in trading business⁽¹⁾. Pearl Time Australia held the 20% equity interests in Ausnutria Hunan on trust for Mr Wu and Mr Yan at their request before they incorporated a company in Australia to hold the relevant equity interests. The registered capital for the 20% equity interests in Ausnutria Hunan (i.e. RMB2 million) was paid by Ausnutria Australia after its incorporation.

Hunan Ausnutria Functional Dairy Company Ltd was subsequently renamed as Ausnutria Dairy (Hunan) Company, Ltd (澳優乳品(湖南)有限公司) in October 2003, which name change was approved by the competent government authorities in May 2004.

On 18 February 2004, Mr Chen and 20 other former and present employees of our Group⁽²⁾ (collectively, the “**20 employees**”), and Mornring entered into a trust agreement (the “**First Trust Agreement**”), pursuant to which Mornring agreed to hold 32% equity interests in Ausnutria Hunan in favour of Mr Chen and the 20 employees. Mr Chen and the 20 employees paid an aggregate amount of RMB3.2 million for the 32% equity interests in Ausnutria Hunan.

After Mr Wu and Mr Yan incorporated Ausnutria Australia in October 2003, they requested the shareholders of Pearl Time Australia to transfer the 20% equity interests in Ausnutria Hunan back to Ausnutria Australia. Such equity transfer was approved by the competent government authority in May 2004. After such equity transfer, the equity interests in Ausnutria Hunan were held as to 75% by Mornring, 20% by Ausnutria Australia and 5% by American Functional Foodstuff.

Notes:

- (1) Pearl Time Australia is owned by Christine Young and Carl Qur Young in the proportion of 30% and 70% respectively. Christine Young is a director of Ausnutria Australia.
- (2) These former and present employees of our Group comprise Zhu Zhonghua, Gong Jingming Zhu Junxiang, Xiao Guoxiong, Xiao Shihu, Dai Zhiyong, Yang Mingqing, Li Sihua, Cao Xi, Liu Yuehui, Tan Ningnan, Wu Zhangwei, Qu Zhishao, Huang Yongbi, Huang Yongcheng, Huang Mingwen, Yang Peihao, Li Wei, Liu Yubiao and Sun Jingang.

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In June 2007, the competent government authority approved the transfer of 5% equity interests in Ausnutria Hunan held by American Functional Foodstuff to Ausnutria Australia for a consideration of RMB0.5 million as Mr Wu and Mr Yan decided to make the transfer as they wished to relocate Ausnutria Hunan’s research and development base from the U.S. to Australia. The consideration was determined based on the amount of registered capital contributed by American Functional Foodstuff into Ausnutria Hunan. The consideration was settled among the shareholders of Ausnutria Australia and American Functional Foodstuff. Upon completion of the equity transfer, the equity interests in Ausnutria Hunan were held as to 75% by Mornring and 25% by Ausnutria Australia.

In July 2007, the competent government authority approved the transfer of 32% equity interests in Ausnutria Hunan by Mornring to Mr Chen for a consideration of RMB3.2 million. This was because Mr Chen wished to directly hold the equity interests in Ausnutria Hunan for himself and on behalf of the 20 employees. There was no consideration paid by Mr Chen to Mornring in this transfer. Upon completion of the equity transfer, the equity interests in Ausnutria Hunan were held as to 43% by Mornring, 32% by Mr Chen and 25% by Ausnutria Australia.

On 4 July 2007, Mr Chen and the 20 employees, and Mornring entered into a termination agreement to terminate the First Trust Agreement. On the same date, Mr Chen and the 20 employees entered into another trust agreement (the “**Second Trust Agreement**”), pursuant to which Mr Chen agreed to hold 16.25% equity interests in Ausnutria Hunan as trustee in favour of the 20 employees.

Aborted transactions in respect of the sale of Ausnutria Hunan to ADY

Between about August and October 2007, Mornring, Mr Chen, Ausnutria Australia engaged into negotiations with ADY (through its investment vehicle) for the sale and purchase of 100% equity interests in Ausnutria Hunan, pursuant to which ADY (through its investment vehicle) paid a deposit of approximately RMB70 million and the parties entered into a series of agreements. In view that the equity interests in Ausnutria Hunan were held by both onshore shareholders (namely, Mornring and Mr Chen) and offshore shareholder (namely, Ausnutria Australia), the parties entered into further negotiations leading to a detailed equity transfer agreement entered into between Mornring, Mr Chen, Ausnutria Hunan and MoveUp in respect of the sale and purchase of the 75% equity interest in Ausnutria Hunan held by the onshore shareholders (the “**Equity Purchase Agreement**”). Pursuant to the Equity Purchase Agreement, MoveUp agreed to acquire the 43% and 32% equity interests in Ausnutria Hunan held by Mornring and Mr Chen respectively for a total consideration of RMB206.5 million. The consideration was determined among the parties on the basis of Ausnutria Hunan’s historical financial performance, its future prospects and profitability. Mornring and Mr Chen considered that the said consideration was reasonable and thus it was in their commercial interests to realise their respective investment in Ausnutria Hunan. The consideration, net of the deposit paid by ADY (through its investment vehicle) of approximately RMB70 million, was paid by ADY (through its investment vehicle), taking the total amount of deposit paid by ADY to approximately RMB206.5 million. Pursuant to the Equity Purchase Agreement, the parties carried out steps to complete the transfer, including the obtaining of the certificate of approval and the new business licence of Ausnutria Hunan from the competent government authorities in October and November 2007 respectively (the “**Original Approval**”).

The parties then entered into further negotiations regarding the details of the sale and purchase of the remaining 25% equity interests in Ausnutria Hunan held by offshore shareholder. As a result, ADY (through its investment vehicle) paid a further deposit of approximately RMB10 million in February 2008. It was agreed between the parties that ADY would acquire the entire issued share capital of

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Ausnutria Australia, being the offshore shareholder, which held the remaining 25% equity interests in Ausnutria Hunan, from Ausnutria BVI. It was also the intention of the parties that the sale and purchase of the 75% equity interests in Ausnutria Hunan pursuant to the Equity Purchase Agreement would close together and only upon the closing of the sale and purchase of the entire issued share capital of Ausnutria Australia (and hence the other 25% equity interests in Ausnutria Hunan).

In March 2008, ADY, Ausnutria BVI and Ausnutria Australia entered into an equity purchase deed (the “**Equity Purchase Deed**”) pursuant to which ADY agreed to acquire the entire issued share capital of Ausnutria Australia for a consideration of RMB87.5 million (and thereby indirectly acquiring the 25% equity interest in Ausnutria Hunan held by Ausnutria Australia). The consideration was determined on the basis of Ausnutria Hunan’s historical financial performance, its future prospects and profitability, as Ausnutria Australia’s substantial asset was its 25% equity interests in Ausnutria Hunan.

However, we understand from ADY that ADY’s directors were concerned that completion of the Equity Purchase Deed would render them unable to comply with relevant regulatory requirements regarding its obligation to ensure that the audited accounts of Ausnutria Hunan were published as part of its public filing within the requisite time frame after the closing date of the Equity Purchase Deed and Ausnutria BVI did not receive payment of the relevant consideration under the Equity Purchase Deed and the parties engaged in discussions with a view to reach a resolution. However, as the transactions had been in process for about eight months without a satisfactory closing, Ausnutria BVI served a notice of termination to ADY on 17 March 2008 to terminate the Equity Purchase Deed. As a result, the parties entered into further discussions on how to resolve the incomplete transactions.

In December 2008, MoveUp, ADY, Ausnutria Hunan, Mornring, Mr Chen and Xin Da Xin entered into a letter of intent to record their intention to terminate the Equity Purchase Agreement and the acquisition of MoveUp by Xin Da Xin at a consideration of RMB90 million. In February 2009, Mornring, Mr Chen, Ausnutria Hunan and MoveUp entered into an agreement to revoke and terminate the Equity Purchase Agreement (the “**Purchase Termination Agreement**”). Pursuant to the Purchase Termination Agreement, the relevant parties agreed to (i) terminate the transaction stipulated in the Equity Purchase Agreement; (ii) jointly apply to the competent government authorities to revoke the said transaction; (iii) re-register the 75% equity interests in Ausnutria Hunan, which was registered in the name of MoveUp, back in the names of Mornring and Mr Chen in the respective proportion of 43% and 32%; and (iv) reinstate the board composition and articles of association of Ausnutria Hunan to the original state. The parties also entered into arrangements for refund of the deposits paid in respect of the transactions by ADY/MoveUp in the aggregate amount of RMB206.5 million.

The repayment by Xin Da Xin (on behalf of Mornring and Mr Chen) of the total deposit of RMB206.5 million paid by ADY and the payment of the deposit of approximately RMB90 million for the acquisition of MoveUp by Xin Da Xin (as described below) were effected as follows: (i) payment of approximately RMB75 million by Xin Da Xin to ADY; (ii) our deposit of approximately RMB52 million into an escrow account designated by ADY; (iii) deposit by Xin Da Xin of approximately RMB170 million into the same escrow account (RMB91 million of which was lent to Xin Da Xin by us). We understand that amounts were paid into the escrow account as surety monies until the relevant governmental approvals for the termination of the incomplete transactions relating to Ausnutria Hunan and the transfer of MoveUp were granted. After the relevant approvals were granted to approve the Purchase Termination Agreement, revoke the Original Approval and approve the transfer of MoveUp to Xin Da Xin, the following payments were made: (i) release of approximately RMB170 million to ADY; (ii) return of RMB52 million from the escrow account to us; and (iii) repayment of RMB91 million from Xin Da Xin to us. We understand that Xin Da Xin had fully paid RMB296.5 million for the refund and

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consideration for acquiring MoveUp to ADY. We understand that Xin Da Xin used its cash derived from its operations to finance the refund and payment of consideration for MoveUp. As described above, we have facilitated the refund by Xin Da Xin to ADY. Part of the funds provided by us was financed by a short term bank loan of RMB160 million provided by China Construction Bank. Since the loan was obtained by us to facilitate the refund by Xin Da Xin, Xin Da Xin was responsible for the interest payment incurred by us in obtaining the short term bank loan from China Construction Bank.

Confirmations on terminations of the proposed transactions and reinstatement of shareholding of Ausnutria Hunan

In addition to the Purchase Termination Agreement in respect of the sale and purchase of the 75% equity interest in Ausnutria Hunan, ADY has provided or the parties have entered into, the following documents:

- A confirmation letter dated 20 July 2009 signed by Leng Youbin (冷友斌), the chairman of ADY, confirming that up to February 2009, ADY was still unable to complete the acquisition of the entire issued share capital of Ausnutria Australia. Since it was the intention of the relevant parties that the acquisition of 100% equity interests in Ausnutria Hunan would only be completed if both the onshore and offshore transactions were completed and in order to prevent any adverse effect on the operations of Ausnutria Hunan, ADY, Mornring, Mr Chen, Ausnutria Australia and Ausnutria Hunan entered into negotiations and agreed to apply to the competent government authority to revoke the transaction of the 75% equity interests in Ausnutria Hunan. ADY also confirmed that all of the onshore and offshore transactions in relation to Mornring, Mr Chen, Ausnutria Australia and Ausnutria Hunan were completely revoked and terminated, and all the rights and obligations in relation thereto were fully settled. ADY further confirmed that it had not enjoyed any rights or received any dividend as a shareholder of Ausnutria Hunan and had not made, and would not in the future make, any claims or initiate any legal proceedings against Ausnutria Hunan and its existing and future shareholders. Our PRC legal advisers advised us that the repayment to MoveUp is a final and conclusive settlement for the termination of Equity Purchase Agreement in respect of the 75% equity interests in Ausnutria Hunan and ADY will not have any recourse to the equity interests in Ausnutria Hunan.
- ADY, Ausnutria BVI and Ausnutria Australia entered into a deed of release dated 5 August 2009, acknowledging and confirming that the transaction in relation to the entire issued share capital of Ausnutria Australia was terminated and that all the parties’ duties and obligations as stated in the Equity Purchase Deed were terminated as of 17 March 2008. Our Australian legal advisers advised that the Equity Purchase Deed has been terminated accordingly.

In March 2009, the Department of Commerce of Hunan Province (湖南省商務廳) issued an approval letter (the “**Termination Approval**”) which revoked the Original Approval and the board alteration of Ausnutria Hunan and approved the reinstatement of the articles of association of Ausnutria Hunan to the original state prior to the Equity Purchase Agreement in October 2007. Accordingly, the transfer of 43% and 32% equity interests in Ausnutria Hunan respectively held by Mornring and Mr Chen to MoveUp were void from October 2007. Mornring and Mr Chen were deemed as shareholders who continued to hold an aggregate of 75% equity interests in Ausnutria Hunan from October 2007 to the date of cancellation. This was further confirmed by an approval from the Administration for Industry & Commerce of Hunan Province in March 2009 to cancel its registration of the transfer of 43% and 32% equity interests in Ausnutria Hunan respectively held by Mornring and Mr Chen to MoveUp and reinstate the registration status to that before 4 November 2007 i.e. Mornring, Mr Chen and Ausnutria

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Australia owned 43%, 32% and 25% equity interests in Ausnutria Hunan respectively. The new certificate of approval and business licence of Ausnutria Hunan were issued on 20 March 2009 and 26 March 2009 respectively.

As advised by our PRC legal advisers, we have obtained approval from the Department of Commerce of Hunan Province (湖南省商務廳) and have carried out the relevant registration procedures with the Administration for Industry & Commerce of Hunan Province in order to effect the termination and the reinstatement of equity interests of Ausnutria Hunan to the original state before the purported disposal to MoveUp in October 2007. Our PRC legal advisers have further advised that we have obtained all the approvals and carried out all the registrations necessary to effect the above termination and reinstatement which are legal and valid and therefore the transfer of the 75% equity interests in Ausnutria Hunan by Mornring and Mr Chen to MoveUp was void from the outset.

The board of directors of Ausnutria Hunan had changed as a result of entering into the Equity Purchase Agreement. Mr Wu and Mr Yan ceased to be directors of Ausnutria Hunan from 29 October 2007. On the same date, Liu Hua (劉華) was appointed to the board of Ausnutria Hunan, and Leng Youbin (冷友斌) was appointed as the chairman of the board. Judy F. Tu (塗芳而) was also appointed as a director and the chairman of the board of Ausnutria Hunan (replacing Leng Youbin) on 17 January 2008. Leng Youbin, Liu Hua and Judy F. Tu were directors appointed by MoveUp. Although the directors appointed by MoveUp attended the board meetings of Ausnutria Hunan, they authorised Mr Chen to exercise their directorship power and the management function in Ausnutria Hunan by signing authorisation letters in favour of Mr Chen, and they did not participate in the day-to-day management of Ausnutria Hunan. As a result, the day-to-day management of Ausnutria Hunan was carried out by Mr Chen and other senior management throughout the Track Record Period. These three directors also confirmed that they would support the decisions made by Mr Chen within his authority in the exercise of his management function. As advised by our PRC legal advisers, the signed authorisation letters in favour of Mr Chen were valid and legally enforceable between the parties.

Acquisition of MoveUp by Xin Da Xin from ADY

Together with the arrangement to resolve and terminate the series of incomplete transactions amicably, Mornring, Mr Chen, Ausnutria BVI and ADY engaged in discussions about the sale and purchase of MoveUp at around the same time when engaging in discussions to terminate the incomplete transactions in relation to Ausnutria Hunan and Ausnutria Australia. Mornring, Mr Chen, Ausnutria BVI and ADY agreed that Xin Da Xin would purchase the entire equity interests of MoveUp for a consideration of RMB90 million pursuant to agreements entered into in February and April 2009. The transaction was completed in about April 2009. The consideration was determined by reference to the then net asset value of MoveUp, which was valued at approximately US\$8.5 million as of 31 December 2008, according to ADY’s public information. Xin Da Xin also considered the following factors when deciding to acquire MoveUp, namely the location of MoveUp in Heilongjiang province as a suitable area with good pasture conditions for potential dairy cattle nurturing, the fact that at the time the Group procured a significant portion of milk powder through MoveUp, and the potential tax benefits (as described below). In addition, when accepting the consideration of RMB90 million, Xin Da Xin also took into account the remainder of the deposit paid by ADY in February 2008 which was not refunded (i.e. RMB10 million) as well as the need to proceed with the termination of the series of transactions concerning the transfer of equity interests in Ausnutria Hunan described above and reinstating the shareholding and board members of Ausnutria Hunan swiftly in order to safeguard the normal operations of Ausnutria Hunan.

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Notwithstanding the potential advantages, to facilitate the Listing, our Directors confirmed that there is currently no concrete plan for our Group to develop business in the PRC through acquiring MoveUp or otherwise source milk powder from or develop dairy farm in Heilongjiang province and our Directors also understand that Xin Da Xin currently does not have any concrete plan to develop dairy business in the PRC by itself, on the basis that any such business would constitute a competing business of our Group.

Reorganisation for the purposes of Listing

In May 2009, the transfers by Mornring and Mr Chen of their respective 43% and 16% equity interests in Ausnutria Hunan to Xin Da Xin for a consideration of RMB150.5 million and RMB56 million respectively were approved by the competent government authority. The consideration for these transfers was determined by reference to the amounts that Xin Da Xin had to refund to ADY on behalf of Mornring and Mr Chen. Upon completion of the equity transfers, the equity interests in Ausnutria Hunan were held as to 59% by Xin Da Xin, 25% by Ausnutria Australia and 16% by Mr Chen. As Mr Chen had transferred 16% equity interests in Ausnutria Hunan to Xin Da Xin in the above transfer, on 6 May 2009, Mr Chen and the 20 employees entered into a supplemental trust agreement (the “**Supplemental Agreement**”) to reflect the trust arrangement after the above transfer. Pursuant to the Supplemental Agreement, Mr Chen held 8.125% equity interests in Ausnutria Hunan as trustee in favour of the 20 employees.

In June 2009, the transfers by Xin Da Xin and Mr Chen of their respective 59% and 16% equity interests in Ausnutria Hunan to Ausnutria Hong Kong for a consideration of US\$11.8 million (or equivalent to approximately RMB80.6 million) and US\$3.2 million (or equivalent to approximately RMB21.9 million) respectively were approved by the competent government authority. The consideration for these transfers was determined by reference to the net asset value of Ausnutria Hunan as of 31 December 2008. Upon completion of the equity transfers, the equity interests in Ausnutria Hunan were held as to 75% by Ausnutria Hong Kong and 25% by Ausnutria Australia.

As Mr Chen had transferred 16% equity interests in Ausnutria Hunan to Ausnutria Hong Kong in the above transfer, Mr Chen and the 20 employees entered into a termination agreement (the “**Second Termination Agreement**”) in June 2009. Pursuant to the Second Termination Agreement, the parties agreed to terminate the Second Trust Agreement and the Supplemental Agreement.

As advised by our PRC legal advisers, all the equity transfers and the trust arrangements described in this section in relation to Ausnutria Hunan are valid and legally enforceable according to the relevant PRC laws and regulations.

Procurement of milk powder by our Group through MoveUp

At the time we entered into the Equity Purchase Agreement and the Equity Purchase Deed, we anticipated that after MoveUp acquired 100% equity interests in Ausnutria Hunan, both MoveUp and Ausnutria Hunan would belong to the same enlarged group. As a result, Mr Chen (as our chief executive officer) considered that it would be in the interest of the anticipated enlarged group to procure milk powder through MoveUp in order to take advantage of certain tax benefits granted to MoveUp by the local government. MoveUp was granted preferential tax treatments during the period from 1 November 2007 to 31 December 2010 by the government in Heilongjiang province. We understand that the government in Heilongjiang province will determine the amount of tax rebate to be given to MoveUp (in terms of value added tax and income tax) from time to time subject to the amount of tax to be paid by

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MoveUp. As a result, we procured some milk powder through MoveUp during each of 2007, 2008 and through to May 2009. While the Purchase Termination Agreement was entered in February 2009, we only terminated our procurement of milk powder from MoveUp in May 2009 as we were executing orders which were already placed. Our PRC legal advisers advised that as there was no association relationship between MoveUp and us during the period from entering into the Equity Purchase Agreement to the date of Termination Approval, the transactions between MoveUp and us during the relevant periods do not constitute transfer pricing under PRC law. A similar confirmation has been obtained from the competent local tax administration bureau.

For details of the amount of procurement of milk powder we made through MoveUp and the amount we paid to MoveUp during 2007, 2008, and the six months ended 30 June 2009, please refer to the section headed “Financial Information” in this document.

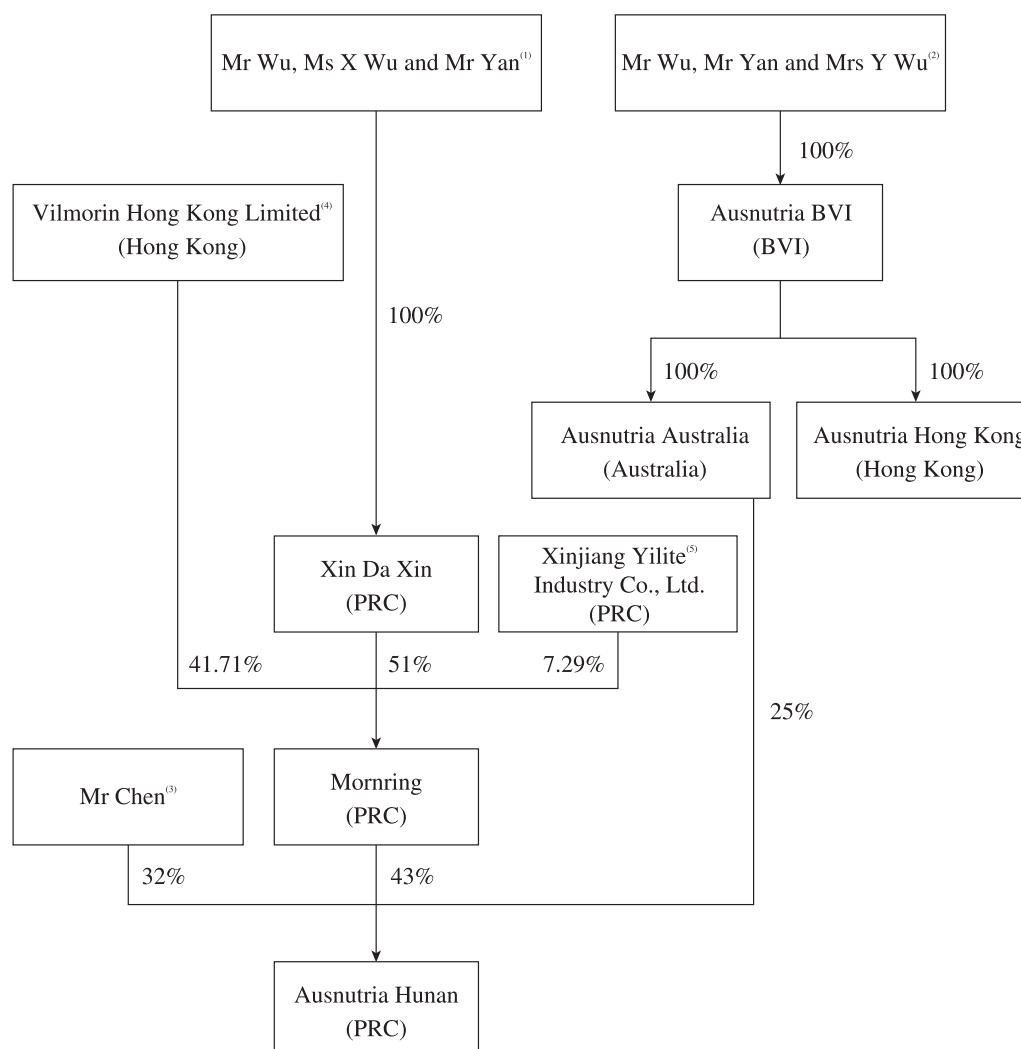
The following timeline illustrates our major business development milestones and achievements:

- | | |
|----------------|---|
| September 2003 | ● establishment of Ausnutria Hunan |
| November 2003 | ● commencement of purchase of Murray Goulburn’s products and launch of our first product series of paediatric milk formula — A-choice Series in China |
| July 2005 | ● launch of our second product series of paediatric milk formula — Best-choice Series in China |
| September 2006 | ● Allnutria Series products are permitted by Dairy Australia (a dairy industry organisation in Australia) to use the “Dairy Good” logo in China |
| September 2006 | ● cooperation with Tatura to develop our third product series of paediatric milk formula — Allnutria Series |
| | ● establishment of strategic cooperation with Tatura for development of paediatric nutrition products |
| December 2006 | ● launch of our third product series of paediatric milk formula — Allnutria Series in China |
| November 2007 | ● cooperation with Tatura to develop the Allnutria Series milk formula for expectant or nursing mothers |
| September 2008 | ● the outbreak of melamine incident in China — CCTV announced the first batch of paediatric milk formula manufacturers whose products had not been contaminated by melamine, and we were among the 87 paediatric milk formula manufacturers mentioned in the announcement |

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CORPORATE REORGANISATION

The following chart sets out our corporate structure prior to the commencement of the Reorganisation:



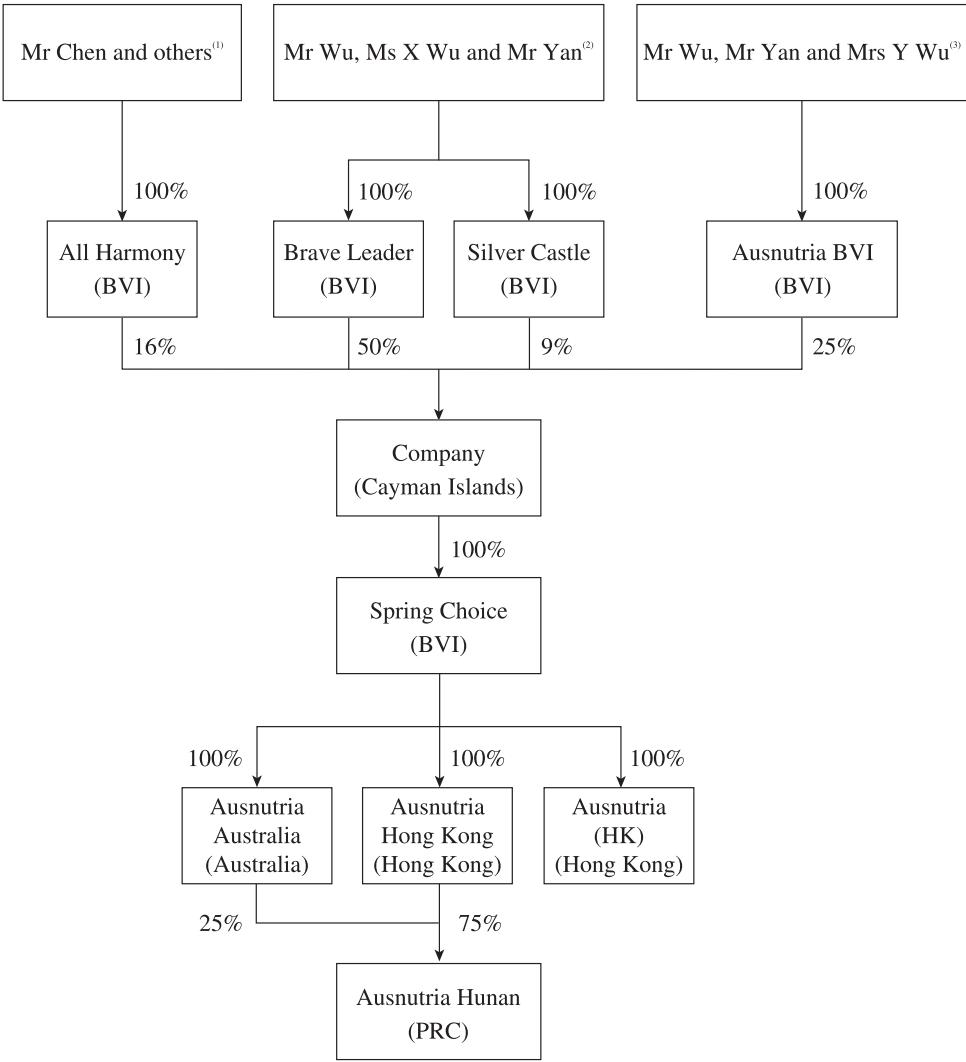
Notes:

- (1) Mr Wu, Ms X Wu and Mr Yan held 59.57%, 30.67% and 9.76% equity interests in Xin Da Xin, respectively.
- (2) Mr Wu, Mr Yan and Mrs Y Wu held 60%, 30% and 10% shareholding in Ausnutria BVI, respectively.
- (3) Mr Chen held an aggregate of 32% equity interest in Ausnutria Hunan for himself and on trust for 20 former and present employees of our Group, namely, Mr Chen (15.75%), Zhu Zhonghua (1%), Gong Jingming (1%), Zhu Junxiang (0.5%), Xiao Guoxiong (1%), Xiao Shihu (1.75%), Dai Zhiyong (1%), Yang Mingqing (0.5%), Li Sihua (1%), Cao Xi (2%), Liu Yuehui (1%), Tan Ningnan (1%), Wu Zhangwei (0.5%), Qu Zhishao (0.5%), Huang Yongbin (0.5%), Huang Yongcheng (1%), Huang Mingwen (0.5%), Yang Peihao (0.25%), Li Wei (0.25%), Liu Yubiao (0.5%) and Sun Jingang (0.5%).
- (4) Vilmorin Hong Kong Limited is a company incorporated in Hong Kong on 19 August 2006. It is an investment holding company and its sole shareholder is Vilmorin & CIE, a company incorporated in France whose shares are listed on the Paris Stock Exchange. Vilmorin Hong Kong Limited owns 46.5% equity interests in Changsha Xin Da Xin Vilmorin Agri-Business Co., Ltd (長沙新大新威邁農業有限公司) with the other shareholder being Xin Da Xin.
- (5) Xinjiang Yilite Industry Co., Ltd is a company whose shares are listed on the Shanghai Stock Exchange.

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The companies comprising our Group underwent the Reorganisation, and as a result, our Company became the holding company of our Group. Details of the Reorganisation are set out in the section headed “Appendix VI — Statutory and General Information — Corporate reorganisation” in this document.

The following chart sets out our corporate structure immediately following completion of the Reorganisation:



Notes:

- (1) All Harmony is owned by Mr Chen (49.22%) and 20 former and present employees of our Group, namely Zhu Zhonghua (3.125%), Gong Jingming (3.125%), Zhu Junxiang (1.56%), Xiao Guoxiong (3.125%), Xiao Shihu (5.49%), Dai Zhiyong (3.125%), Yang Mingqing (1.56%), Li Sihua (3.125%), Cao Xi (6.25%), Liu Yuehui (3.125%), Tan Ningnan (3.125%), Wu Zhangwei (1.56%), Qu Zhishao (1.56%), Huang Yongbin (1.56%), Huang Yongcheng (3.125%), Huang Mingwen (1.56%), Yang Peihao (0.78%), Li Wei (0.78%), Liu Yubiao (1.56%) and Sun Jingang (1.56%).
- (2) Both Brave Leader and Silver Castle are owned by Mr Wu, Ms X Wu and Mr Yan in the same shareholding proportion of 59.57%, 30.67% and 9.76% respectively.
- (3) Ausnutria BVI is owned by Mr Wu, Mr Yan and Mrs Y Wu in the shareholding proportion of 60%, 30% and 10%, respectively.

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As advised by our PRC legal advisers, Ausnutria Hunan was established as a foreign-invested company by Mornring, American Functional Foodstuff and Pearl Time Australia in September 2003, and was not acquired through any merger and acquisition transaction. During the Reorganisation, we have not been engaged in any transaction which would fall under the definition of “mergers and acquisitions of domestic enterprise by foreign investor” in the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors 《關於外國投資者併購境內企業的規定》 effective on 8 September 2006 (the “Provisions”). Accordingly, our PRC legal advisers advised that the Provisions were not applicable to the Reorganisation relating to the PRC subsidiary of our Group.

SHAREHOLDINGS IN OUR SUBSIDIARIES

The following table sets forth further information on shareholdings in all of our subsidiaries.

<u>Name</u>	<u>Date of incorporation (place of incorporation)</u>	<u>Principal business</u>	<u>Direct Interests</u>
Ausnutria Hunan	15 September 2003 (PRC)	Operating subsidiary for the production, distribution, sales and marketing of high-priced and premium-priced paediatric nutrition products in the PRC market	—
Ausnutria Australia	7 October 2003 (New South Wales, Australia)	Investment holding	Ausnutria Hunan (25%)
Ausnutria Hong Kong	25 January 2007 (Hong Kong)	Investment holding	Ausnutria Hunan (75%)
Ausnutria (HK)	3 November 2008 (Hong Kong)	Investment holding	—
Spring Choice	22 April 2009 (BVI)	Investment holding	Ausnutria Australia (100%), Ausnutria Hong Kong (100%), Ausnutria (HK) (100%)

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BRIDGE LOAN

On 18 July 2009, All Harmony, Brave Leader and Silver Castle (together the “**Borrowers**”) entered into a facility agreement with BOCI Leveraged & Structured Finance Limited (the “**Arranger**”) for the provision of a bridging loan in a principal amount of US\$16.5 million (“**Principal Amount**”), which was secured by guarantees, an account charge and a share pledge provided by the Borrowers and some of the companies in our Group. Set out below is a summary of the principal terms of the bridging loan:

Arranger	:	BOCI Leveraged & Structured Finance Limited
Lender	:	BOC International Holdings Limited and/or its subsidiaries
Borrowers	:	All Harmony, Brave Leader and Silver Castle
Principal Amount	:	US\$16.5 million
Reference Rate	:	the higher of LIBOR or the Lender’s cost of funds
Interest Rate	:	Reference Rate plus Margin
Margin	:	4% for the first six months; and 8% thereafter
Final Maturity Date	:	twelve months from the date of drawdown
Purpose of the bridging loan	:	to ultimately finance the acquisition of the 75% equity interests in Ausnutria Hunan
Repayment	:	full repayment on Final Maturity Date
Securities	:	guarantees, an account charge and a share pledge provided by some of the companies in our Group

According to the facility agreement and other relevant securities documents, the securities provided by our Group to secure the bridge loan will be released immediately prior to the [●]. The bridge loan will be repaid shortly after the [●].