中國輝山乳業控股有限公司

China Huishan Dairy Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability) Stock code: 06863

Global Offering

Joint Sponsors (In alphabetical order)

Deutsche Bank Group Goldman Sachs HSBC UBS

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers (In alphabetical order)

Deutsche Bank Group Goldman Sachs HSBC UBS

Joint Bookrunners and Joint Lead Managers (In alphabetical order)

CIMB Investec Jefferies

IMPORTANT

If you are in any doubt about the contents of this prospectus, you should seek independent professional advice.

Huishan

China Huishan Dairy Holdings Company Limited

中國輝山乳業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	3,787,596,000 Shares (comprising 2,913,534,000 New Shares and 874,062,000 Sale Shares, and subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	378,760,000 New Shares (subject to adjustment)
Number of International Offer Shares	:	3,408,836,000 Shares (comprising 2,534,774,000 New Shares and 874,062,000 Sale Shares, and subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK$2.67 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK$0.10 per Share
Stock code	:	06863

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

Deutsche Bank Group Goldman Sachs HSBC UBS

Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

CIMB Investec Jefferies

Financial Adviser

Investec

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholders) on or about Thursday, September 19, 2013 and, in any event, not later than Monday, September 23, 2013. The Offer Price will be not more than HK$2.67 per Offer Share and is currently expected to be not less than HK$2.28 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$2.67 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$2.67 per Offer Share.

The Joint Global Coordinators (on behalf of the Underwriters), with the consent of our Company (for itself and on behalf of the Selling Shareholders), may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) on or before Monday, September 23, 2013 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Please also see the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

September 13, 2013

Latest time for completing electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**	11:30 a.m. on Wednesday, September 18, 2013
Application lists open	11:45 a.m. on Wednesday, September 18, 2013
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, September 18, 2013
Latest time for completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, September 18, 2013
Latest time for giving **electronic application instructions** to HKSCC	12:00 noon on Wednesday, September 18, 2013
Application lists close	12:00 noon on Wednesday, September 18, 2013
Expected Price Determination Date	Thursday, September 19, 2013
(1) Announcement of the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on	Thursday, September 26, 2013
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results" in this prospectus	Thursday, September 26, 2013
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.huishandairy.com** from	Thursday, September 26, 2013
Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function from	Thursday, September 26, 2013

Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before .... Thursday, September 26, 2013

Dispatch of refund cheques and e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before .... Thursday, September 26, 2013

Dealings in the Shares on the Stock Exchange expected to commence on .... Friday, September 27, 2013

The above expected timetable is a summary only. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, September 18, 2013, the application lists will not open and close on that day. Please refer to the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists". You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme).

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company (for itself and on behalf of the Selling Shareholders), the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

OTHER

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

The English names of companies incorporated in the PRC are translations of their Chinese names and are included for identification purposes only.

CONTENTS

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading and the most vertically integrated dairy company in China, and we currently own the largest upstream resources and the second largest herd of dairy cows in the country, each according to Frost & Sullivan. We pioneered and operate a unique fully integrated business model with the aim to establish the most trusted national dairy brand with a leading scale that inspires consumers' confidence in product safety and quality.

Our Business Model

Our unique business model covers the entire dairy industry value chain, which includes:

- *growing and processing of alfalfa and supplementary feeds* - As of March 31, 2013, our alfalfa fields covered an aggregate of 120,000 mu of land (approximately the size of Hong Kong Island or the Borough of Manhattan) with fixed rents, and subsequently by May 2013, we secured an additional 118,000 mu of land with fixed rents for plantation of alfalfa and other supplementary feeds, which constituted the largest commercial alfalfa operation in China. According to Frost & Sullivan, the alfalfa we produce is typically of the highest grade according to the quality standard in China. For the years ended March 31, 2012 and 2013, we harvested 36,350 tonnes and 113,440 tonnes of alfalfa, respectively, while our internal consumption amounted to 40,239 tonnes and 109,139 tonnes for the respective years. Please refer to "Business—Raw Materials and Suppliers" for details about the suppliers of our alfalfa seeds.

- *processing of concentrated feeds, dairy farming* - As of March 31, 2013, our concentrated feeds processing facilities had an aggregate annual capacity of 300,000 tonnes and we owned over 106,000 Holsteins and over 6,200 Jerseys housed in our 50 standardized dairy farms in Liaoning Province. According to Frost & Sullivan, we owned the second largest herd of Holsteins and the largest herd of Jerseys in China as of the end of 2012. As a result of our highly-efficient dairy farm management system and favorable geographic and climatic conditions, we were able to achieve an industry leading average milk yield per milkable cow, which for the years ended March 31, 2011, 2012 and 2013 was 8.7 tonnes, 8.6 tonnes and 9.1 tonnes per annum, respectively. Please refer to "Business—Raw Materials and Suppliers" for details about the suppliers of our heifers.

- *manufacturing and sales of dairy products* - As of March 31, 2013, we had a designed annual production capacity of 90,000 tonnes of liquid milk products and 26,000 tonnes of milk powder products. In addition, our D90 whey powder production line has an annual production capacity of 12,000 tonnes and we are the only company in China that has received official approval for the production and sale of D90 whey powder, and sells D90 whey powder as a product.

Our unique fully integrated business model allows us to exert complete control over the entire dairy industry value chain, which differentiates us from our competitors in China and ensures product safety and quality, as well as enables us to achieve industry leading profitability through an optimal cost structure. Our vertically integrated operations enable us to use internally sourced alfalfa and concentrated feeds to produce raw milk, and to use internally produced raw milk to produce dairy products. Currently, we are able to satisfy substantially all of our internal alfalfa and concentrated feeds demand through our own alfalfa operation and concentrated feeds processing facilities. Currently, we are the only company in China capable of satisfying 100% of raw milk requirements for the production of liquid milk and milk powder products through internally sourced raw milk.

In recent years, China's dairy industry has been impacted by ongoing safety and reliability concerns. This has led to consumers' lack of confidence in consumer dairy products as well as a significant reliance on imported dairy ingredients (such as skim milk powder). According to Frost & Sullivan, the competing economic interests among participants of critical segments of the dairy industry value chain is the principal cause of food safety issues in China's dairy industry. We believe our "grass to glass" business model represents the best solution to address the lack of accountability in China's dairy industry.

Our History and Development

We have a short operating history. Our operating history began when Liaoning Holdings, the predecessor company of the business now being held by our Group, was established in January 2009 with plans to become a fully vertically integrated dairy player. During the course of our development:

- Our initial focus was on dairy farming. Raw milk was the only dairy product that we sold to Independent Third Parties throughout the entire Track Record Period.

- We began to offer liquid milk products in November 2010, and Shenyang Dairy was our only customer for liquid milk products before we established our own sales network in October 2011.

- Between October 2011 and May 2013, we engaged Shenyang Dairy to process certain specific types of products for which we did not have packaging capabilities. For the years ended March 31, 2012 and 2013, Shenyang Dairy processed 44,787 tonnes and 160,429 tonnes, respectively, of liquid milk products for us, representing approximately 53% and 65% of our total sales volume of our liquid milk products for the respective periods, and from the sales of these products we generated RMB307 million and RMB1,186 million, representing approximately 23% and 46% of our turnover for the respective periods.

- In February 2011, Liaoning Huishan Holdings (Group) Co., Ltd. (遼寧輝山控股(集團)有限公司) ("**Liaoning Holdings**") transferred its interest in 30 operating subsidiaries in the PRC to form the backbone of our Group. We established our sales companies in June 2011 and our Group began to sell liquid milk products to distributors in October 2011.

- We commenced commercial alfalfa plantation in June 2011.

- We commenced commercial production at our concentrated feeds processing facility in May 2012.

- We commenced commercial production at our milk powder and D90 whey powder production facilities in January 2013.

We have experienced rapid growth during the Track Record Period, primarily attributable to the strong demand for our premium dairy products together with our continuous expansion. Our turnover grew from RMB374.0 million for the year ended March 31, 2011 to RMB2,552.4 million for the year ended March 31, 2013, representing a CAGR of 161.2%, while our profit for the year before biological assets adjustments grew from RMB32.7 million for the year ended March 31, 2011 to RMB1,013.9 million for the year ended March 31, 2013, representing a CAGR of 457.1%. Leveraging our unique business model and strong management capability, we believe we enjoy industry leading profitability across all our key operating segments. Gross margin of our dairy farming business (after elimination of internal supplies of raw milk) amounted to 42.7%, 48.5% and 58.7% for the years ended March 31, 2011, 2012 and 2013, respectively, while gross margin of our liquid milk business (after elimination of internal uses of raw milk) amounted to 6.1%, 38.4% and 54.0% for the years ended March 31, 2011, 2012 and 2013, respectively. Please refer to "Financial Information—Results of Operations" for analyses of the growth of our turnover and profitability.

Our Products

We produce and sell a broad range of dairy products in three categories: raw milk, liquid milk products and milk powder products and dairy ingredients. As of March 31, 2013, we had 47 offerings of liquid milk products under ten brands and 18 offerings of milk powder products under three brands. The table below sets forth the breakdown of our consolidated turnover by our operating segments and product categories, and each expressed as a percentage of our consolidated turnover, for the periods indicated:

	Year Ended March 31,					
	2011		2012		2013	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Raw Milk[1]	244,022	65.2	671,943	50.5	680,608	26.7
Liquid Milk Products	15,388	4.2	564,310	42.3	1,707,132	66.9
Fresh milk	—	—	17,100	1.3	178,213	7.0
UHT milk	5,860	1.6	172,961	13.0	548,745	21.5
Milk beverage	7,816	2.1	119,198	8.9	236,904	9.3
Yogurt	1,712	0.5	255,051	19.1	743,270	29.1
Milk Powder Products[2]	—	—	—	—	88,052	3.4
Grain Processing and Trading[3]	114,635[4]	30.6	96,541[5]	7.2	76,646[6]	3.0
Turnover	**374,045**	**100.0**	**1,332,794**	**100.0**	**2,552,438**	**100.0**

(1) After eliminating uses of raw milk in our liquid milk and milk powder businesses.

(2) Commercial production began in January 2013.

(3) We discontinued our grain processing business on January 25, 2011 and our grain trading business on March 28, 2013.

(4) Primarily attributable to the processing and sales of corn meals and corn grits, rice products and various by-products of grain processing by Liaoning Huishan Dairy before our acquisition of such entity in February 2011. The processing and sale of these grain products had been discontinued by us after our acquisition.

(5) Primarily attributable to the sales of processed corn, which was the inventory from the previous fiscal year. In particular, as the market price of corn increased rapidly in the summer of 2011, we switched the focus of this business to processed corn trading.

(6) Primarily attributable to the sales of processed corn. As corn price decreased, we reduced the corn trading business gradually and sold out the remaining inventory of corn. We do not intend to carry on the grain processing and trading business going forward.

The following table sets out the sales amount, sales volume and average selling price per tonne of our raw milk and liquid milk products for the periods indicated:

	Year Ended March 31,								
	2011			2012			2013		
	Sales Amount	Sales Volume	Average Selling Price	Sales Amount	Sales Volume	Average Selling Price	Sales Amount	Sales Volume	Average Selling Price
	RMB	Tonnes	RMB/Tonne	RMB	Tonnes	RMB/Tonne	RMB	Tonnes	RMB/Tonne
	(in thousands)			(in thousands)			(in thousands)		
Raw Milk[1]	244,022	56,776	4,298	671,943	151,083	4,448	680,608	151,431	4,495
Liquid Milk Products	15,388	1,563	9,844[2]	564,310	85,107	6,631	1,707,132	246,162	6,935

(1) Sales to external customers.

(2) We sold our liquid milk products to Shenyang Dairy at cost, which was RMB9,844 per tonne (before elimination of related cost of sales for internal uses of raw milk), during our trial production from November 2010 to March 2011.

Our Customers

Our products are sold to industrial customers as well as retail customers. The table below sets forth certain information regarding our industrial customers and retail customers:

	Major Customers	Principal Products Purchased	Use of Our Products
Industrial Customers			
Raw milk	• Two leading dairy product companies based in China	• Raw milk	Production of other dairy products
Milk powder products and dairy ingredients	• Marketer of infant milk formula powder based in China	• Infant milk formula powder • D90 whey powder	Production of other end-products
	• FrieslandCampina, a Netherlands based international dairy company	• Non-dairy creamers	

	Major Customers	Principal Products Purchased	Use of Our Products
Retail Customers			
Liquid milk products	• Distributors • Modern channels • Specialty channels	• Fresh milk • UHT milk • Milk beverage • Yogurt	Sell to other retailers or end-consumers, or for own consumption
Milk powder products	• Distributors • Modern channels • Specialty channels	• Infant milk formula powder	Sell to other retailers or end-consumers, or for own consumption

Our Distribution Network

For sales to our industrial customers, we engage in direct sales. For our sales to retail customers, our distribution network is structured to facilitate the sales of different products to address different customer demands, and comprises third-party distributors, modern channels and specialty channels. Currently, our retail distribution network primarily covers Liaoning Province, Jilin Province and selected major cities in Heilongjiang Province, as well as Shandong Province and Beijing. Our third party distributors include primarily regional distributors that are specialized in efficient distribution of dairy products. Our modern channels include various retail chains, namely international supermarkets, national supermarkets, regional supermarkets, convenience stores and department stores. Our specialty channels include home delivery system, e-commerce platforms, club memberships and other channels that are developed to meet the demand of special purchase habits.

The table below sets forth the breakdown of our consolidated turnover by direct sales and sales to distributors, each expressed as a percentage of our consolidated turnover, for the periods indicated:

	Year Ended March 31,					
	2011		2012		2013	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Raw Milk						
Sales to Shenyang Dairy	171,678	45.9	375,962	28.3	—	—
Industrial customers	72,344	19.4	295,981	22.2	680,608	26.7
Subtotal	244,022	65.3	671,943	50.5	680,608	26.7
Liquid Milk						
Sales to Shenyang Dairy	15,388	4.1	118,181	8.9	218	0.0
Distributors	—	—	331,878	24.9	1,154,776	45.3
Modern channels	—	—	100,552	7.5	497,708	19.5
Specialty channels	—	—	13,699	1.0	54,430	2.1
Subtotal	15,388	4.1	564,310	42.3	1,707,132	66.9
Milk Powder						
Industrial customers	—	—	—	—	9,249	0.3
Distributors	—	—	—	—	76,713	3.0
Modern channels	—	—	—	—	2,090	0.1
Subtotal	—	—	—	—	88,052	3.4
Grain Processing and Trading[1]	114,635[2]	30.6	96,541	7.2	76,646	3.0
Turnover	**374,045**	**100.0**	**1,332,794**	**100.0**	**2,552,438**	**100.0**

(1) We discontinued our grain processing business on January 25, 2011 and our grain trading business on March 28, 2013.

(2) Consists primarily of turnover generated by Liaoning Huishan Dairy's operations prior to our acquisition of this subsidiary.

Raw Materials and Suppliers

The principal raw materials we use are alfalfa seeds, corn, soybean meals, cotton meals, heifers, frozen semen and whey powder, including D90 whey powder for the production of formula milk powder and sweet whey powder for the production of D90 whey powder. We source our alfalfa seeds from two suppliers who import from multiple sources in the United States and Canada. We source other major raw materials from multiple suppliers. Historically, we also sourced alfalfa from a domestic grain and grass trading and importing company and concentrated feeds from a number of local producers before our production output of alfalfa and concentrated feeds could satisfy our internal demand.

The table below sets forth certain information of our raw materials and their respective external suppliers:

Raw Materials	Principal Sources
Alfalfa seeds	United States and Canada
Corn and soybean	Liaoning Province, China
Heifers	Australia, New Zealand and Uruguay
Frozen semen	United States and Canada
Sweet whey powder	United States and France
Packaging materials	China

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths differentiate us from our competitors and have contributed to our success:

- Industry leader pioneering a unique fully integrated business model to ensure product safety and quality.
- Trusted brand with impeccable product safety records and premium product quality.
- Largest and strategically located upstream feeds resources and operations in China to support future expansion.
- One of the largest herds of dairy cows in China under highly efficient management.
- Top regional brand with diversified range of products and strong multi-channel coverage.

- Optimal and sustainable cost structure.

- Experienced and committed management team with proven track record supported by high-quality financial and strategic investors.

OUR STRATEGIES

Our goal is to establish the most trusted national dairy brand with a leading scale that inspires consumers' confidence in product safety and quality. To achieve this goal, we plan to implement the following strategies:

- Enhance our distribution network and penetrate additional geographical end-markets beyond Northeastern China and expand our industrial customer base.

- Expand our upstream operations and resources to uphold our highest standards of product safety and quality.

- Continuously expand our product portfolio and offer innovative products to address changing consumer preferences and additional end market needs to improve profitability.

- Strengthen brand recognition across China and enhance consumer loyalty.

RELATIONSHIP WITH SHENYANG DAIRY

Shenyang Dairy was a state-owned liquid milk products producer and supplier in Liaoning Province using the "輝山 (Huishan)" brand. Between 2002 and 2004, Shenyang Dairy was acquired in stages by a foreign company owned by the three individuals who are independent third parties, namely Mr. Charles Diodosio and Mr. Warren Diodosio (holding as joint tenants with right of survivorship) as well as Mr. Li Anmin (the "**Business Partners**"). The Business Partners invited Mr. Yang to serve as Shenyang Dairy's general manager. In December 2004, in view of Mr. Yang's contribution, the Business Partners transferred 50% of Shenyang Dairy to Mr. Yang to secure his future services and dedication.

At the establishment of Liaoning Holdings in January 2009, Shenyang Dairy subscribed for a 19.0% equity interest in Liaoning Holdings by contributing cash and agreeing to complete the transfer of the "輝山 (Huishan)" brand to Liaoning Holdings before Liaoning Holdings (or its subsidiaries) commenced liquid milk commercial production. In January 2011, Shenyang Dairy consented to a relocation notice from the Shenyang government and began to phase out its liquid milk business. In May 2013, Shenyang Dairy ceased its business of production, processing, sales and distribution of liquid milk products.

In terms of sales value, we sold approximately 69.6%, 39.5% and nil of our raw milk and approximately 100.0%, 20.9% and 0.01% of our liquid milk products, for the years ended March 31, 2011, 2012 and 2013, respectively, to Shenyang Dairy, a related party, who was also our largest customer on a consolidated basis for each of the two years ended March 31, 2011 and 2012, respectively. We discontinued supplying raw milk and liquid milk products to Shenyang Dairy in April and June 2012, respectively. Our Directors confirm that these sales were made on terms that are comparable with those to our other customers for raw milk and were made on normal commercial terms. Our Directors also confirm that the sales of liquid milk products to Shenyang Dairy were also conducted on an arm's-length basis. See "Financial Information—Principal Income Statement Components—Turnover—Liquid Milk Business" for further details. As Shenyang Dairy began to reduce its production capacity in 2011, it had to fulfill its obligations to its customers under the contracts by purchasing liquid milk products from us. For the years ended March 31, 2011 and 2012, Shenyang Dairy was also our second largest supplier, primarily supplying feeds for dairy cows and other raw materials used for the production of liquid milk products for the year ended March 31, 2011 and contract manufacturing services for the year ended March 31, 2012. Please refer to the sections headed "Business — Our Products", "Business — Customers" and "Business — Raw Materials and Suppliers" in this prospectus.

Currently, Shenyang Dairy remains as the landlord of nine dairy farms operated by the Group. Please refer to the section headed "Connected Transactions" in this prospectus.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended March 31, 2011, 2012 and 2013, extracted from the Accountants' Report set out in Appendix I to this prospectus.

Selected Consolidated Income Statements Data

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations. Each item has also been expressed as a percentage of our turnover. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Years Ended March 31,								
	2011			2012			2013		
	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total
	(RMB in thousands, except for percentages)								
Turnover	**374,045**	**—**	**374,045**	**1,332,794**	**—**	**1,332,794**	**2,552,438**	**—**	**2,552,438**
Gross profit	**119,879**	**(105,208)**	**14,671**	**549,639**	**(457,633)**	**92,006**	**1,378,170**	**(935,927)**	**442,243**
Gross margin	*32.0%*	*—*	*3.9%*	*41.2%*	*—*	*6.9%*	*54.0%*	*—*	*17.3%*
Profit from operations	**89,410**	**295,241**	**384,651**	**499,961**	**63,817**	**563,778**	**1,222,548**	**(68,519)**	**1,154,029**
Operating margin	*23.9%*	*—*	*102.8%*	*37.5%*	*—*	*42.3%*	*47.9%*	*—*	*45.2%*
Profit for the year	**32,672**	**295,241**	**327,913**	**385,903**	**63,817**	**449,720**	**1,013,889**	**(68,519)**	**945,370**
Net margin	*8.7%*	*—*	*87.7%*	*29.0%*	*—*	*33.7%*	*39.7%*	*—*	*37.0%*

Selected Consolidated Statements of Financial Position Data

	As of March 31,		
	2011	2012	2013
	(RMB in thousands)		
Assets			
Non-current assets	3,532,759	5,534,912	8,369,703
Current assets	1,974,057	1,654,689	2,141,112
Total Assets	**5,506,816**	**7,189,601**	**10,510,815**
Equity and Liabilities			
Current liabilities	2,964,854	4,166,208	2,292,091
Non-current liabilities	2,153,926	2,140,969	2,335,780
Total liabilities	**5,118,780**	**6,307,177**	**4,627,871**
Total equity	388,036	882,424	5,882,944
Total liabilities and equity	**5,506,816**	**7,189,601**	**10,510,815**

Other Financial Data

The table below includes the cost of sales, gross profit and gross margin (before biological fair value adjustments) for each of our operating segments both before and after the elimination of inter-segment sales and purchases.

	Year Ended March 31,								
	2011			2012			2013		
	Cost of Sales	Gross Profit	Gross Margin	Cost of Sales	Gross Profit	Gross Margin	Cost of Sales	Gross Profit	Gross Margin
	RMB		%	RMB		%	RMB		%
	(in thousands, except for percentages)								
Dairy farming									
Before elimination	141,388	105,208	42.7	494,985	457,665	48.0	639,000	951,995	59.8
After elimination(1)(2)	139,757	104,265	42.7	346,043	325,900	48.5	281,162	399,446	58.7
Liquid milk business									
Before elimination	15,388	—	—	479,322	84,988	15.1	1,329,854	377,278	22.1
After elimination(3)(4)	14,445	943	6.1	347,557	216,753	38.4	785,019	922,113	54.0
Milk powder business									
Before elimination	—	—	—	—	—	—	42,410	45,642	51.8
After elimination(3)(4)	—	—	—	—	—	—	34,696	53,356	60.6
Grain processing and trading	99,964	14,671	12.8	89,555	6,986	7.2	73,391	3,255	4.2

(1) Cost of sales after elimination of production costs of raw milk consumed by our liquid milk business and milk powder business. Such production cost is calculated as the product of total cost of sales and the volume of raw milk used in our liquid milk business and milk powder business as a percentage of total volume of raw milk sales.

(2) Gross profit after elimination of gross profit attributable to uses of raw milk by our liquid milk business and milk powder business. Such gross profit is calculated as the difference of the amount of raw milk used in our liquid milk business and milk powder business and the production costs for such raw milk calculated using the formula in note (1).

(3) Cost of sales after elimination of costs of internal raw milk supplies, which is calculated as the product of the quantity of raw milk used by this segment of business and the average price of raw milk sold to our external customers in this period.

(4) Gross profit after adding back the gross profit attributable to uses of raw milk by this segment of business. Such gross profit is calculated as the difference of the amount of raw milk used in this segment of business and the production costs for such raw milk calculated using the formula in note (1).

BIOLOGICAL ASSETS

Our business model involves growing or breeding of biological assets, namely alfalfa roots and dairy cows. You should note that the valuation of our dairy cows involves a number of assumptions and judgments as set forth below.

Valuation of the Dairy Cows

Our dairy cows were independently valued by JLL, an independent professional valuer not connected with us, and with appropriate extensive experience in valuation of biological assets.

Set forth below is the fair value of our dairy cow herd at the end of each of the reporting periods:

	As of March 31,								
	2011			2012			2013		
	Herd Value	Herd Size	Average Value	Herd Value	Herd Size	Average Value	Herd Value	Herd Size	Average Value
	Thousands RMB	Head	RMB	Thousands RMB	Head	RMB	Thousands RMB	Head	RMB
Dairy cows:									
Calves	83,704	7,016	11,930	97,689	7,346	13,298	176,254	12,998	13,560
Heifers	672,085	29,952	22,439	1,261,911	51,687	24,414	1,369,490	49,964	27,410
Milkable cows	549,087	18,584	29,546	914,141	31,221	29,280	1,690,524	49,889	33,886
Total	**1,304,876**	**55,552**		**2,273,741**	**90,254**		**3,236,268**	**112,851**	

Set forth below are the key assumptions and inputs adopted in the valuation process of our dairy cows as well as the actual historical results:

		As of March 31,		
		2011	2012	2013
Milkable Cows				
Valuation Approach[1]			Income approach	
Raw milk price[2] (RMB/kilogram)	Assumption used	4.14	4.09	4.58
	Actual	4.30	4.45	4.51
Feed costs[3] (RMB/kilogram of raw milk)	Assumption used	2.20	2.29	2.19
	Actual	2.20	2.29	2.19
Culling rate[4] (%)	Assumption used	19%	18%	20%
	Actual	10%	20%	20%
Projected lactation periods[5]	Assumption used	5-6	5-6	5-6
Milk yield per head per lactation period (Tonnes)[6]	Assumption used	7.3-8.6	7.3-8.7	8.5-10.6
	Actual	8.7	8.6	9.1
Discount rate[7] (%)		13.80%	13.70%	12.70%
Calves and Heifers				
Per head market price of 14 month-old heifers[8] (RMB)	Assumption used	20,384	21,070	22,109
	Actual	20,014	20,863	21,663
Per head breeding costs required to raise the calves from[9] (RMB):				
0 month to 6 months	Assumption used	5,867	4,672	6,518
	Actual	5,523	4,223	5,907
7 months to 14 months	Assumption used	5,732	5,729	6,319
	Actual	5,392	5,621	6,521
15 months to 24 months	Assumption used	9,612	10,373	10,855
	Actual	9,311	9,735	11,033

Notes:

1. Valuation approach............ The fair values of 14 months old heifers are determined by referring to the market price of the actively traded market. The fair values of heifers older than 14 months are determined by adding the breeding costs required to raise the heifers from 14 months old to the respective specific ages considering the profits required by raisers. The fair values of heifers younger than 14 months old and calves are determined by subtracting the breeding costs required to raise the animals from the respective specific ages to 14 months old and the profits required by raisers.

Given the unique characteristics of the milkable cows, there are substantial limitations for the market approach or the cost approach for valuing the milkable cows. As a result, the fair value of the milkable cows is developed through the application of an income approach technique known as multi-period excess earnings method ("**MEEM**"). MEEM is a derivative of the discounted cash flow method. The market approach requires market transactions of comparable assets as an indication of value. JLL has not identified any current market transaction which is comparable with the characteristics of the milkable cows of the Group in terms of maturity, species composition, productivity, etc. On the other hand, the cost approach does not reflect the future economic benefits to be generated by the subject asset.

See "Financial Information — Analysis of Selected Financial Position Items — Biological Assets" and "— Valuation of Biological Assets — Valuation Method" for further details.

2. Raw milk prices................. The raw milk prices used as an assumption in the valuation process are based on our historical average selling prices, prospect of demand and supply of raw milk, as well as the analysis of prices obtained from markets where we operate as of the end of each reporting periods. The estimated fair value of milkable cows increases when the raw milk price increases. The increase of raw milk price also has positive impact on the imported heifer price as it usually drives a demand of heifers.

3. Feed costs.......................... The feed costs used as an assumption in the valuation process are based on our historical average feed costs per kilogram of raw milk at the end of each reporting periods. The estimated fair value of milkable cows decreases when the feed costs per kilogram raw milk increases. An effective feed mix and a high level of farm management can help to increase the milk yield and then reduce the feed costs per kilogram of raw milk produced. When calculating the historical feed costs, we did not take into consideration of the cost reduction effect of internal supply of alfalfa, concentrated feeds and certain supplementary feeds under our vertical integrated business model.

4. Culling rate........................ It is normally assumed that the number of milkable cows at the end of each reporting period will decrease in the projection period at certain culling rates due to natural or unnatural factors, including (i) we might cull young milkable cows with low milk production due to their limited economic value; (ii) most of the milkable cows that have reached or are over the fifth lactation period will be culled due to their old age and decreasing milk yield; and (iii) milkable cows might also be culled due to illness, difficult birth or other unnatural deaths.

The estimated fair value of milkable cows decreases when the estimated culling rates increase. However, the dairy farms may also choose to proactively cull cows with low milk yield to maintain higher milk yield per cow and also to improve the genetics of next generations of cows. The actual culling rate for a period is a fraction of (i) the number of milkable cows culled, as the numerator; and (ii) the sum of the balance of milkable cows as of the opening of the period and the incremental number of milkable cows as for the period, as denominator.

The actual culling rate for the year ended March 31, 2011 was lower than the assumption used as heifers largely turned into milkable cows in the second half of the year.

5. Projected lactation periods . The projected lactation periods used as an assumption in the valuation are assumed to be five to six lactation periods depending on the individual physical condition of the milkable cows. Typically, a milkable cow can be milked for five lactation periods. For a few milkable cows with high milk yield, their economic useful life can be longer and they can be milked for as many as six lactation periods. The estimated fair value of milkable cows increases when they have longer economic useful lives.

6. Milk yield .... The milk yield used as an assumption in the valuation process was forecasted based on historical milk yield of the milkable cows, their health conditions, and management and operation of the dairy farms. Milk yield is expected to increase during the third to fourth lactation periods and then decrease in the following lactation periods.

7. Discount rate .... The Capital Asset Pricing Model was applied in the determination of the discount rate. The discount rate reflects the time value of money and a risk premium, representing compensation for the risk inherent in future cash flow that is uncertain. The estimated fair value decreases when discount rate increases. The discount rates applied in the valuation are in line with those adopted by industry peers, after taking into consideration different business growth stages of the Company and its peers.

Parameters used in the Capital Asset Pricing Model included the risk free rates, equity risk premiums, beta coefficients of other listed dairy companies and specific risk premiums reflecting the business growth stage of the Company.

8. Market price of 14 months old heifers .... The fair values of 14 months old heifers are determined using their market price at the actively traded markets as reference.

Currently, according to related import regulations in China, the Company limited its source of imported heifers to three countries namely Australia, New Zealand and Uruguay. It is understood that the import prices from Australia and New Zealand have continued to increase since 2009 due to the strong demand from China as well as other countries like Russia. Historical purchase prices of heifers by large-scale dairy farms in China ranged between RMB 20,300 to RMB 23,300 per head in 2011 and 2012. The prices used in the valuation are in line with the actual prices we recorded.

9. Breeding costs .... The breeding costs used as an assumption in valuation are based on the historical average feed costs per head during the growing stage at the end of each reporting periods. The estimated profits that would be required by a raiser are also applied in the valuation.

The fair values of heifers are estimated by adding the estimated breeding costs to the market price of 14 months old heifers. The estimated fair value of heifers older than 14 months old increases when the breeding costs and the estimated profits that would be required by a raiser increase. The fair values of heifers are estimated by subtracting the estimated breeding costs from the market price of 14 months old heifers. The estimated fair value of the calves and the heifers younger than 14 months old decreases when the breeding costs and the estimated profits that would be required by a raiser increase. The breeding costs for our calves and heifers used as assumptions in the valuation are in line with the historical breeding costs we incurred.

OUR SHAREHOLDING STRUCTURE

The Controlling Shareholders

Immediately following the Exchangeable Bonds having been exchanged in full and the completion of the Global Offering (assuming at the mid-point of the Offer Price range), Mr. Yang will indirectly own 49.73% of our total issued share capital. In addition, Ms. Ge is the concert party of Mr. Yang and, together with Mr. Yang, are considered as the Controlling Shareholders.

Other Investors

Hero, a leading international consumer foods group based in Switzerland founded more than a century ago and with a core competence in infant nutrition products and fruit-based products, will own 4.34% of our total issued share capital immediately following the completion of the Global Offering (assuming at the mid-point of the Offer Price range). Hero was previously a joint venture partner with Mr. Yang and transferred its interest in Liaoning Xiushui in August 2012 in exchange for a shareholding in our Company.

In June 2011, our Group secured a US$290 million investment by a number of financial investors by way of subscription for exchangeable bonds issued by Champ Harvest. The investment agreement and certain ancillary agreements were amended or supplemented on February 22, May 16 and May 29, 2013 to effect certain amendments on the exchange formula to determine the number of Shares that the Exchangeable Bonds could be exchanged into and other consequential amendments. The Exchangeable Bondholders will exchange their Exchangeable Bonds into our Shares immediately prior to the Global Offering. Immediately following the Exchangeable Bonds having been exchanged in full and the completion of the Global Offering (assuming at the mid-point of the Offer Price range), the Exchangeable Bondholders will own 19.65% of our total issued share capital. The Exchangeable Bondholders are Well Ease, a company majority owned by Chow Tai Fook Nominee Limited, Alpha Spring, An Yu and Investec. Please see the section headed "Our History and Corporate Structure" and Appendix III to this prospectus for further details of the investment by the Exchangeable Bondholders and the Exchangeable Bonds, including the special rights attached to the Exchangeable Bonds.

All the special rights enjoyed by the Exchangeable Bondholders will fall away immediately upon full exchange of the Exchangeable Bonds.

Share Option Scheme

We have adopted the Share Option Scheme. Please see the paragraph headed "D. Share Option Scheme" in Appendix V to this prospectus for further details.

MAJOR RISK FACTORS

The major risks we face in our business are:

- Our results of operations are subject to biological fair value adjustments, which can be highly volatile and are subject to a number of assumptions.
- Real or perceived product contamination could result in reduced sales, product liability and damage to our reputation, and subject us to regulatory action.
- The outbreak of any major diseases in our plantation fields and dairy farms or among other dairy cows in China could materially and adversely affect our business.
- Our business and future expansion of our business depends on the supply and quality of heifers and frozen semen.
- We have a short operating history as a vertically integrated daily products company, and we may face difficulties as we expand into new end-markets or as we introduce new product lines.
- Erosion of the reputation of our brand name or failure to protect our trademarks from counterfeiting or imitation could adversely impact our sales and results of operations.
- The existence of tainted or contaminated raw milk and other daily products produced in China or exported to China could negatively affect the image of the dairy industry in China and us.

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors".

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that: (i) the Global Offering has been completed and 2,913,534,000 Shares are newly issued in the Global Offering, (ii) 14,407,788,000 Shares are issued and outstanding following the completion of the Global Offering.

	Based on an Offer Price of HK$2.28 per share	**Based on an Offer Price of HK$2.67 per share**
Capitalization upon completion of the Global Offering	HK$32,850 million	HK$38,469 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per Share[(1)]	HK$0.87	HK$0.95

(1) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per Share are arrived at after the adjustments for the estimated net proceeds to us from the Global Offering.

LISTING EXPENSES

Listing expenses directly attributable to issuing new shares are recognized directly in equity while any expenses attributable to listing of existing shares are expensed as incurred. Qualifying expenses that related to both existing shares and new shares are allocated based on the number of shares. As of March 31, 2013, we had incurred expenses in connection with the proposed Global Offering of RMB8.2 million, which were accounted for as our administrative expenses for the year ended March 31, 2013. By the completion of the Global Offering, we expect to further incur an estimated amount of RMB199.1 million listing expenses, among which an estimated amount of RMB19.5 million is to be recognized as our administrative expenses and an estimated amount of RMB179.6 million is to be recognized directly in equity. By following the principle as mentioned at the beginning of this paragraph, we expect to capitalize 100% of the underwriting commissions and 20.2% of the total fees incurred for services rendered by professional advisers in our equity and the remaining 79.8% of the total fees incurred for services rendered by professional advisers as our administrative expenses. We do not believe the additional expenses will have a material impact on our results of operations.

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$2.48 per Offer Share (being the mid-point of the Offer Price range), will be approximately HK$6,979.1 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes:

- Approximately 17%, or HK$1.2 billion will be used for importing no less than 75,000 high quality heifers from Australia or New Zealand in the coming three years.

- Approximately 34%, or HK$2.4 billion will be used for constructing 45 new dairy farms located in Liaoning Province in the coming three years.

- Approximately 9%, or HK$600 million will be used for leasing lands for feeds plantation in Liaoning Province.

- Approximately 3%, or HK$200 million will be used for constructing two feeds processing plants in Liaoning Province with annual capacity of 100,000 tonnes and 200,000 tonnes, respectively, which are expected to be completed during the years ending March 31, 2016 and March 31, 2017, respectively.

- Approximately 9%, or HK$600 million will be used for constructing a liquid milk production plant in Liaoning Province and purchasing relevant machinery and equipment.

- Approximately 11%, or HK$800 million will be used for constructing a milk powder production plant and purchasing relevant machinery and equipment in Liaoning Province with a production capacity of 33,000 tonnes per annum, which will be completed in the year ending March 31, 2017.

- Approximately 14%, or HK$1.0 billion will be used for sales and marketing activities and expanding our distribution network in the coming two years.

- The remaining amount will be used to provide funding for our working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the Offer Price range.

We estimate that the net proceeds to be received by the Selling Shareholders from the sale of Sale Shares (after deduction of underwriting commissions payable by our Selling Shareholders in relation to the Global Offering, and assuming an Offer Price of HK$2.48 per Offer Share, being the mid-point of the Offer Price range of HK$2.28 to HK$2.67 and the Over-allotment Option is not exercised) are approximately HK$2,129.6 million. We will not receive any of the proceeds from the Sale Shares.

We estimate that the net proceeds to be received by the Selling Shareholders and Option Grantors from the sale of the Sale Shares and Shares to be sold pursuant to the Over-allotment Option (after deduction of underwriting commissions payable by our Selling Shareholders and Option Grantors in relation to the Global Offering, and assuming an Offer Price of HK$2.48 per Offer Share, being the mid-point of the Offer Price range of HK$2.28 to HK$2.67 and the Over-allotment Option is fully exercised) are approximately HK$3,513.8 million. We will not receive any of the proceeds from the Sale Shares or Shares to be sold pursuant to the Over-allotment Option.

Please refer to the section "Future Plans and Use of Proceeds" for further information.

RECENT DEVELOPMENTS

Set forth below are certain developments after the end of the Track Record Period regarding our business:

- Between March 2013 and May 2013, we entered into new leases with fixed rents that cover over 118,000 mu of land in Liaoning Province. In May 2013, we established an additional alfalfa plantation field using 20,000 mu and a supplementary feeds plantation field using 98,000 mu of the land we acquired recently.

- We raised the selling price of our raw milk to RMB4,800 per tonne in May 2013.

- On May 30, 2013, we obtained the production license for an additional liquid milk processing facility with an annual production capacity of 115,000 tonnes. The new production facility has additional packaging equipment installed, which enable us to enhance our packaging capability to cover the full range of our dairy products.

- In July 2013, we obtained the production license at our second milk powder production plant in Jinzhou, Liaoning Province with an annual production capacity of approximately 19,800 tonnes.

- In September 2013, we commenced sales of non-dairy creamers and D90 whey powder.

Set forth below are certain developments after the end of the Track Record Period regarding the industry in which we operate:

- In mid June 2013, nine ministries of the PRC Government, including the China Food and Drug Administration and the Ministry of Industry and Information Technology, released a series of measures to improve quality and safety of infant milk formula powder (《關於進一步加強嬰幼兒配方乳粉質量安全工作的意見》). The measures are designed to allow more stringent supervision over the production process, help ensure food safety and restore consumer confidence in the industry. It is widely interpreted that the implementation of the newly promulgated policies will benefit companies with complete control over the raw milk sources and stringent safety and quality assurance measures.

- In early August 2013, certain batches of whey powder concentrates imported from New Zealand produced by Fonterra Co-operative Group Limited ("**Fonterra**") were reported to be contaminated by Clostridium botulinum and the producer subsequently initiated a precautionary recall of its products. The PRC Government subsequently halted the importation of the whey powder concentrates produced in both New Zealand and Australia. The Ministry for Primary Industries of New Zealand subsequently confirmed that additional independent testing definitively established that there was no Clostridium botulinum present in the whey powder concentrates. We do not believe such incidents have any material adverse impact on us, as we have never imported any contaminated raw materials. However, we believe that the incident might reduce domestic consumers' trust in foreign producers and who are likely to refocus on the quality of the products and therefore assign more values and develop stronger preference to reliable domestic producers ensured by high quality.

- In early August 2013, a number of large milk powder producers were fined by the PRC Government for violation of anti-monopoly laws. We do not believe such incidents have any material adverse impact on us, as our milk powder business only began recently and remained relatively small. However, we believe the potential reputational harm on certain foreign producers of infant milk formula powder may result in a decrease in Chinese consumers' reliance on imported products and therefore benefit reputable domestic producers of infant milk formula powder. Meanwhile, according to Frost & Sullivan, the future demand for infant milk formula powder will continue to be strong and will grow at a CAGR of 17.4% from 2012 to 2017 due to strong fundamental demands for infant milk formula in China.

For the three months ended June 30, 2013, we recorded strong growth in revenue and improvement in gross margins compared to the corresponding period in the previous fiscal year mainly due to (i) a shift of product mix of liquid milk products towards more premium products; (ii) increases in sales volume and average selling price of raw milk products and liquid milk products; and (iii) the addition of milk powder products.

Our Directors confirm that, since March 31, 2013 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them
"Articles" or "Articles of Association"	the articles of association of our Company (as amended from time to time), conditionally adopted on September 5, 2013, a summary of which is set out in Appendix IV to this prospectus
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of a total of 11,493,357,448.2 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company as described in "Appendix V — Statutory and General Information" to this prospectus
"Cayman Companies Law" or "Companies Law"	the Companies Law (as amended) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

"Champ Harvest"	Champ Harvest Limited, a limited liability company incorporated on January 20, 2011 under the laws of the British Virgin Islands, which is ultimately owned as to 90% by Mr. Yang and 10% by Ms. Ge, and one of the Controlling Shareholders
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "our Company"	China Huishan Dairy Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability on March 31, 2011, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
"Controlling Shareholders"	Mr. Yang, Ms. Ge, Mighty Global Limited, Talent Pool, Champ Harvest, King Pavilion Limited and Gain Excellence Limited
"CSRC"	China Securities Regulatory Commission (中國證券業監督管理委員會)
"Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law
"EIT Rules"	the Regulation on the Implementation of the PRC Enterprise Income Tax Law
"Exchangeable Bonds"	the Series A Exchangeable Bonds and the Series B Exchange Bonds
"Exchangeable Bondholders"	the Series A Exchangeable Bondholder and the Series B Exchange Bondholders
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering

"Green Application Form(s)"	the application form(s) to be completed by the HK eIPO White Form Service Provider
"Group", "our Group", "Huishan Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Hero"	Hero Beteiligungen AG, a leading international consumer foods group based in Switzerland founded more than a century ago with its core competence in infant nutrition products and fruit-based products, which is 100% owned by Hero, Nieder Lenzer Kirchweg
"HK eIPO White Form"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of HK eIPO White Form **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	the HK eIPO White Form service provider designated by us, as specified on the designated website of HK eIPO White Form at **www.hkeipo.hk**
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 378,760,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement dated September 12, 2013, relating to the Hong Kong Public Offering and entered into by, among others, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Hong Kong Underwriters and our Company
"Huishan Holdings (Hong Kong)"	China Huishan Dairy Holdings (Hong Kong) Limited (中國輝山乳業控股(香港)有限公司), a limited liability company incorporated on January 11, 2011 under the laws of Hong Kong and an indirect wholly-owned subsidiary of our Company
"Huishan Holdings International"	China Huishan Dairy Holdings International Limited (中國輝山乳業控股國際有限公司), a limited liability company incorporated on May 8, 2002 under the laws of the British Virgin Islands and a direct wholly-owned subsidiary of our Company
"Huishan Investments (Hong Kong)"	China Huishan Dairy Investments (Hong Kong) Limited (中國輝山乳業投資(香港)有限公司), a limited liability company incorporated on January 5, 2010 under the laws of Hong Kong and an indirect wholly-owned subsidiary of our Company
"Huishan Investments International"	China Huishan Dairy Investments International Limited (中國輝山乳業投資國際有限公司), a limited liability company incorporated on September 16, 2009 under the laws of the British Virgin Islands and a direct wholly-owned subsidiary of our Company
"IFRS"	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
"Independent Third Party(ies)" or "independent third party(ies)"	person(s) or company(ies) which is(are) not connected person(s) (as defined in the Listing Rules) of our Company
"International Offer Shares"	the 2,534,774,000 New Shares and 874,062,000 Sale Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be sold by the Option Grantors pursuant to the exercise of the Over-allotment Option, subject to reallocation

"International Offering"	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Joint Global Coordinators, the International Underwriters, our Company, the Selling Shareholders and the Option Grantors on or about September 19, 2013
"International Underwriters"	the group of underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"Jinzhou Huishan Sales"	Huishan Dairy (Jinzhou) Sales Co., Ltd (輝山乳業(錦州)銷售有限公司), a limited liability company established on June 20, 2011 under the laws of the PRC and an indirect wholly-owned subsidiary of our Company
"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent valuer of our dairy cows
"Joint Bookrunners" or "Joint Lead Managers"	Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, UBS AG, Hong Kong Branch, CIMB Securities Limited, Investec Capital Asia Limited and Jefferies Hong Kong Limited
"Joint Global Coordinators" *(in alphabetical order)*	Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited and UBS AG, Hong Kong Branch
"Joint Sponsors" *(in alphabetical order)*	Deutsche Securities Asia Limited, Goldman Sachs (Asia) L.L.C., HSBC Corporate Finance (Hong Kong) Limited and UBS Securities Hong Kong Limited
"Latest Practicable Date"	September 3, 2013, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus

"Liaoning Chengrui Trading"	Liaoning Chengrui Trading Co., Ltd (遼寧晟瑞貿易有限公司), a limited liability company established on December 25, 2009 under the laws of the PRC and an indirect wholly-owned subsidiary of our Company; this Company was de-registered on April 3, 2013
"Liaoning Huishan Dairy"	Liaoning Huishan Dairy Group Co., Ltd* (遼寧輝山乳業集團有限公司), a limited liability company established on November 27, 2002 under the laws of the PRC and an indirect wholly-owned subsidiary of our Company
"Liaoning Shiling Farming"	Liaoning Shiling Farming Co., Ltd* (遼寧世領自營牧場有限公司), a limited liability company established on June 11, 2010 under the laws of the PRC and an indirect wholly-owned subsidiary of our Company
"Liaoning Xiushui"	Liaoning Huishan Group (Xiushui) Co., Ltd* (遼寧輝山乳業集團(秀水)有限公司), a limited liability company established on April 1, 2009 under the laws of the PRC and an indirect wholly-owned subsidiary of our Company
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about September 27, 2013, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Maoyuan Grass"	Shenyang Maoyuan Grass Co., Ltd* (瀋陽茂源草業有限公司), a limited liability company established on March 25, 2011 under the laws of the PRC and an indirect wholly-owned subsidiary of our Company
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)
"Mr. Yang"	Yang Kai (楊凱), our Chairman, Chief Executive Officer and executive Director, and one of the Controlling Shareholders acting in concert with Ms. Ge

"Ms. Ge"	Ge Kun (葛坤), our executive Director and one of the Controlling Shareholders acting in concert with Mr. Yang
"New Shares"	Shares offered for subscription by our Company pursuant to the Global Offering
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%)
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be sold by the Option Grantors pursuant to the exercise of the Over-allotment Option
"Option Grantors"	Spring Harvest Limited, Well Ease, Alpha Spring Limited, An Yu Investments Limited and Investec Bank plc
"Over-allotment Option"	the option expected to be granted by the Option Grantors to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which the Option Grantors may be required to sell up to an aggregate of 568,141,000 Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any
"PBOC"	People's Bank of China (中國人民銀行)
"Pengjia Farming"	Liaoning Huishan Group Pengjia Farming Co., Ltd* (遼寧輝山乳業集團彭家牧業有限公司), a limited liability company established on March 24, 2009 under the laws of the PRC and an indirect wholly-owned subsidiary of our Company
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"Price Determination Date"	the date, expected to be on or about September 19, 2013, on which the Offer Price will be determined and, in any event, not later than September 23, 2013
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act

"Reorganization"	the reorganization of the Group in preparation of the Listing, details of which are set out in the section headed "Our History and Corporate Structure — Reorganization in Preparation for Listing" in this prospectus
"RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sale Shares"	the shares to be offered for sale by the Selling Shareholders at the Offer Price under the Global Offering
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Selling Shareholders"	Champ Harvest, Spring Harvest Limited, Well Ease and An Yu Investments Limited
"Series A Exchangeable Bondholder"	the holder of the Series A Exchangeable Bonds, being Well Ease as of the Latest Practicable Date
"Series A Exchangeable Bonds"	the series A 4% coupon secured exchangeable redeemable bonds due 2014 in the principal amount of US$170 million issued by Champ Harvest to Well Ease
"Series B Exchangeable Bondholders"	the holders of the Series B Exchangeable Bonds, of which principal amount of US$40 million is held by Alpha Spring Limited, principal amount of US$40 million is held by An Yu Investments Limited and principal amount of US$40 million is held by Investec Bank plc as of the Latest Practicable Date
"Series B Exchangeable Bonds"	the series B US$120 million 4% coupon secured exchangeable redeemable bonds due 2014 issued by Champ Harvest to Alpha Spring Limited, An Yu Investments Limited and Investec Bank plc
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"SGS"	SGS - CSTC Standards Technical Services Co., Ltd., a leading testing lab
"Share Option Scheme"	our share option scheme conditionally adopted pursuant to resolutions passed by our Shareholders on September 5, 2013
"Shareholder(s)" or "member(s)"	holder(s) of Shares
"Shares"	ordinary shares in the capital of our Company with nominal value of US$0.001 each, and upon their cancellation and the capitalization issue as described in "Appendix V — Statutory and General Information" to this prospectus, ordinary shares in the capital of our Company with nominal value of HK$0.10 each
"Shenyang Huishan Sales"	Huishan Dairy (Shenyang) Sales Co., Ltd (輝山乳業(瀋陽)銷售有限公司), a limited liability company established on June 2, 2011 under the laws of the PRC and an indirect wholly-owned subsidiary of our Company
"Stabilizing Manager"	The Hongkong and Shanghai Banking Corporation Limited
"State Council"	the PRC State Council (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement which is expected to be entered into by Well Ease and The Hongkong and Shanghai Banking Corporation Limited on or about the Price Determination Date
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Taiping Farming"	Liaoning Huishan Group Taiping Farming Co., Ltd* (遼寧輝山乳業集團太平牧業有限公司), a limited liability company established on April 1, 2009 under the laws of the PRC and an indirect wholly-owned subsidiary of our Company
"Talent Pool"	Talent Pool Holdings Limited, a limited liability company established on January 12, 2010 under the laws of the BVI and an indirectly wholly-owned subsidiary of Mr. Yang

"Track Record Period"	the three fiscal years ended March 31, 2011, 2012 and 2013
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time
"Well Ease"	Well Ease Limited, a limited liability company incorporated on April 21, 2011 under the laws of the British Virgin Islands, which is 80% owned by Chow Tai Fook Nominee Limited, a company incorporated in Hong Kong and owned and controlled by Dato' Dr. Cheng Yu Tung, and 20% owned by Crown Castle Investment Holdings Limited, which is held under trust for the benefit of Ms. Law Mei Ling Katherine, the daughter of Mr. Law Siu Wah Eddie
"Xiahe Farming"	Liaoning Huishan Group Xiahe Farming Co., Ltd* (遼寧輝山乳業集團峽河牧業有限公司), a limited liability company established on February 16, 2009 under the laws of the PRC and an indirect wholly-owned subsidiary of our Company
"Yushu Farming"	Liaoning Huishan Group Yushu Farming Co., Ltd* (遼寧輝山乳業集團榆樹牧業有限公司), a limited liability company established on March 24, 2009 under the laws of the PRC and an indirect wholly-owned subsidiary of our Company

In this prospectus, the terms "associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only and are marked with "".*

This glossary of technical terms contains terms used in this prospectus in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.

"calf" or "calves"	a young female cow up to six months of age from birth
"concentrated feeds"	feeds for dairy cows that are made by blending various crops, including corn, soybean meals and cottonseed meals
"D90 whey powder"	whey powder that is demineralized so that at least 90% of mineral salt is removed from the whey powder
"dairy cows"	calves, heifers and milkable cows
"heifer(s)"	a female cow older than six months that has not given birth to a calf or bull
"mu"	an area unit used in China, equals to approximately 667 square meters
"tonne"	metric ton, represents 1,000 kilograms
"upstream"	in the context of dairy industry, refers to the growth and processing of alfalfa and other feeds and dairy farming
"whey" and "whey powder"	a liquid by-product of cheese, which contains high level of protein. Liquid whey can be processed into whey powder

In addition to other information in this prospectus, you should carefully consider the following risk factors before making an investment in the Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks and you may lose all or part of your investment.

There are certain risks relating to an investment in our Shares. These risks can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to doing business in China; and (iv) risks relating to the Global Offering. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that are presently deemed immaterial, could also harm our business, financial condition and operating results.

Risks Relating to Our Business

Our results of operations are subject to biological fair value adjustments, which can be highly volatile and are subject to a number of assumptions.

Our results of operations, particularly our gross profit, operating profit and profit of the year, are affected by biological fair value adjustments on our dairy cows, alfalfa roots, raw milk and alfalfa. We expect that our results of operations will continue to be affected by these biological fair value adjustments. For details on the fair value adjustments, see "Financial Information—Factors Affecting Our Financial Condition and Results of Operations—Biological Assets and Agricultural Produce", "—Critical Accounting Policies and Estimates", "—Principal Income Statement Components—Cost of Sales, Gross Profit and Gross Margin", "—Changes in Fair Value Less Costs to Sell of Biological Assets" and "—Initial Recognition of Agricultural Produce at Fair Value Less Costs to Sell at the Point of Harvest". Set forth below illustrates the effects of biological fair value adjustments on our gross profit, operating profit and profit of the year:

	Year Ended March 31,								
	2011			2012			2013		
	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total
	(RMB in thousands, except for percentages)								
Consolidated Income Statements									
Turnover	**374,045**	**—**	**374,045**	**1,332,794**	**—**	**1,332,794**	**2,552,438**	**—**	**2,552,438**
Cost of sales	(254,166)	(105,208)	(359,374)	(783,155)	(457,633)	(1,240,788)	(1,174,268)	(935,927)	(2,110,195)
Gross profit	**119,879**	**(105,208)**	**14,671**	**549,639**	**(457,633)**	**92,006**	**1,378,170**	**(935,927)**	**442,243**
Gross margin	***32.0%***	**—**	***3.9%***	***41.2%***	**—**	***6.9%***	***54.0%***	**—**	***17.3%***
Gain arising on initial recognition of agricultural produce at fair value	—	105,208	105,208	—	457,633	457,633	—	954,187	954,187
Gain/(loss) arising from the changes in fair value less costs to sell of biological assets	—	295,241	295,241	—	63,817	63,817	—	(86,779)	(86,779)
Profit from operations	**89,410**	**295,241**	**384,651**	**499,961**	**63,817**	**563,778**	**1,222,548**	**(68,519)**	**1,154,029**
Operating margin	***23.9%***	**—**	***102.8%***	***37.5%***	**—**	***42.3%***	***47.9%***	**—**	***45.2%***
Profit for the year	**32,672**	**295,241**	**327,913**	**385,903**	**63,817**	**449,720**	**1,013,889**	**(68,519)**	**945,370**
Net margin	***8.7%***	**—**	***87.7%***	***29.0%***	**—**	***33.7%***	***39.7%***	**—**	***37.0%***

The fair value of our biological assets, including dairy cows and alfalfa roots at the end of each reporting period indicated above was determined by independent professional valuers. In applying these valuation methods, the independent professional valuers have relied on a number of assumptions. The assumptions used for determining the fair value of our milkable cows include:

- an average raw milk price of RMB4.14 per kilogram, RMB4.09 per kilogram and RMB4.58 per kilogram as of March 31, 2011, 2012 and 2013, respectively;
- feed costs of RMB2.20 per kilogram, RMB2.29 per kilogram and RMB2.19 per kilogram as of March 31, 2011, 2012 and 2013, respectively;
- a culling rate of 19%, 18% and 20% as of March 31, 2011, 2012 and 2013, respectively;
- five to six lactation periods throughout the Track Record Period;
- milk yield per head per lactation period of 7.3 tonnes to 8.6 tonnes, 7.3 tonnes to 8.7 tonnes and 8.5 tonnes to 10.6 tonnes as of March 31, 2011, 2012 and 2013, respectively; and
- a discount rate of 13.8%, 13.7% and 12.7% as of March 31, 2011, 2012 and 2013, respectively.

The assumptions used for the fair value of our calves and heifers include:

- per head market price for 14 months old heifers of RMB20,384, RMB21,070 and RMB22,109 as of March 31, 2011, 2012 and 2013, respectively;
- per head breeding costs required to raise the newly born calves to six months of RMB5,867, RMB4,672 and RMB6,518 as of March 31, 2011, 2012 and 2013, respectively;
- per head breeding costs required to raise the calves from seven months to 14 months of RMB5,732, RMB5,729 and RMB6,319 as of March 31, 2011, 2012 and 2013, respectively; and
- per head breeding costs required to raise the calves from 15 months to 24 months of RMB9,612, RMB10,373 and RMB10,855 as of March 31, 2011, 2012 and 2013, respectively.

The fair value of the biological assets could be affected by, among other things, the accuracy of those assumptions, as well as the quality of our herd, raw milk prices and changes in the dairy industry. Therefore, the resulting adjustments can be highly volatile. These assumptions may be more favorable than the actual historical rates. In addition, while these assumptions as adopted in the valuation process have been in line with the actual results, there can be no assurance that there will be no significant deviation in the future. For details on the valuation and the application of various assumptions, see "Financial Information — Valuation of Biological Assets". In particular, upward adjustments and gains so recognized do not generate any cash inflow for our operations. In addition, any raw milk or alfalfa not sold or consumed internally in the same period in which such raw milk or alfalfa was produced will result in a net gain. As a result, when evaluating our results of operations and profitability, you should consider our profits and margins without taking into account the effects of these biological assets fair value adjustments.

Real or perceived product contamination could result in reduced sales, product liability and damage to our reputation, and subject us to regulatory action.

If our products are found to be contaminated or reported to be associated with any contamination incidents, our reputation, business, prospects, financial condition and results of operations could be materially and adversely affected. Our products have never been found to have contaminants or reported to be associated with any contamination incidents, and we have not been subject to any product liability claims. However, there can be no assurance that contamination will not happen during the production and transportation of our products. Furthermore, the mere publication of information asserting that our raw milk contains or has contained any contaminants could damage our reputation and have a material adverse effect on us, regardless of whether these reports have any factual basis. If our products are found to be contaminated during the inspection process, we could be subject to sales returns or delivery of our products could be refused, which could reduce our sales and damage our relationships with our customers. In addition, following the acceptance of delivery of our raw milk and milk powder by our industrial customers, our raw milk and milk powder are used in our industrial customers' end-products. If those end-products are contaminated, and if the contaminations are ultimately traced back to our raw milk or milk powder, we could be subject to product liability claims by individual consumers for damages, including, among other things, medical expenses, disability and wrongful death.

In addition, under the terms of the contracts with our industrial customers for raw milk, we have agreed to indemnify such customers for losses arising from product contamination, if the product contamination can ultimately be determined to be the result of our negligence. Furthermore, adverse publicity about the quality of our dairy products, whether valid or not, could adversely affect our reputation. In addition to product liability claims, if our products are found to be contaminated, we may be subject to regulatory actions. To provide protection to consumers in relation to the purchase or consumption of food, the Food Safety Law of the PRC took effect on June 1, 2009. If we are found to be in violation of this law, we could be subject to penalties including monetary fines, confiscation of equipment and/or revocation of licenses necessary to conduct our business, which could materially and adversely affect our results of operations and financial condition.

The outbreak of any major diseases in our plantation fields and dairy farms or among other dairy cows in China could materially and adversely affect our business.

Our business relies heavily on our feeds and dairy farming operations. Major outbreaks of illness or disease at any of our plantation fields and dairy farms would have a significant impact on our raw milk production capacity and volume. Although we carry insurance policies to cover us against losses related to cow diseases, and we may also be entitled to receive government compensations in the event of an outbreak of a disease among our cows that are eligible for such government compensation, we cannot assure you that these will be sufficient to cover all of our losses in the event of an outbreak. In the past, our plantation fields and dairy farms have not experienced any major outbreaks. However, there can be no assurance that such incidents will not happen in the future. Any major outbreak of disease, including foot and mouth disease, bovine tuberculosis (for the dairy cows), pet diseases (for the alfalfa plantation fields) or any other serious disease at our alfalfa fields and dairy farms could lead to significant shortfalls in our raw milk output and death of our cows, which could materially and adversely affect our income, asset value and financial condition.

In addition, the dairy industry is highly sensitive to consumers' perception of the safety and quality of the dairy products. Any major outbreak of illness or diseases among cows in China or other safety concerns of the dairy products in China could lead to a serious loss of consumer confidence in, and demand for, dairy products. Adverse publicity about these types of concerns, whether valid or not, may discourage consumers from buying dairy products, even if such adverse publicity are proved to be false later. Therefore, any outbreak of disease among dairy cows in China or elsewhere could negatively affect our growth prospects.

Our business and future expansion of our business depends on the supply and quality of heifers and frozen semen.

The quality and quantity of our dairy cows are important factors to our output of raw milk. We imported high quality heifers from Australia, New Zealand and Uruguay. We also bred calves using frozen semen imported from North America. We currently target to procure approximately 25,000 head of dairy cows per year in the next three years. Any shortage of supply, outbreak of disease, deterioration of quality or price fluctuation of the heifers in these countries could have a material adverse effect on the quality or profitability of our dairy products. Occurrence of any adverse events, such as terrorism, strikes, riots or economic downturns, within the countries from which we import the heifers, could also affect the supply of heifers. The expansion of our business by establishing new dairy farms also depends heavily on our ability to import sufficient numbers of heifers. Our failure to do so or to find alternative sources of heifers for our existing and new farms, or occurrence of adverse events within the countries from which we import heifers, could adversely affect our growth prospects.

To improve our herd of dairy cows genetically, we inseminate our cows by using high quality frozen semen imported from North America. If the supply of frozen semen is disrupted or the quality of frozen semen is deteriorated, the genetic quality of our herd, and in turn, the quality and yield of milk produced by our dairy cows may not improve at the rate we expect in the long term. In addition to milk yield, our ability to maintain high-quality dairy cows has an impact on the protein and fat content of our milk, which in turn could impact the price at which we can sell our raw milk. Therefore, failure to import frozen semen with premium quality could adversely affect our results of operation and future expansion.

Disruption of operations at our production facilities could adversely affect our business in material respects.

Our ability to efficiently produce our dairy products is critical to our success. In particular, the production of our products relies heavily on our feeds and dairy farming operations. Our abilities to produce and process alfalfa and supplementary feeds, process concentrated feeds, manage our dairy farms, produce raw milk, process and distribute the raw milk and deliver our raw milk to our industrial customers are critical to the production of our dairy products and our business. Damage or disruption to the operations of our plantation fields, dairy farms and production facilities can result from the following factors, among others:

- utility supply disturbances, terrorism, strikes or other *force majeure* events;
- forced closing or suspension of our production facilities;
- severe weather condition;
- major disease outbreak in our plantation fields and dairy farms;
- our failure to comply with applicable regulations and quality assurance guidelines;
- interruption of our ERP and other information technology systems that facilitate the management of our dairy farms and production facilities; and
- other production or distribution problems, including limitations to production capacity due to regulatory requirements, changes in the types of products produced or physical limitations that could impact continuous supply.

Although our alfalfa plantation fields, dairy farms and production facilities have not experienced any material disruptions, there can be no assurance that the events and factors mentioned above will not result in a material disruption in the future. If we fail to take adequate steps to mitigate the likelihood or potential impact of these events, or to effectively respond to these events if they occur, our business, financial conditions and results of operations could be materially and adversely affected.

We have a short operating history as a vertically integrated dairy products company, and we may face difficulties as we expand into new end-markets or as we introduce new product lines.

We have a short operating history. We were established in 2009, focused primarily on dairy farming, and we have been gradually expanding to cover the entire dairy industry value chain. We began to offer liquid milk products in November 2010 and commenced commercial production of milk powder products in January 2013. We intend to expand into additional geographic end-markets throughout China. We also intend to broaden our product portfolio by adding new product lines. As we expand our business to new regions or with new product lines, we may encounter regulatory, personnel, technological and other difficulties that may increase our expenses or delay our ability to start up our operations and expand our distribution network to comply with applicable regulatory requirements or become profitable in such regions or product series. In addition, a substantial part of our current operation is concentrated in Liaoning Province, and we may not be able to replicate the brand recognition, management experience and business success we experienced in our current operations in other regions. Our expansion into liquid milk and milk powder businesses has also changed our risk profile. The intensive market competition on liquid milk and milk powder products may result in downward pricing pressure and thereby negatively impact our profitability. Our results of operations may also be more volatile due to the rapidly changing market and industry conditions. The change in profile of customers also affects our credit risks, as the distributors and/or customers for our downstream business may have a longer credit period under current market practice. There is also a substantial risk that any new markets to which we introduce our products may not accept, or be as receptive to, our products as, our success depends on our ability to anticipate the tastes and dietary habits of consumers and to market our products in ways that would appeal to the consumers in these new markets. This may affect our relationships with consumers, suppliers, distributors and regulators and could have a material adverse effect on our business.

We may be unable to adequately manage our future rapid expansion of operation and growth or to achieve our growth plan within our desired time frame, if at all.

We have grown rapidly during the Track Record Period. Our consolidated turnover increased at a CAGR of 161.2% from RMB374.0 million for the year ended March 31, 2011 to RMB2,552.4 million for the year ended March 31, 2013. Our future growth depends on whether we are able to expand our capacity and our ability to place our products in different geographic end-markets in China. Our expansion plans are subject to business, industry, economic, and competitive contingencies and uncertainties, including the implementation of applicable laws and regulations, occurrence of labor disputes and economic downturns, any of which could result in a decline in the sales volume of our products and delay of the introduction of new products. In the occurrence of any events that could have a material adverse effect on our business, we may not be able to continue our growth, expand within our existing markets, enter into additional geographic end-markets, expand our feeds resources and operations, expand our dairy farms, herd of dairy cows, processing plants and current products or introduce new product lines.

Further, expanding our plantation fields, dairy farms and processing facilities requires significant investment and construction lead time. Our managerial, operational and financial resources may also be strained in our plans for expansion. We may need to integrate additional operations for the manufacture of different product lines. Our management may also be challenged to procure and allocate sufficient resources to support our expansion, including raw materials, adequate manufacturing, production, warehousing and transportation infrastructure, and increased distribution and marketing channels. There can be no assurance that our personnel, systems, procedures and control measures will be adequate to support our future growth. We might not be able to successfully expand our production capacity and implement our expansion plans in an effective manner within our desired time frame, or at all. Delays in the growth of our operations could result in loss of revenue, increase in financing costs, inadequacy of working capital or failure to meet profit and earnings projections, any of which could adversely affect our cash flow, business and results of operations.

Erosion of the reputation of our brand name or failure to protect our trademarks from counterfeiting or imitation could adversely impact our sales and results of operations.

Our business is highly sensitive to consumers' perception of the safety and quality of our products. The brand name and trademarks under which our products are marketed and sold are crucial to our business. As of the Latest Practicable Date, we had 15 registered trademarks under various classes that we consider to be material to our business and had 11 trademark applications under various classes that we consider to be material to our business. Furthermore, we are licensed to use one trademark in the PRC that we consider to be material to our business. Any actual or perceived contamination, spoilage or other adulteration, product misbranding or tampering may lead to the erosion of our brands, regardless of its merits. Counterfeiting and imitation of well-known dairy products have occurred in the PRC in the past. While we have not experienced counterfeiting and imitation of our products and trademarks in the past, there can be no assurance that this will not occur in the future. Our failure to detect counterfeiting and imitation of our products and trademarks and to mitigate the adverse impact from such counterfeiting and imitation could result in a decrease in our sales volume or market share.

Furthermore, we cannot guarantee that the use of our brand and trademarks will not infringe the intellectual property rights of any third party or otherwise violate any applicable laws. Any liability claim in relation to our use of such brands and trademarks made or threatened to be made against us in the future, regardless of its merits, could result in costly litigation and strain our administrative and financial resources. If we fail to effectively protect our brand and trademarks, our reputation could suffer severe damage, which in turn could have a material adverse effect on our business, financial condition and results of operations.

If we fail to anticipate and respond to changes in consumer preferences, demand for our products could decline.

Our success depends on our ability to anticipate, identify, interpret and react to the evolving tastes, dietary habits and nutritional needs of consumers and to offer products that appeal to them. Sales of our products could be affected by nutritional and health-related concerns about our products, such as fat, cholesterol, calorie, sodium, lactose, sucrose, bacteria and other ingredients contained in the products. Consumer trends in the dairy industry are constantly changing and our failure to anticipate, identify, interpret and react to these changes, or our failure to generate consumer acceptance or recognition of our new products, could lead to, among others, reduced demand for and/or price reductions of our products, which could materially and adversely affect our business, financial condition and results of operations.

Even if we do correctly anticipate, identify, interpret and react to these changes, there can be no assurance that we will be able to successfully compete in these new businesses that demand for these new products will grow to the extent that we expect; or that these new businesses and products will provide the returns that we expect. If we are unable to respond to rapid changes in consumer preferences in a timely manner or at all, or if our competitors are able to address these concerns more effectively or efficiently, our business, financial condition and results of operations could be materially and adversely affected.

The dairy industry, especially the downstream business, is highly competitive. We might lose our market share or may not be able to maintain our pricing.

The dairy industry is highly competitive, especially the markets for liquid dairy products and milk powder products, which are experiencing rapid development and increasing competition. We compete with large multi-national companies particularly with respect to milk powder products, as well as regional and local companies in each of the regions in which we operate. Besides, in most product categories, we compete not only with other widely advertised branded products, but also with private labels, store and economy brand products that are generally sold at lower prices. Many of our competitors have been in this business longer than we have, and/or may have substantially greater financial and other resources than we have and maybe better established with more solid brand recognition in the business than we have. Our competitors in certain regional markets may also benefit from raw material sources or production facilities that are closer to the markets for the downstream products or may benefit from their attempt in integrating upstream and downstream production processes, which provides them with competitive advantages in terms of costs and proximity to consumers. Some of our competitors have used, and we expect them to continue to use, greater amounts of incentives and subsidies for distributors and retailers and more advanced processes and technologies. Furthermore, consolidation among industry participants in China may result in stronger domestic competitors that are more capable of competing as end-to-end suppliers as well as competitors who are more specialized in particular areas and geographic markets.

In addition, while we believe we are currently the most fully integrated dairy company in the dairy industry in China, a number of our competitors have also engaged in integration within the value chain, including making investments in dairy farms or milk powder productions, cooperating with their existing business partners or other international institutions that produce or supply alfalfa, feeds or milk powder, and other strategic initiatives that could enhance or expand their current operations or products or that might otherwise offer them with growth opportunities. Such strategic moves may lead to a more competitive environment.

The above advantages of our competitors might put us in the position to invest a significant amount of expenditure on quality control, product distribution, marketing and promotion in order to secure our market share and establish our brand name. Our failure to introduce products that differentiate us from our competitors might result in the loss of our market share. In addition, our competitors' significant increase in their advertising expenditures and promotional activities might lead us to engage in irrational or predatory price reductions, which could dilute our margins and materially and adversely affect our business, financial condition and results of operations.

We sold a substantial volume of raw milk to a limited number of industrial customers.

Apart from sales of raw milk to Shenyang Dairy and consumption internally, all of our raw milk has been sold to two leading dairy products companies in China, which separately accounted for 9.9%, 2.0% and 7.7%, and 19.1%, 27.7% and 33.1% of our total sales of raw milk for the years ended March 31, 2011, 2012 and 2013, respectively. We expect that sales to these two customers will continue to represent a significant portion of our annual sales of raw milk for the foreseeable future. We maintain a 10-year strategic cooperation framework agreement with each of these two customers since 2012 and 2013, respectively. We have negotiated and entered into raw milk supply agreement under such framework agreement with these two customers on an annual basis. According to such raw milk supply agreements, the terms and conditions of the sales of raw milk shall remain the same within the one-year term of the agreement and neither party is entitled to terminate the agreement within such one-year term.

If, for any reason, either one of these two customers breaches their respective contractual obligations to purchase our raw milk or decline to renew the raw milk supply agreement, we may not be able to find alternative buyers for raw milk within a reasonable period of time, which could result in a significant decrease in our sales volume and could materially and adversely affect our results of operations and financial condition. In addition, any breach by us of our obligations under such supply agreements could result in us facing claims for damages, penalties and compensation from our customers.

We have not obtained certain approvals or licenses for a number of our dairy farms and production plants. Absence of these approvals may result in the government-ordered cessation of operations of these dairy farms and production plants.

As of the Latest Practicable Date, we have not obtained certain approvals or licenses for two of our dairy farms. For the years ended March 31, 2011, 2012 and 2013, turnover from these dairy farms amounted to RMB12.5 million, RMB38.0 million and RMB44.9 million, respectively, representing approximately 3.3%, 2.9% and 1.8% of our turnover for the respective periods. During the Track Record Period, we operated a number of our dairy farms and production plants without obtaining the necessary approvals or completing the finishing inspection. For the years ended March 31, 2011, 2012 and 2013, turnover from these dairy farms and production plants amounted to RMB37.0 million, RMB602.8 million and RMB2,042.8 million, respectively, representing approximately 9.9%, 45.2% and 80.0% of our turnover for the respective periods. See "Business—Licenses, Regulatory Approvals and Compliance Record" for further details. As advised by our PRC legal advisor, if we fail to obtain these approvals or licenses in due course, the government may order us to cease operation at one or both of these dairy farms, or impose fines of up to RMB5.3 million in aggregate (including the fine of RMB5.0 million in connection with the lack of agricultural land use right certificate). The occurrence of any of those could have a material adverse effect on our prospects, business, financial condition and results of operations.

We have not obtained appropriate agricultural land use approvals in accordance with PRC laws and regulations for certain dairy farms leased.

As of the Latest Practicable Date, we have not obtained appropriate agricultural land use right certificates from the local government authorities for the two of our dairy farms leased with a total area of 251.7 mu. As advised by our PRC legal advisor, without proper agricultural land approvals in accordance with PRC laws and regulations for the two dairy farms leased, we may be ordered by government authorities to return the land if it is determined that we are occupying the agricultural land illegally and without proper authorization. The government authorities may also fine us for up to approximately RMB5.0 million for these two farms. While we have received an exemption letter for each of these farms from the government authorities, there can be no assurance that the abovementioned sanctions, fines and orders will not be imposed on us. If any of these happens, our business, financial condition and results of operations could be materially and adversely affected.

Failure to manage our distribution network may materially and adversely affect our business.

We sell our products to retail customers through our distributors and various retail chains under our modern and specialty channels. The competition for distributors is intense in our industry in China and many of our competitors are expanding their distribution networks. We may not be able to compete successfully against our competitors for our existing distributors or additional distributors in the future. In addition, we may not be able to successfully manage our relationship with the various retail chains. Although we are not aware of any material loss of distributors or retail chains during the Track Record Period, we cannot assure you that we will not lose any of our distributors or retail chains in the future, which may cause us to lose some or all of our favorable arrangements with such distributors or retail chains and may even result in the termination of our relationships with other distributors or retail chains. While we do not believe that we are substantially dependent upon any individual distributor, finding distributor replacement could be time-consuming and any resulting delay may be disruptive and costly to our business.

In addition, we may not be able to effectively manage our distributors and the cost of any consolidation or further expansion of our distribution network may exceed the revenue generated from these efforts. Furthermore, the performance of our distributors and the ability of our distributors to re-sell our products, uphold our brand, expand their businesses and their sales network are crucial to the future growth of our business and would directly affect our sales volume and profitability. If any of our distributors fails to distribute our products in a timely manner or according to the terms of individual distribution agreement, or at all, or if our distribution agreements are suspended, terminated or otherwise expired without renewal, the sales volume of our products or our profitability could be materially and adversely affected.

We may not be able to retain or secure key qualified personnel, key senior management or other personnel for our operations.

We depend on certain key qualified personnel, key senior management and other employees in our business, including those personnel set out in the section headed "Directors and Senior Management" in this prospectus. In particular, we depend on the services of Mr. Yang to further our growth and expansion. The expertise, industry experience and contributions of our senior management are crucial to our success. There can be no assurance that such persons will continue to provide services to us or will honor the agreed upon terms and conditions of their employment contracts. Any loss of key personnel or failure to recruit and retain personnel for our future operations and development may have a material adverse effect on our business.

We may not be able to identify and/or secure land resources at competitive costs as we expand operations and the number of farms.

As we continue our growth by expanding the number of our farms and introducing our products into new regions, we may encounter regulatory, personnel and other difficulties that may increase our expenses or we may be unable to find suitable parcels of land for new farms and production facilities, which could delay our plans or impair our ability to become profitable in these regions. One of our strategies is to replicate our successful model of standardized large-scale industrialized free stall dairy farming at our new farms. If we are unable to successfully replicate this model and maintain standards across all of our farms, the quality of raw milk we produce and our efficiency could be reduced.

Our insurance coverage and government compensation may not be sufficient to cover all of our potential losses.

We have maintained insurance policies for all of our milkable cows and heifers that are aged over 15 months (and inclusive) as they are generally insurable subjects under relevant insurance policies provided by insurance companies in the PRC. For our milkable cows and heifers that are eligible to obtain insurance coverage, we have taken out insurance policies for them against death or obsolescence caused by certain diseases, illnesses, accidents and natural disasters. For our imported heifers, we require our suppliers to provide insurance coverage over the heifers during transit until they are delivered to us at the designated ports in the PRC. Please refer to “Business — Insurance” for further information. In the event of certain losses sustained by us, we may also be entitled to receive government compensation. Pursuant to the Law of the PRC on Animal Epidemic Prevention, which was amended on August 30, 2007 and became effective on January 1, 2008, when livestock are slaughtered and livestock products and related goods are destroyed through mandatory measures undertaken by the PRC Government to prevent, control or eliminate epidemics, governments, at or above the county level, are required to provide compensation. As the amount of the compensation payable is determined by the relevant government, there is no assurance that the compensation would be sufficient to cover our losses and related costs to replace a milkable cow or heifer. In addition, even if we do receive compensation from insurance companies or the government for the replacement of milkable cows and heifers that are deceased or slaughtered, there is no assurance that any replacement milkable cows and heifers would be of the same genetic quality as the deceased or slaughtered cows and heifers, which could lower our milk yield per milkable cow.

We also maintain insurance coverage for our main production facilities and equipment. However, these insurance policies have limits on the total amount of indemnification and do not cover all potential losses. As a result, we may be required to use our own resources to cover certain financial and other losses, damages and liabilities, including those caused by fire, bad weather, disease, civil strife, strikes, natural disasters, terrorist incidents, industrial accidents or other causes. Also, any defective product claim or business interruption may result in substantial costs to us. Losses incurred or payments we may be required to make may have a material adverse effect on our business, financial condition and results.

Natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect our business, results of operations and financial condition.

Natural disasters such as earthquakes, floods, severe weather conditions or other catastrophic events may severely affect the regions where we operate or our main markets. For example, in August 2013, parts of Northeastern China were heavily flooded. Such natural disasters could cause a material economic downturn in the affected area as well. Although we have had very limited exposure to any catastrophic event (including the flooding in August 2013), any future disasters in the regions in which we operate or in our main markets could have a material adverse effect on our business prospects, financial condition and results of operations. Similarly, war, terrorist activity, threats of war or terrorist activity, social unrest as well as geopolitical uncertainty and international conflict and tension could affect international or regional economic development. In turn, our business, financial condition and results of operations may be materially and adversely affected. In addition, we may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, our operational continuity may be adversely and materially affected.

We recorded net current liabilities as of March 31, 2011, 2012 and 2013. There can be no assurance that we will record net current assets in the future.

We recorded net current liabilities of RMB990.8 million, RMB2,511.5 million and RMB151.0 million as of March 31, 2011, 2012 and 2013, respectively. See "Financial Information — Working Capital" for detailed analysis on our net current liability position. There can be no assurance that we will be able to improve our liquidity and record net current assets. If we continue to record net current liabilities, we may face a deficiency of working capital and may not be able to service short term debts. Any of these events could have a material adverse impact on our business and results of operations.

Risks Relating to Our Industry

The existence of tainted or contaminated raw milk and other dairy products produced in China or exported to China could negatively affect the image of the dairy industry in China and us.

The dairy industry in China has been subject to product recalls due to product contamination in the past. For example, in 2008, sales of milk formula powder contaminated with melamine caused the death of a number of infants as well as illness in nearly 300,000 others. In addition, in 2009 and 2010, further incidents of substandard milk formula contaminated with melamine were also uncovered. None of our products were involved in these incidents. In 2008, PRC's Administration of Quality Supervision, Inspection and Quarantine found that the products of at least 22 Chinese milk and formula producers were contaminated with melamine, which caused significant negative publicity for the entire dairy industry in China. In addition, in August 2010 there was further negative publicity concerning the dairy industry when three infants in China were reported to have experienced pubescent development, which was allegedly caused by estrogen hormones found in a particular local brand of milk formula. In August 2013, there were various articles reporting that certain WPC products (whey protein concentrate) supplied by a specific supplier in New Zealand were contaminated by Clostridium botulinum. The mere publication of reports of contaminated or tainted milk products produced by other manufacturers in China or other countries could negatively affect our industry and our business, even if there is no connection with the raw milk and other dairy products we produce. Such adverse publicity could negatively affect our results by reducing consumer demand and, in turn, our prices, increase government oversight of our industry, and have an adverse effect on our growth prospects.

In addition, raw milk produced in China is used to produce a variety of dairy products. Consumers' perception of the safety and quality of raw milk could significantly affects the sales volume and demand of the dairy products produced from raw milk. Any concern with the quality of raw milk produced in China, or illegal tampering with the content of raw milk, such as the addition of unknown or unauthorized elements by third-party agents or suppliers, may render dairy products susceptible to suspicions of contaminated quality from use of adulterated raw milk. This may negatively impact consumer perception of our industry and demand for dairy products including ours. In addition, any adverse publicity about quality concerns related to domestic sources of raw milk, whether valid or not, may discourage consumers from purchasing dairy products and negatively impact our business.

Our industry could face slower potential market growth.

The dairy industry in China has experienced significant growth during the past few years. This growth has been, in part, due to increasing demand for dairy products in China. The prices at which we sell our products and the estimated demand for our newly introduced products could be influenced by the level of consumer demand for dairy products in China. There can be no assurance that the dairy industry in China will continue to grow in the future. The dairy industry in China may experience slower growth due to market saturation or competition from alternative products, such as soy-based beverages and products, which may have an impact upon the size and growth of the markets for dairy products. If the demand for dairy products in China drops for any reason, including changing consumer dietary habits, our results of operations and expansion plans could be adversely affected.

We may be subject to higher compliance costs if the PRC environmental protection laws become more onerous. Environmental claims or failure to comply with any present or future environmental protection laws may require us to spend additional funds and may harm our results of operations.

We conduct business in an industry that is subject to the PRC environmental protection laws and regulations. These laws and regulations require enterprises engaged in manufacturing and construction that may produce environmental waste to adopt measures to effectively control and properly dispose of waste gases, waste water, industrial waste, dust and other environmental waste materials, as well as require fee payments from producers discharging waste substances. Any failure to comply with such laws or regulations which results in environmental pollution may lead to fines from the administrative department for environmental protection. If breach is serious, the PRC Government has the discretion to suspend or close any operation failing to comply with such laws or regulations. We cannot assure you that the PRC Government will not change the existing laws or regulations or impose additional or stricter laws or regulations, compliance with which may cause us to incur significant capital expenditure, which we may be unable to pass on to our customers by increasing the prices of our products.

We were not involved in any environmental claims or in violation of any applicable environmental protection laws and regulations that we believe could have a material adverse effect on our financial condition in the past. However, there can be no assurance that we will not be involved in or be accused of the above events in the future, which could subject us to civil remedies or administrative penalty, including fines, injunctions, product recalls or seizure, as well as potential criminal sanctions. In addition, we may at times be involved in litigation or legal proceedings during the ordinary course of business operations, or related to, among other things, product or other types of liability, labor disputes or contract disputes. If we are involved in or become accused of any environment claims, violation of environmental protection laws or regulations, litigation or other legal proceedings in the future, the outcome of such proceedings could be uncertain and could result in settlements or results which could adversely affect our financial condition. Furthermore, any of the above proceedings could involve substantial legal expenses as well as significant time and attention of our management, diverting their attention from the business operations.

Changes in public health and food safety laws and regulations may adversely affect our business.

Our operations are subject to extensive laws and regulations promulgated by the State Council, the General Administration of Quality Supervision, Inspection and Quarantine, the Ministry of Agriculture, and other national or local regulatory authorities of the PRC regarding various aspects of our operations. There can be no assurance that we are capable of fully complying with future laws and regulations. Any failure to comply with relevant governmental laws and regulations may have a material adverse effect on our business and results of operations.

There can also be no assurance that the PRC Government will not change the existing laws or regulations or adopt additional or more stringent laws or regulations applicable to us and our business operations. Although we are in compliance with current PRC food hygiene and safety laws and regulations, in the event that such laws and regulations become more stringent or wide in scope, we may fail to comply with such laws. Even if we can comply with such laws, our production and distribution costs may increase. For example, the PRC State Council abolished the regulations on inspection exemptions for food on September 18, 2008 so that every batch of our products was subject to internal inspection going forward. In addition, the PRC State Council promulgated with immediate effect the Regulation on Supervision and Administration of Quality and Safety of Dairy Products on October 9, 2008 which, among other things, imposes more stringent requirements for inspection, production, packaging, labeling and product recalls on dairy product producers. Furthermore, on September 16, 2010, the Office of the State Council promulgated the Notice regarding the Further Strengthening of Measures regarding the Quality and Safety of Dairy Products (the "**Notice**") (關於進一步加強乳品質量安全工作的通知) (國辦發[2010]42號), requiring the strengthening of measures regarding the quality and safety of dairy products, rigorous regulations on the quality and safety of dairy products, and a raise in the standard of quality and safety of dairy products. All these new measures are likely to increase our compliance costs. To the extent that new laws and regulations are adopted, we will be required to conform our activities and operations in order to comply with such laws and regulations. We cannot predict the nature of such future laws, regulations, interpretations, or applications, nor can we predict the impact of additional laws, regulations or administrative orders, when and if promulgated, on our business in the future. Such laws and regulations may require the re-configuration of other methods for sourcing raw materials, production, processing and transportation, including, but not limited to, more onerous food safety, labeling and packaging requirements, more stringent compliance requirements for waste management, increase in transportation costs, and greater uncertainty in production and sourcing estimates. The costs of compliance with current or future legislation or regulatory requirements and obtaining and maintaining regulatory approvals may be significant, and could force us to curtail our operations or otherwise have a material adverse effect on our financial condition, results of operations or cash flows. Also, our failure to comply with any applicable laws and regulations could subject us to civil remedies or administrative penalty, including fines, injunctions, product recalls or seizure, as well as potential criminal sanctions, which could have a material adverse effect on our business, financial condition and results of operations.

We may not continue to benefit from favorable government policies.

Our results have been positively affected by government policies, which benefit the PRC dairy farming industry. We have received preferential tax treatment and subsidies as a result of the PRC Government policies that assist the dairy industry in order to promote, among other things, improved industrialization and specialization levels of the husbandry industry, accelerate the breeding and promotion of fine breeds of livestock and increase milk yield of milkable cows. For more information, see "Financial Information —Taxation". If these government policies change, our results could be materially and adversely affected.

Dairy cows form a significant part of dairy companies' assets.

For dairy farming companies or dairy companies that rely on internally-sourced raw milk, our herd of dairy cows is a significant part of their assets. For example, the fair value of our dairy cows amounted to RMB1,304.9 million, RMB2,273.7 million and RMB3,236.3 million as of March 31, 2011, 2012 and 2013, respectively, representing 36.9%, 41.1% and 38.7% of our non-current assets as of the respective dates. The quality of dairy cows is key to our success. See "—Risks Relating to our Business—Our business and future expansion of our business depends on the supply and quality of heifers and frozen semen." Dairy cows are subject to various risks such as the outbreak of disease at our dairy farms. See "—Risks Relating to our Business—The outbreak of any major diseases in our plantation fields and dairy farms or among other dairy cows in China could materially and adversely affect our business." Furthermore, dairy cows will only start to generate income after a long gestation period of 285 days before they give birth for the first time and begin to produce milk, and dairy cows normally only give birth to one calf each time.

Risks Relating to Doing Business in the PRC

Changes in the PRC economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Substantially all of our business assets are located in the PRC and substantially all of our sales are derived from the PRC. In particular, we generated a substantial portion of our turnover from Liaoning Province during the Track Record Period. Accordingly, our results, financial position and prospects are subject, to a significant degree, to the economic, political and legal developments of the PRC. Political and economic policies of the PRC Government could affect our business and financial performance and may result in our being unable to sustain our growth.

In recent years, the PRC Government implemented a series of new laws, regulations and policies which imposed stricter standards with respect to, among other things, quality and safety control and supervision and inspection of enterprises engaged in animal husbandry and breeding, and the production and sale of raw milk. See "Regulatory Overview — The Laws and Regulations Relating to the Industry". If the PRC Government continues to impose stricter regulations on the dairy industry, we could face higher costs in order to comply with those regulations, which could impact our profitability.

The economy of the PRC differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange. Before its adoption of reform and open door policies beginning in 1978, the PRC was primarily a planned economy. Since that time, the PRC Government has been reforming the PRC economic system, and has also begun reforming the government structure in recent years.

These reforms have resulted in significant economic growth and social progress. Although the PRC Government still owns a significant portion of the productive assets in the PRC, economic reform policies since the late 1970s have emphasized autonomous enterprises and the utilization of market mechanisms, especially where these policies apply to businesses such as ours. Although we believe these reforms will have a positive effect on our overall and long-term development, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our future business, results or financial condition.

Our ability to continue to expand our business is dependent on a number of factors, including general economic and capital market conditions and credit availability from banks or other lenders. Recently, the PRC Government has articulated a need to contain the build-up of a property bubble and may tighten its bank lending policies, including increasing interest rates on bank loans and deposits and tightening the money supply to control growth in lending. Stricter lending policies may, among other things, affect our and our customers' ability to obtain financing which may in turn adversely affect our growth and financial condition. We cannot give any assurances that further measures to control growth in lending will not be implemented in a manner that may adversely affect our growth and profitability over time. In addition, the global economic recession and market volatility that persisted in the past two years may continue and therefore we may not be able to sustain the growth rate we have historically achieved.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

Our business and operations are primarily conducted in the PRC and are governed by the PRC laws and regulations, rules and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference, but have limited weight as precedents. Since the late 1970s, the PRC Government has significantly enhanced the PRC legislation and regulations to provide protection to various forms of foreign investments in the PRC. However, the PRC has not developed a fully-integrated legal system, and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until some time after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention.

We face risks related to health epidemics and other outbreaks of contagious diseases, including avian flu, SARS and swine flu.

Our business could be adversely affected by the effects of avian flu, SARS, swine flu or another epidemic or outbreak. During April 2013, there were outbreaks of highly pathogenic avian flu, caused by the H7N9 virus, in certain parts of China. In early 2009, there were reports of outbreaks of a highly pathogenic swine flu, caused by the H1N1 virus, in certain regions of Asia and Europe. An outbreak of contagious diseases, and other adverse public health developments in China, would have a material adverse effect on our business operations. These could include restrictions on our ability to travel or to ship our products outside of China, as well as cause temporary closure of our manufacturing facilities. Such closures or travel or shipment restrictions would severely disrupt our operations and adversely affect our financial condition and results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu, SARS, swine flu or any other epidemic.

Fluctuations in exchange rates and governmental control over currency conversion may affect the value of your investment and limit our ability to utilize our cash effectively.

The RMB is not currently a freely convertible currency. We receive all of our payments from customers in RMB and will need to convert RMB into foreign currencies for the payment of dividends, if any, to holders of our Shares. Under the PRC's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, the PRC Government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in the PRC. We may not be able to pay dividends in foreign currencies to our shareholders if the PRC Government restricts access to foreign currencies for current account transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require the approval of the SAFE or its local branches. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

The exchange rate of the RMB against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC Government and changes in the PRC's and international political and economic conditions. Since 1994, the conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of RMB to U.S. dollars was generally stable. On July 21, 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of RMB appreciated by approximately 2% against the U.S. dollar. The PRC Government has since made, and in the future may make, further adjustments to the exchange rate system.

There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of RMB against the U.S. dollar, the Hong Kong dollar or other foreign currencies. If the appreciation of RMB continues, and as we need to convert the proceeds from the Global Offering and future financing into RMB for our operations, appreciation of RMB against the relevant foreign currencies would reduce the RMB amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of RMB against the Hong Kong dollar could reduce the amount of any cash dividends on our Shares in Hong Kong dollar terms.

We may be deemed to be a PRC tax resident under the EIT Law and our PRC-sourced income may be subject to PRC withholding tax under the EIT Law.

We are incorporated under the laws of the Cayman Islands and directly hold interests in our PRC operating subsidiary. Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which took effect on January 1, 2008, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement.

The EIT Law provides that if an enterprise incorporated outside the PRC has its ''de facto management bodies'' within the PRC, such enterprise may be deemed a "PRC resident enterprise" for tax purposes and be subject to an enterprise income tax rate of 25% on its global incomes. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation promulgated a circular to clarify the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises. These criteria include: (i) the enterprise's day-to-day operational management is primarily exercised in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. However, there have been no official implementation rules regarding the determination of the ''de facto management bodies'' for foreign enterprises which are not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat a case such as ours. We cannot assure you that we will not be considered a PRC resident enterprise for PRC enterprise income tax purposes and be subject to the uniform 25% enterprise income tax on our global incomes. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, due to the short history of the EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC incorporated subsidiary to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes.

Furthermore, the EIT Law provides that, (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interest of enterprises domiciled in the PRC, then such dividends or capital gains are treated as PRC-sourced income. It is not clear how "domicile" may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC resident enterprise for tax purposes, any dividends we pay to our overseas corporate shareholders who are not deemed a PRC resident enterprise as well as gains realized by such shareholders from the transfer of our Shares may be regarded as PRC-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%.

Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under the PRC tax laws.

Under the EIT Law, we may in the future be deemed as a PRC resident enterprise by the PRC tax authorities for tax purpose. As such, it may be required to withhold PRC income tax on capital gains realized from sales of our Shares and dividends distributed to Shareholders, as such income may be regarded as income from ''sources within the PRC''. In this case, our foreign corporate Shareholders who are not deemed a PRC resident enterprise may become subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential withholding rate under a tax treaty. If the PRC tax authorities deem us as a PRC resident enterprise, Shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties will need to apply to the PRC tax authorities for recognition of eligibility for such benefits in accordance with the Circular of SAT on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties (關於印發非居民企業享受稅收協定待遇管理辦法(試行) 的通知) ("**Circular 124**"), issued on August 24, 2009. Further, according to Circular 124, which became effective on October 1, 2009, the preferential tax rate does not automatically apply. It is likely that eligibility will be based on a substantive analysis of the Shareholder's tax residency and economic substance. With respect to dividends, the beneficial ownership tests under Circular 601 will also apply. If determined to be ineligible for treaty benefits, such a Shareholder would become subject to higher PRC tax rates on capital gains realized from sales of our Shares and on dividends on our Shares. In such circumstances, the value of such Foreign Shareholders' investment in our Shares sold in the Global Offering may be materially and adversely affected.

Similarly, the Circular of State Administration of Taxation on Strengthening Corporate Income Tax Management on Non-resident Enterprises Equity Transfer Income (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (the "**Circular 698**"), which was issued by SAT on December 10, 2009 and became effective on January 1, 2008, provides that except for the purchase and sale of equity through a public securities market, where a foreign corporate investor indirectly transfers the equity of a PRC resident enterprise by disposing the equity of an overseas holding company (''Indirect Transfer'') located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5%; or (ii) does not tax its residents on their foreign income, the foreign corporate investor shall report the Indirect Transfer to the competent PRC tax authority within 30 days from the date when the equity transfer agreement was made. In this case, the PRC tax authority will examine the true nature of the Indirect Transfer. Should it deem the foreign investor to have made the Indirect Transfer without reasonable commercial purpose and in order to avoid the PRC tax, the PRC tax authority may disregard the existence of the overseas holding company that is used for tax planning purpose and re-characterize the Indirect Transfer. As a result, gains derived from such Indirect Transfer by the foreign investor may be subject to the PRC enterprise income tax.

During the Track Record Period, the Group has undergone some corporate restructuring steps including those to facilitate the investment by the Exchangeable Bondholders and the Reorganization in preparation for the Listing, and as a result, certain companies ultimately controlled by our Controlling Shareholders were transferred to us. For further details of these corporate restructuring steps and the Reorganization, please refer to the section headed ''Our History and Corporate Structure'' in this prospectus.

The corporate restructuring steps taken by the Group in preparation for the Listing may fall into the type of transactions subject to Circular 698's regulation. Therefore, the PRC subsidiaries of the Group may be liable to assist tax authorities for collecting such tax from the transferor if the transfer of shares is deemed to be reported according to above circular. However, it is currently unclear how the relevant PRC tax authorities will implement or enforce the above Circular and whether such enterprise income tax on capital gains will be subject to any further change resulting in any materially adverse impact on the Group.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. The PRC laws and regulations require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including Hong Kong Financial Reporting Standards ("**HKFRS**") and International Financial Reporting Standards. The PRC laws and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

In addition, under the EIT Law, if a foreign entity is deemed to be a ''non-resident enterprise'' as defined under the EIT, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since January 1, 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the double taxation avoidance arrangement between the PRC and Hong Kong, dividends paid by a PRC foreign-invested enterprise, such as Liaoning Huishan Dairy, in the PRC to its shareholder(s) incorporated in Hong Kong, such as Liaoning Huishan Dairy, will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interest in the PRC enterprise. The SAT issued the Circular on Interpretation and Determination of Beneficial Owner under Tax Treaties (關於如何理解和認定税收協定中「受益所有人」的通知) (the "**Circular 601**") on October 27, 2009, which addresses which entities are treated as "beneficial owners" under the treaty articles on dividends, interest and royalties. According to Circular 601, the PRC tax authorities must evaluate whether an applicant (income recipient) qualifies as a "beneficial owner" on a case-by-case basis based on the "substance over form" principle. It is possible, based on these principles, that the PRC tax authorities would not consider our Hong Kong subsidiary, Huishan Holdings (Hong Kong), as the "beneficial owner" of any dividends paid from our PRC subsidiaries and would deny the claim for the reduced rate of withholding tax. Under current PRC tax law, this would result in dividends from Liaoning Huishan Dairy to Huishan Holdings (Hong Kong) being subject to PRC withholding tax at a 10% rate instead of a 5% rate. This would negatively impact us and it would impact our ability to pay dividends.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our directors and senior management.

We are incorporated in the Cayman Islands. Almost all of our assets, and some of the assets of our Directors are located in the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the "**Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition ad enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

Government control of currency conversion may have a material adverse effect on your investment.

At present, the RMB is not freely convertible to other foreign currencies, and conversion and remittance of foreign currencies are subject to the PRC foreign exchange regulations. Under current PRC laws and regulations, payments of current account items, including profit distributions may be made in foreign currencies without prior approval from SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with SAFE or a local branch and repayment of loan principal and investment in negotiable instruments are also subject to restrictions.

Under our current corporate structure, our source of funds will primarily consist of dividend payments and repayment of inter-company loans by our subsidiaries in the PRC denominated in RMB. We cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits out of PRC. If the subsidiaries are unable to obtain SAFE approval to repay loans to our Company, or if future changes in relevant regulations were to place restrictions on the ability of the subsidiaries to remit dividend payments to our Company, our Company's liquidity and ability to satisfy its third-party payment obligations, and its ability to distribute dividends in respect of the Shares, could be materially and adversely affected.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liabilities or penalties, limit our ability to contribute capital to our PRC subsidiaries, limit our PRC subsidiaries' ability to increase its registered capital or distribute profits to us, or may otherwise adversely affect us.

A public notice issued by SAFE (the "**Circular 75**") requires PRC residents to register with the local SAFE branch before establishing or controlling any company, referred to in the notice as a "special purpose offshore company", outside of China for the purpose of raising funds from overseas with the assets or equities of the domestic company held by them. In addition, any such PRC resident is required to update the previously filed registration to reflect any material alteration in the capital of such SPV involving no roundtrip investment, such as the merger of, and the long-term equity or debt investment by, the SPV. If any PRC shareholder of the SPV fails to make or update the required registration, the PRC subsidiaries of that SPV may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the SPV, and similarly, the SPV may also be prohibited from contributing additional capital into its PRC subsidiaries. Furthermore, failure to comply with the foregoing requirements could result in liability under the PRC laws for evasion of applicable foreign exchange restrictions.

As specified in Circular 75, a "special purpose company" (the "**SPV**") as mentioned here shall refer to an overseas enterprise directly established or indirectly controlled by a domestic resident legal person or domestic resident natural person for the purpose of engaging in equity financing (including convertible bond financing) abroad with the enterprise assets or equity interests it/he/she holds inside China. Our PRC counsel has advised us that Mr. Yang and Ms. Ge, who are the domestic resident natural persons, have registered with the local SAFE branch as required under the Circular 75. However, a failure of these domestic resident natural persons to amend their SAFE registrations in a timely manner pursuant to the Circular 75 or the failure of future shareholders and beneficial owner of our Company who are domestic residents to comply with the registration procedures set forth in the Circular 75 may subject such shareholders to fines and legal sanctions and may also result in restrictions on our PRC subsidiaries' ability to distribute profits to us or otherwise materially and adversely affect our business.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the net proceeds from the Global Offering to make additional capital contributions or loans to our major PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the net proceeds from the Global Offering, are subject to PRC regulations. For example, any of our loans to our PRC subsidiaries cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under relevant PRC laws and the registered capital of our major PRC subsidiaries, and such loans must be registered with the local branch of SAFE. In addition, our capital contributions to our major PRC subsidiaries must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect our PRC subsidiaries' liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments and would have a material adverse effect on our business, financial condition and results.

Risks Relating to the Global Offering

There has been no prior public market for our Shares.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among our Company (for itself and on behalf of the Selling Shareholders) and the Global Coordinator on behalf of the Underwriter(s) and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Hong Kong Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which our Shares will be traded.

The market price of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the Global Offering.

The price at which the Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours; and
- general market sentiment regarding the pediatric products industry and companies.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies traded on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

Purchasers of Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

Potential investors will pay a price per Share that substantially exceeds the per Share value of the Company's tangible assets after subtracting the Company's total liabilities and will therefore experience immediate dilution when potential purchasers of the Shares offered in the Global Offering. As a result, if the Company were to distribute its net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares.

We may need to raise additional funds in the future to finance further expansion or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

The Offer Price may not be indicative of prices that will prevail in the trading market, and the market price of Shares may be volatile.

The Offer Price to the public of our Shares sold in the Global Offering will be determined on the Price Determination Date and may not be indicative of prices that will prevail in the trading market. Our Shares will not commence trading on the Stock Exchange until the share certificates are delivered, which is expected to be on the fifth Business Day after the Price Determination Date. As a result, purchasers of Shares may not be able to sell or otherwise deal in our Shares during that period. The price and trading volume of the Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products or fluctuations in market prices for other dairy product companies could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. We can give no assurance that these developments will not occur in the future. Accordingly, holders of our Shares are subject to the risk that the market price of our Shares could be lower than the Offer Price.

We may not be able to pay any dividends on our Shares.

We cannot guarantee when and in what form dividends will be paid on our Shares following the Global Offering, or at all. The declaration of dividends is proposed by the board of directors and is based on, and limited by, various factors, including, without limitation, our business and financial performance, capital and regulatory requirements and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our shareholders in the future, even if our IFRS financial statements indicate that our operations have been profitable. For further details on our dividend policy, please refer to the section headed "Financial Information — Dividend Policy" in this prospectus.

Certain statistics contained in this prospectus are derived from a third party report and publicly available official sources.

Certain statistics contained in this prospectus relating to the PRC, the Chinese economy and the dairy industry have been derived from various official government publications or other third party reports we generally believe to be reliable. We have taken reasonable care in the reproduction or extraction of the official government publications or other third party report for the purpose of disclosure in this prospectus, however, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.

There has been coverage in the media regarding the Global Offering and our operations. We do not accept any responsibility for the accuracy or completeness of such media coverage or forward looking statements and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. The business operations of the Group are located in China. Due to the business requirements of the Group, only one of the executive Directors has been, is or will be based in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. So Wing Hoi, our executive Director and Mr. Chou, Michael, our company secretary. The authorized representatives will provide their usual contact details to the Stock Exchange and will be readily contactable by telephone and facsimile by the Stock Exchange, if necessary, to deal with enquiries from the Stock Exchange from time to time;

(b) each of the authorized representatives has the means to contact all the Directors (including the independent non-executive Directors) promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters;

(c) all the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice;

(d) Halcyon Capital Ltd, our compliance adviser, will act as an additional and alternative channel of communication with the Stock Exchange; and

(e) each Director will provide his or her office phone number, mobile number, fax number and email address to the Stock Exchange upon request.

CONNECTED TRANSACTIONS

Members of our Group have entered into certain transactions, which would constitute non-exempt continuing connected transactions of our Company under the Listing Rules after the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the announcement requirements set out in Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Further details of such non-exempt continuing connected transactions and the waiver are set out in the section headed "Connected Transactions" in this prospectus.

WAIVER IN RESPECT OF CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels with respect to the Hong Kong Public Offering are reached. An application has been made for, and the Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following adjustments:

(a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 30 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 568,140,000 Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering;

(b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 30 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 757,520,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering; and

(c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 1,136,279,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustment of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

Subject to the foregoing and either the Hong Kong Public Offering failing to be fully subscribed or the International Offering failing to be fully subscribed, any unsubscribed Offer Shares under the Hong Kong Public Offering or the International Offering, as the case may be, may be reallocated between these offerings at the sole discretion of the Joint Global Coordinators. For further details of the structure of the Global Offering, please refer to section headed "Structure of the Global Offering".

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yang Kai (楊凱)	CA2, Shangri-la No.8 Pubei Road Shenbei New District Shenyang PRC	Chinese
Ms. Ge Kun (葛坤)	No. 2005 Zhongyuan Yihe Liyuan Xinglangge Chongshan Donglu Yuhong District Shenyang, PRC	Chinese
Mr. So Wing Hoi (蘇永海)	Flat B3, 30/F Block B Ventris Place Ventris Road Happy Valley Hong Kong	Chinese
Mr. Xu Guangyi (徐廣義)	4-5-2, Jia No. 2 190 Lianhe Road Dadong District Shenyang, PRC	Chinese
Mr. Kwok Hok Yin (郭學研)	Unit 102, Block 98 Tomson Beautiful Space 50 Guanglan Road Pudong New District Shanghai, PRC	Chinese
Non-Executive Directors		
Mr. Cheng Chi Heng (鄭志恒)	12 Repulse Bay Road Hong Kong	Chinese
Mr. Li Kar Cheung (李家祥)	Flat A, 10/F, Block 5 Braemar Hill Mansions 23 Braemar Hill Road North Point Hong Kong	Chinese

Name	Address	Nationality
Independent Non-Executive Directors		
Mr. Francis Siu Wai Keung (蕭偉強)	Villa C09 General's Garden Jiangtai Xiang Chaoyang District Beijing 100015 PRC	British
Mr. Song Kungang (宋昆岡)	3A02, Unit 1, Building 2 Yunyang Fengjing No. 15 Deshengmenxi Avenue Haiden District Beijing 100082	Chinese
Mr. Gu Ruixia (顧瑞霞)	41-105 Xingangmingcheng Weiyang District Yangzhou Jiangsu Province PRC	Chinese
Mr. Tsui Kei Pang (徐奇鵬)	Flat A, 21/F, Block 10 Braemar Hill Mansions 33 Braemar Hill Road North Point Hong Kong	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors
(in alphabetical order)

Deutsche Securities Asia Limited
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

HSBC Corporate Finance (Hong Kong) Limited
1 Queen's Road Central
Hong Kong

UBS Securities Hong Kong Limited
52/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

CIMB Securities Limited
Units 7706-08
Level 77 International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Investec Capital Asia Limited
Suite 3609, 36/F
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Jefferies Hong Kong Limited
Suite 2201
22/F Cheung Kong Center
2 Queen's Road Central
Hong Kong

Financial Advisor to the Company

Investec Capital Asia Limited
Suite 3609, 36/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Legal Advisors to the Company

As to Hong Kong and U.S. laws:

Clifford Chance
28th Floor, Jardine House
One Connaught Place, Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Beijing
China

As to Cayman Islands laws:

Walkers
Suite 1501-1507, Alexandra House
18 Chater Road
Central
Hong Kong

Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws:* **Simpson Thacher & Bartlett** 35/F, ICBC Tower 3 Garden Road Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 6/F, NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing China
Auditors and Reporting Accountants	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Principal Place of Business and Head Office in the PRC	101 Huishan Broad Road Shenbei District Shenyang 110163 PRC
Registered Office	Floor 4, Willow House Cricket Square PO Box 2804 Grand Cayman KY1-1112 Cayman Islands
Company's Website	**www.huishandairy.com** *(The information on the website does not form part of this prospectus)*
Company Secretary	Mr. Chou, Michael *(ICAA)*
Authorized Representatives	Mr. So Wing Hoi Flat B3, 30/F Block B Ventris Place Ventris Road Happy Valley Hong Kong Mr. Chou, Michael Flat C, 8th Floor Tower 3 The Hermitage No. 1 Hoi Wang Road West Kowloon Hong Kong
Audit Committee	Mr. Francis Siu Wai Keung *(Chairman)* Mr. Song Kungang Mr. Tsui Kei Pang
Remuneration Committee	Mr. Francis Siu Wai Keung *(Chairman)* Ms. Ge Kun Mr. So Wing Hoi Mr. Gu Ruixia Mr. Tsui Kei Pang

Nomination Committee	Mr. Song Kungang *(Chairman)* Mr. Yang Kai Mr. So Wing Hoi Ms. Ge Kun Mr. Francis Siu Wai Keung Mr. Gu Ruixia Mr. Tsui Kei Pang
The Cayman Islands Principal Share Registrar and Transfer Office	Offshore Incorporations (Cayman) Limited Floor 4, Willow House Cricket Square PO Box 2804 Grand Cayman KY1-111 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Compliance Advisor	Halcyon Capital Ltd 11th Floor 8 Wyndham Street Central Hong Kong
Principal Bank	Bank of China, Shenyang Branch No. 253 Shifu Road Shenhe District Shenyang 110013 PRC

The information presented in this section is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us, unless otherwise indicated. We believe that the sources of such information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors and any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside of China.

REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to report on, the dairy industry in China for the period from 2007 to 2017. The report we commissioned, or the Frost & Sullivan Report, has been prepared by Frost & Sullivan independent of our influence. We paid Frost & Sullivan a fee of RMB1,300,000, which we consider reflects market rates. Founded in 1961, Frost & Sullivan has 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research and market strategies and provides growth consulting and corporate training. Frost & Sullivan has been covering the Chinese market from its offices in China since the 1990's. Its industry coverage in China includes agriculture, chemicals, materials and food, among others.

The Frost & Sullivan Report that we commissioned includes information on China's dairy industry and its sub-segments and other market and economic data, which have been quoted in this prospectus. Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various sources within the dairy industry. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data was obtained from historical data analysis plotted against macroeconomic data as well as specific industry-related drivers.

Except as otherwise noted, all the data and forecast in this section are derived from the Frost & Sullivan Report.

DAIRY INDUSTRY IN CHINA

Rapid growth in China's dairy industry began in the 1990's and has continued in recent years, driven in large part by macro factors such as strong economic growth, increasing disposable income and rising rates of urbanization, as well as industry-specific factors including increasing health awareness, consumer preferences and improved dairy product distribution. In 2012, China's dairy products market had a total retail sales value of RMB273.5 billion and is expected to further grow at a CAGR of 14.7% to RMB542.4 billion in 2017, according to Frost & Sullivan.

Key Growth Drivers

The future growth of Chinese dairy industry is expected to be driven by the following factors:

Increase in Per Capita Disposable Income

Demand for dairy products is expected to grow alongside the increase in disposable income and purchasing power of consumers in China. Dairy products have historically been considered a healthy nutritional product in China. With rising disposable incomes, consumers have a greater willingness to spend more on dairy products than before.

According to Frost & Sullivan's forecast, per capita annual disposable income of urban households in China will grow at a CAGR of 13.8% from RMB24,565.0 in 2012 to RMB46,833.3 in 2017, and the per capita annual disposable income of rural households in China will grow at a CAGR of 14.9% from RMB7,917.0 in 2012 to RMB15,829.6 in 2017.

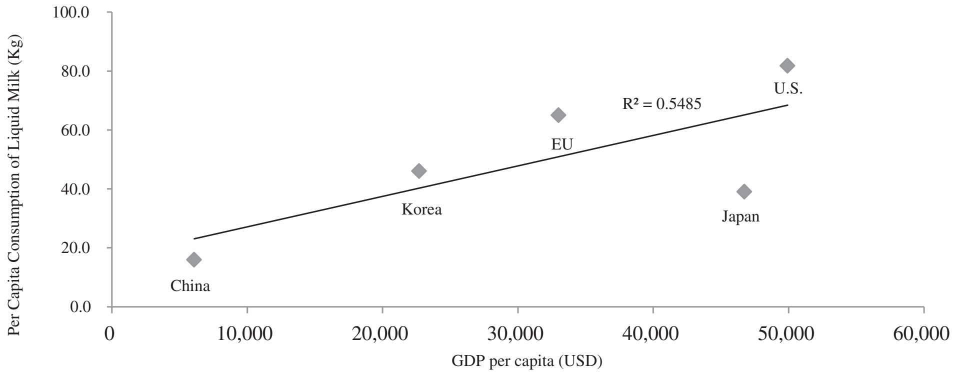
Rapid Urbanization

Urbanization has been a key driver of dairy industry growth as per capita consumption of major dairy products is significantly higher in urban areas than rural areas. As an increasing number of people migrate to urban cities from rural areas, the consumption habits of these consumers are expected to shift towards the dietary habits of urban consumers, which, in turn, is expected to increase overall dairy consumption. According to Frost & Sullivan, China's urbanization rate will increase from 52.6% in 2012 to 62.5% in 2017.

Accelerating urbanization also affects consumer goods markets in lower-tier cities and rural areas as the urban mindset and lifestyle are being accepted by an increasing proportion of the rural population. Various consumer products, such as dairy products, which used to be found only in urban markets, are now more often displayed in rural markets, which has helped such products penetrate into broader and more diverse tiers of markets.

Low Per Capita Consumption Compared to Developed Countries

Although China is amongst the largest dairy consumption countries in the world, its per capita consumption of liquid milk is currently still significantly lower than developed countries. In 2012, the per capita consumption of liquid milk products was approximately 15.9 kilograms per annum in China, as compared with 65.0 kilograms per annum and 81.8 kilograms per annum, in the EU and the United States, respectively. The relatively low per capita consumption shows the significant room for growth in domestic consumption in China.



Source: GDP per capita of China from China's National Bureau of statistics; GDP per capita of others from IMF

Rising Health Awareness

Chinese consumers are more health-conscious today, and they are getting better educated about the health benefits of dairy products. They have also gradually begun to pay more attention to a proper nutritional diet in order to maintain a healthy lifestyle. With the changing dietary habits and increasing health awareness of Chinese people, dairy products have become a daily diet staple of an increasing number of consumers. Such a trend is expected to drive further growth of dairy products consumption in China.

Increasing Demand for High-end Products

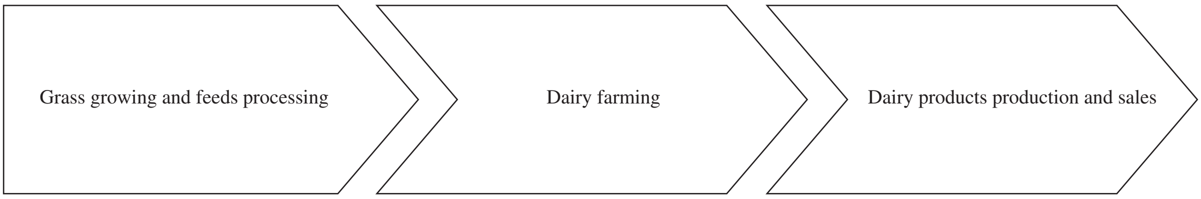
Consumers nowadays pursue a high-quality lifestyle by having higher requirements on food safety and quality. With characteristics of high-protein, rich nutrition and delicious taste, a variety of high-end dairy products can fit people's modern eating behaviors. Accordingly, despite their higher price, the proportion of high-end dairy product consumption to total dairy products is expected to increase in the future, which will be a key driver of dairy market growth in China. Meanwhile, due to recent food safety incidents, a growing number of Chinese consumers are willing to pay a premium for branded and high-end dairy products in order to assure higher product quality. However, the supply of domestically produced high-end dairy products is not sufficient and many Chinese consumers have to purchase imported dairy products from high-end supermarkets. Such a supply shortage presents an attractive opportunity for domestic dairy product companies who are able to offer high-end dairy products to meet consumers' growing demand.

Improved Distribution Network

Traditionally, Chinese consumers bought dairy products from grocery stores and milk stations. In recent years, they have increasingly been purchasing from modern retail formats, including supermarkets, hypermarkets, convenience stores and online platforms. The increasing penetration of modern retail formats is expected to significantly enhance accessibility to dairy products for the general population, especially in rural areas. Furthermore, large investments in logistics and infrastructure have helped to facilitate continued improvements in the distribution of dairy products to consumers.

Key Segments along the Value Chain

The dairy industry value chain in China includes the growing and processing of feeds, dairy farming, and the production and sale of dairy products. The below chart illustrates the dairy industry value chain in China.



- *Grass growing and feeds processing.* Feeds for dairy cows include forage, concentrated feeds and supplementary feeds. Alfalfa is a key type of forage, which China is experiencing a supply shortage.

- *Dairy farming.* Dairy farming involves the breeding of dairy cows, dairy farm management, milking, storage and transportation. The raw milk is then further processed into various types of dairy products.

- *Dairy products production and sales.* Dairy products can be further divided into three major categories, liquid milk products, milk powder and other dairy products.

Recent Safety Incidents

Historically, most large-scale dairy companies only focused on increasing market share in the production and sales of dairy products and relied on third parties for supply of raw materials such as raw milk. According to Frost & Sullivan, such imbalanced development and competing economic interests among participants across critical segments of the dairy industry value chain results in a lack of traceability and control over dairy supplies, which has been the root cause of various food safety incidents in China's dairy industry. For example, in the past, the supply of raw milk from individual dairy farmers to dairy manufacturers relied largely upon a network of small-scale individual milk stations and agents who collected milk from the dairy farms and subsequently delivered it to processors. To meet the rising demand for downstream dairy products, there have been incidents where raw milk was artificially watered down to increase overall volumes and melamine was added to artificially increase the nitrogen content, which was the main indicator of protein content, of the raw milk. Such contamination went on to become an industry wide incident that was exposed in September 2008 and resulted in a significant loss of confidence amongst Chinese consumers in the domestic dairy industry. The competing interests among participants across critical segments of the dairy industry value chain, combined with the weak traceability, safety control and quality assurance practices also caused food safety incidents to emerge from feeds, raw milk, liquid milk and milk powder, including aflatoxins in cows' feeds, and unusual levels of mercury content in infant milk formula powder, among others. These incidents have further eroded consumers' confidence in domestically produced dairy products.

Vertical Integration as a Solution

According to Frost & Sullivan, an integrated and traceable supply chain is recognized as an effective solution for ensuring raw milk quality in the quality control of feeds processing, milking, raw milk production and finished product transportation and storage. This is because a vertically-integrated business model can align the competing interests among different participants across critical segments of the dairy industry value chain.

Set forth below is a comparison of the degree of vertical integration among major dairy companies in China with annual revenues of over RMB1.0 billion as of the end of 2012.

	Alfalfa Growing	Dairy Farming	Liquid Milk Production & Sales	Milk Powder Production & Sales
Huishan Group	✔	✔	✔	✔
Bright		✔	✔	✔
Modern Dairy		✔	✔	
New Hope		✔	✔	
Weigang		✔	✔	
Mengniu			✔	✔
Yili			✔	✔
Sanyuan			✔	✔
Wondersun			✔	✔
Yinqiao			✔	✔
Nestlé			✔	✔
Other Liquid Milk Products Only Participants(1)			✔	
Other Milk Powder Products Only Participants(2)				✔

✔ Indicates this participant had more than half of its alfalfa demand supplied by its self-owned alfalfa planting area in grassing growing operation; had more than half of its raw milk demand supplied by its self-owned milk sources in dairy farming and raw milk operation; had its self-owned liquid milk production; and had its self-owned milk powder production as of March 2013.

Note:

(1) Other liquid milk only participants include Junlebao and Tianyou.

(2) Other milk powder only participants include Beingmate, Yashili, Biostime, Feihe, Synutra, Mead Johnson, Abbott, Dumex and Wyeth.

Among all the major dairy companies in China, as of the end of 2012, Huishan Group was the only company in China with a fully integrated business model that was able to exert fully control over the entire dairy industry value chain. As of May 1, 2013, Huishan Group was also the only major dairy company in China that is able to produce dairy products using solely self-produced raw milk.

Government Policies and Regulations

In response to a number of safety incidents and scandals, the PRC Government introduced a series of new laws, regulations, and policies aimed at strengthening the safety and quality of dairy products and restoring the public's confidence in the domestic dairy industry, including the Outlines of the Restructuring and Revitalization Plan for the Dairy Industry (《奶業整頓與振興規劃綱要》), the Plan of Dairy Industry Revitalization and Alfalfa Development (《振興奶業苜蓿發展行動》, Regulation on the Supervision and Administration of the Quality and Safety of Dairy Products (《乳品質量安全監督管理條例》), Administrative Regulations of Raw Fresh Milk Production and Procurement (《生鮮乳生產收購管理辦法》), the Food Safety Law of the PRC (《中華人民共和國食品安全法》) and its Implementation Regulations (《食品安全法實施條例》) and Dairy Product Industrial Policies (《乳製品工業產業政策》). These laws, regulations, and policies set out a new regulatory framework for the dairy industry. As part of the initiatives to improve the safety standard in the dairy industry, promotion of large-scale breeding and farming, integration of production and sale of raw milk, optimization the location of processors of dairy products, standardization, and strict quality control of the dairy farming industry are encouraged by the PRC Government by various governmental preferential and support policies. In particular, the Dairy Product Industrial Policies require newly-established dairy product processing plant to secure at least 40% of raw milk supply from stable and reliable sources.

In June 2013, nine ministries of the PRC Government, including the China Food and Drug Administration and the Ministry of Industry and Information Technology, released a series of measures to improve quality and safety of infant milk formula powder (《關於進一步加強嬰幼兒配方乳粉質量安全工作的意見》). The measures are designed to allow more stringent supervision over the production process, help ensure food safety and restore consumer confidence in the industry. The stricter management standards and greater supervision are expected to make a deep impact on the competitive landscape of the dairy industry. The potential key impacts include (i) raising the entry barrier, as the latest policies require that producers of infant milk formula powder have their own dairy farms or reliable raw milk source under their control; and (ii) promoting the consolidation of the dairy industry in China. As the purpose of this newly promulgated policy is to further ensure the safety and quality of infant milk formula powder products in China, the policy targets the elimination of milk powder producers, irrespective of their market shares or scale of operations, that (i) do not have reliable and high quality raw milk sources; or (ii) employ outdated production techniques without adequate safety and quality assurance measures. Therefore, such milk powder producers are likely to be negatively affected by the new measures, and might be either eliminated or consolidated into larger dairy companies. On the other hand, the newly promulgated policy mandated tax benefits and government grants to further promote the dairy industry standards. Therefore, companies with complete control over their raw milk sources and stringent safety and quality assurance measures, such as Huishan Group, are expected to benefit from the implementation of such policy.

ALFALFA GROWING IN CHINA

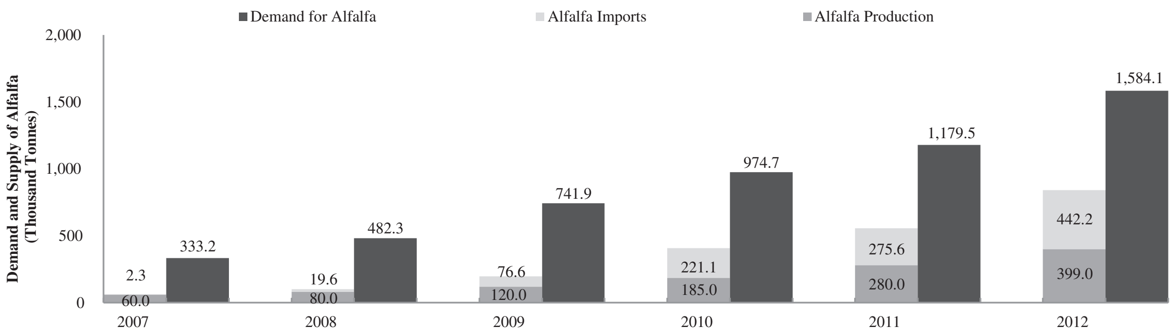
Feeds, which represent approximately 60% to 70% of the total cost of raising dairy cows, can be classified into forages, concentrated feeds, and supplementary feeds. Forages, such as alfalfa, corn silage, and sheep grass, have higher fiber content and account for approximately 60% of a dairy cow's daily feeds consumption. Concentrated feeds are lower fiber feeds and primarily consist of corn, soybean, and cotton meal, and account for approximately 40% of a dairy cow's daily feed consumption. Grains to be processed into concentrated feeds are mostly commodities and are easily accessible nationwide. In addition, supplementary feeds also help improve nutritional quality. Alfalfa is rich in protein, vitamins, and minerals and high in fiber. With its high protein content, alfalfa complements corn silage and grains in formulating dairy cows' feeds. As a key feeds component, alfalfa is critical for increasing the milk yield of a milkable cow as well as the protein level of the raw milk, one of the key determinants of the selling price of raw milk.

The ability to secure abundant land resources in suitable areas for alfalfa growing is a key factor for a successful alfalfa grower. The size and terrain of the land also affects the grower's ability to employ agricultural machinery to improve operational efficiency. Moreover, the output and quality of alfalfa is also largely affected by local climate conditions. In China, alfalfa is mainly grown in the Northern, Northwestern, and Northeastern regions. According to Frost & Sullivan, the most suitable alfalfa planting areas in China are located between 40° and 42° north latitude due to unique geographic and climatic characteristics, such as abundant rainfall, rich sunshine, and fertile soil. The alfalfa produced in these areas is generally of fine quality and with high yield. The world's three Golden Corn Belts, including the U.S. Corn Belt, the Ukraine Corn Belt, and Chinese Corn Belt, are all located between 40° and 42° north latitude. Liaoning Province, located between 38° to 43° north latitude, is seen as one of the most suitable planting areas for alfalfa growing.

Demand and Supply of Alfalfa

In China, alfalfa is mainly used in large-scale dairy farms with herd sizes above 1,000 dairy cows. (As used here, alfalfa refers to that for use in the dairy industry unless otherwise specified.) Due to the increasing number of large-scale dairy farms, demand for alfalfa has grown rapidly. However, on the supply side, growth in alfalfa production for use in the commercial dairy industry has been limited, as only a small amount of total alfalfa harvested is processed to the specifications required. In addition, on average the annual alfalfa yield is less than 0.7 tonne per mu in China due to the saline-alkali soil in many alfalfa grasslands. Accordingly, the shortage in domestic supply of alfalfa in China has remained for years.

Set forth below is the demand and supply of alfalfa in China from 2007 to 2012.



Note: The demand for alfalfa refers to those fed to dairy cows only; alfalfa imports data from PRC Customs

In 2012, domestic alfalfa production and alfalfa imports were 399,000 tonnes and 442,200 tonnes, respectively, representing a total shortage of 742,900 tonnes between domestic alfalfa demand and total alfalfa supply. With the supply shortage of domestic alfalfa, large-scale dairy-farming companies in China largely rely on imports. In 2012, the United States was China's largest source of alfalfa imports, representing 96.1% of the total import volume. However, even with the imported alfalfa, there is still a large demand supply gap in the domestic market. For easier transportation, imported alfalfa for dairy farms is generally made into alfalfa hay. For dairy farms that are located within close proximity to alfalfa plantation fields, alfalfa silage, which contains higher nutrition value than alfalfa hay, is also used. When alfalfa is not available or too expensive, some small-scale dairy farms tend to switch to cheaper, lower-protein grass to save on feed costs, which leads to lower milk yield and lower raw milk quality. Dairy companies who are able to establish and secure their own alfalfa supply source will have key competitive advantages in this under-supplied market.

Domestic Alfalfa Production

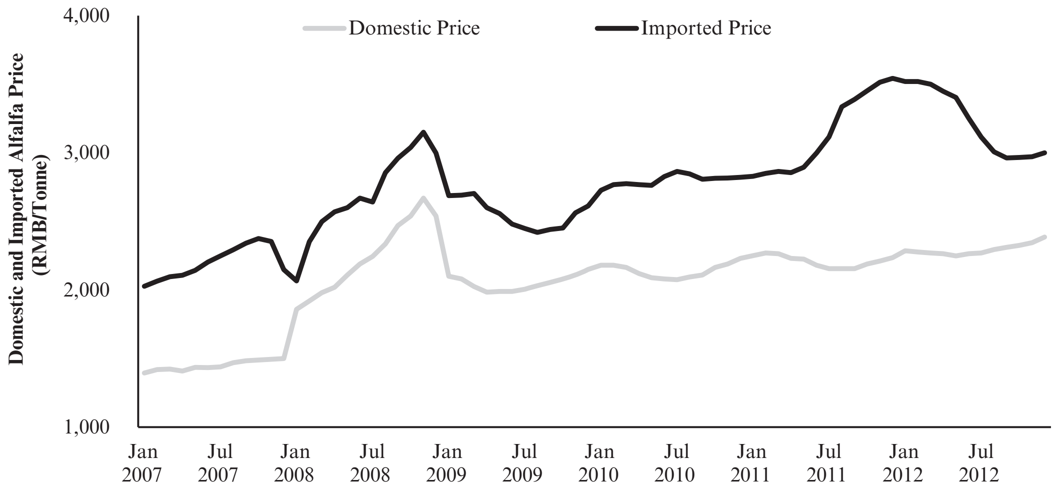
Set forth below are the major alfalfa producers by production volume in 2012.

Ranking	Grower	Alfalfa Output (Thousand Tonnes)	Percentage of Total Alfalfa Produced in China
1	Huishan Group	113.0	28.3%
2	Qiushi	84.8	21.3%
3	Gansu Yasheng Tianyuan Muge	80.0	20.1%
4	Gansu Daye	55.0	13.8%
5	Ningxia Nongken Maosheng	30.0	7.5%
	Others	36.2	9.1%
	Top 5	**362.8**	**90.9%**
	Total	**399.0**	**100.0%**

In terms of production volume, Huishan Group was the largest commercial alfalfa producer in China. In 2012, Huishan Group had a production volume of 113.0 thousand tonnes of alfalfa, representing approximately 28.3% market share of domestic alfalfa production. Huishan Group also owned China's largest commercial alfalfa plantation fields of 120,000 mu as of 2012.

Alfalfa Price

Set forth below is the price development of domestic and imported alfalfa.



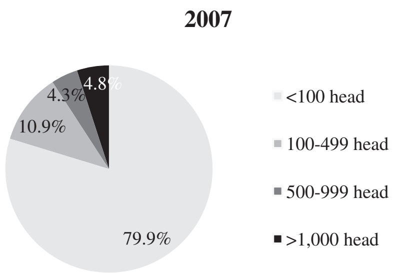
Note: The imported price includes all the freight costs until the alfalfa is delivered to the dairy farms and most of imported alfalfa is of "premium" grades; the domestic price is the average price of all alfalfa grades

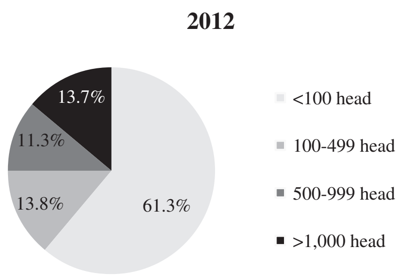
Both domestic and imported alfalfa prices showed an upward trend from 2007 to 2012. Most of the imported alfalfa in China is of "Premium" Grade and of fine quality. On the other hand, most domestic alfalfa ranges from First to Third Grade and the selling prices and quality can vary largely. Also, the grading system is not strictly enforced. In 2012, the protein content of alfalfa produced by Huishan achieved "Premium" and "First Grade" according to the Chinese quality standard for bale of alfalfa hay, which is equivalent to the "Supreme" and "Premium" Grade according to the US quality guidelines for alfalfa hay. Most alfalfa domestically produced in China is lower than this standard. As a result, dairy companies looking to improve milk yield need to pay higher prices for imported alfalfa. Since alfalfa is the key forage in dairy cows' feed costs, price fluctuations of alfalfa have a significant influence on the raw milk production costs for domestic dairy companies. Dairy companies with self-owned alfalfa supplies are able to take advantage of greater cost control in an effort to remain competitive in China's dairy industry.

DAIRY FARMING AND RAW MILK SUPPLY IN CHINA

The dairy farming business is largely affected by climate. In general, dairy cows prefer cool and dry weather over hot, humid weather, which is why the herd size of dairy cows in northern areas is generally larger than that of southern areas. Northeastern China is located in the Golden Corn Belt and is very suitable for dairy cow raising, not only because of the climate but also because of the abundant natural resources, such as wide grasslands, sufficient feeds and plentiful fresh water.

In recent years, as a result of government policies to promote larger scale dairy farming in response to the melamine incidents, an increasing numbers of dairy cows are housed in large-scale dairy farms. At the end of 2007, large-scale dairy farms housed approximately 4.8% of total dairy cows in China, which increased to 13.7% by the end of 2012. Set forth below is the share of dairy farms by scale at the end of 2007 and 2012.





Source: Data of 2007 from China's Ministry of Agriculture

Large-scale dairy farms with more than 1,000 dairy cows are generally considered as dairy farms that require greater capital investment, more advanced technology, more experienced management teams and standardized management procedures, all of which result in higher milk yield and higher quality raw milk than smaller-scale dairy farms. Furthermore, the design and layout, capacity of equipment and facilities used, and operational procedures for modern large-scale dairy farms with approximately 3,000 dairy cows are generally standardized and easy to replicate. Compared to super large-scale dairy farms with more than 10,000 dairy cows, modern large-scale dairy farms are able to achieve strong management efficiency and economies of scale without over-burdening the surrounding environment, with less risks in terms of disease control, and easier for the operator to secure sufficient feeds supply.

Raw Milk Production

Raw milk production is affected by the number of milkable dairy cows and the average milk yield per milkable cow.

Herd Size

The dairy farming industry in China is highly fragmented. At the end of 2012, there were approximately 18.3 million dairy cows in China, the majority of which were still housed in small individual household dairy farms. In aggregate, the top five dairy farming companies in terms of herd size owned only approximately 2.4% of the total number of dairy cows in China at the end of 2012.

Currently, the leading dairy farming companies in China include Huishan Group and Modern Dairy, with over 100,000 heads of dairy cows each. Set forth below is the dairy cows herd size of major dairy companies in China.

Ranking	Dairy Farming Company	Number of Dairy Cows at the end of 2012 (Thousand Heads)	Percentage of total dairy cows in China
1	Modern Dairy	176.0	1.0%
2	Huishan Group	113.1	0.6%
3	Yili	48.5	0.3%
4	Lvhe-Dairy	48.0	0.3%
5	Shengmu High-tech	45.0	0.2%
	Others	17,869.4	97.6%
	Top 5	**430.6**	**2.4%**
	Total	**18,300.0**	**100.0%**

Holsteins are the most common breed of dairy cows in China. In general, Holsteins are larger in size and have higher milk yield per milkable cow than Jerseys. On the other hand, Jerseys are smaller and have better feeds-to-milk conversion ratio and the milk typically contains higher levels of fat and protein content. Raw milk produced by Jerseys is particularly suitable for producing high-end dairy products. As of the end of 2012, there were approximately 10,000 Jerseys in China, and Huishan Group owned the largest herd of Jerseys. As of March 31, 2013, Huishan Group owned over 6,200 Jerseys.

Milk Yield

According to the China Dairy Association and Frost & Sullivan, China's industry average milk yield per milkable cow was 4.1 tonnes per annum in 2007, which increased to 5.8 tonnes per annum in 2012. The increase was primarily due to breed improvement and more advanced dairy farming technologies. In general, large-scale dairy companies are able to achieve higher average milk yield per milkable cow. In particular, the two largest dairy companies, Huishan Group and Modern Dairy, were able to achieve average milk yield per milkable cow of 9.1 tonnes per annum and 7.9 tonnes per annum, respectively. Set forth below is the average milk yield per milkable cow of leading dairy farming companies and industry average in China in 2012.

	Dairy Farming Company / Industry Average	Average Milk Yield per Milkable Cow
		(tonnes/annum)
Leading Dairy Farming Companies with over 100,000 dairy cows.......	Huishan Group	9.1(1)
	Modern Dairy	7.9
Industry Average..............................	Dairy farming industry average	5.8
	Large-scale dairy farms average	7.8

Note:

(1) refers to the financial results for the year ended March 31, 2013

Raw Milk Production Output

In 2012, the total raw milk production output in China was approximately 37.4 million tonnes, with the top five raw milk producers accounting for approximately 4.1% market share. Set forth below is the raw milk production output of the major dairy companies in China in 2012.

Ranking	Dairy Farming Company	Raw Milk Production (Thousand Tonnes)	Market Share
1	Modern Dairy	584.1	1.6%
2	Huishan Group	327.8	0.9%
3	Lvhe-Dairy	270.5	0.7%
4	Shengmu High-tech	187.9	0.5%
5	Shanghai Dairy Group	182.5	0.5%
	Others	35,887.2	95.9%
	Top 5	**1,552.8**	**4.1%**
	Total	**37,440.0**	**100.0%**

Raw Milk Quality

The quality of raw milk is a key determinant of the quality of dairy products. Meanwhile, higher raw milk quality typically results in higher raw milk price. Fat content, protein content, bacterial limits, and somatic cell count are the four major industry-wide standards measuring raw milk quality. Set forth below are the raw milk quality standards of certain regions and the average quality indicators of certain leading dairy companies in China in 2012.

Major Companies / Nations(1)	Protein Content	Fat Content	Bacterial Limits	Somatic Cell Count
	(%)	(%)	(CFU/ml)	(CFU/ml)
Huishan Group	≥3.2	≥4.1	< 50,000	< 200,000(2)
Modern Dairy	≥3.1	≥3.7	< 50,000	< 250,000
EU	NA	NA	< 100,000	< 400,000
U.S.	≥3.2	≥3.5	< 100,000	< 750,000
China	≥2.8	≥3.1	≤ 2,000,000	NA

Note:

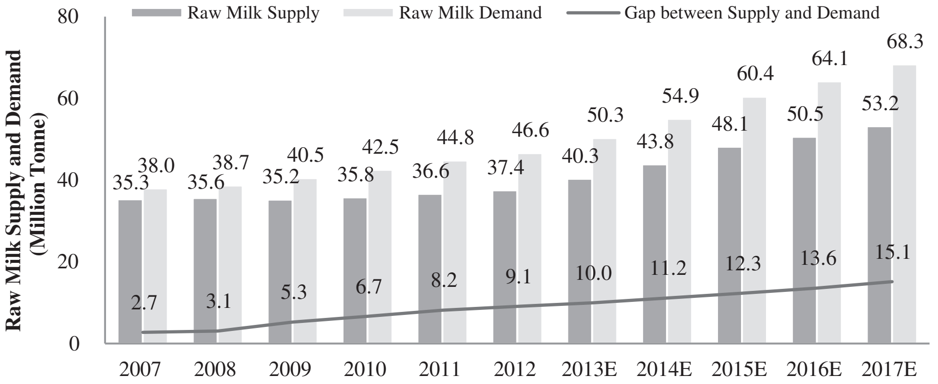
(1) The companies listed in the above tables are the top two raw milk producers in terms of the raw milk production in China in 2012.

(2) Verified by SGS.

Huishan Group's raw milk quality satisfied EU standards in 2012, which are the strictest in terms of bacterial limits and somatic cell count. Further, Huishan Group's raw milk generally outperformed that of other major dairy farms and companies in China in 2012 in terms of all the major quantitative raw milk quality aspects.

Supply and Demand of Raw Milk

Raw milk is the key raw material of dairy products, and is essential to dairy product companies. As China's raw milk demand continued to exceed supply from 2007 to 2012, a number of dairy companies in China needed to import dairy ingredients as an alternative to raw milk. The chart below shows raw milk supply and demand in China from 2007 to 2012 and forecasted supply and demand from 2013 to 2017.



Note:

1. Raw milk only represents cow milk and excludes other types of milk;
2. Raw milk supply is represented by annual raw milk production;
3. Raw milk demand is estimated based on dairy products production.

Source: Raw milk supply from 2007 to 2012 is sourced from National Bureau of Statistics of China.

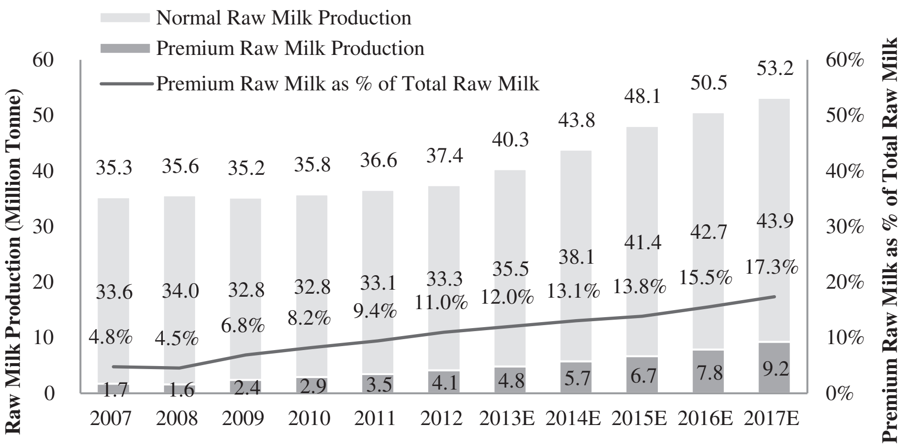
China's raw milk demand increased steadily at a CAGR of 4.2% from 38.0 million tonnes in 2007 to 46.6 million tonnes in 2012. Driven by the increasing demand for dairy products by Chinese consumers, the growth in demand for raw milk is expected to accelerate over the next few years. According to Frost & Sullivan, total demand for raw milk in China is expected to further increase at a CAGR of 7.9% to 68.3 million tonnes in 2017.

On the supply side, raw milk production in China increased at a CAGR of 1.2% from 35.3 million tonnes in 2007 to 37.4 million tonnes in 2012. Suffering from the melamine incident, a large amount of raw milk was disposed of from 2008 to 2009, and many farmers slaughtered their dairy cows, causing a decrease in overall raw milk supply in 2009. In 2010, raw milk production began to recover and increased steadily over the next two years. According to the Ministry of Agriculture of PRC, China's raw milk production is expected to exceed 50.0 million tonnes in the next five years. According to Frost & Sullivan, domestic raw milk supply is expected to further increase at a CAGR of 7.3% to 53.2 million tonnes in 2017, driven by the growing number of dairy cows in China and increasing average milk yield per milkable cow.

Nevertheless, the growth of China's raw milk supply is not expected to be able to keep up with that of raw milk demand, and China's demand supply gap is expected to continue growing. The shortfall was 9.1 million tonnes in 2012, and is expected to reach 15.1 million tonnes in 2017 according to Frost & Sullivan.

Premium Raw Milk

Premium raw milk is defined as raw milk with protein content above 3.2 percent, fat content above 3.7 percent, bacterial content below 100,000 CFU/ml, and somatic cell content below 400,000 CFU/ml. The best areas for raw milk production in China, known as the Golden Raw Milk Belt, is located between 40° and 47° north latitude, which includes the majority of Northeastern China, Inner Mongolia, and Xinjiang. Meanwhile, medium-to-large-scale dairy farms are typically able to leverage advanced dairy farm management and premium dairy cows breeds to produce the majority of premium raw milk in China. The quality of premium raw milk significantly exceeds the national standards in most cases. Set forth below is the production of raw milk and premium raw milk from 2007 to 2012 and forecasted production from 2013 to 2017.



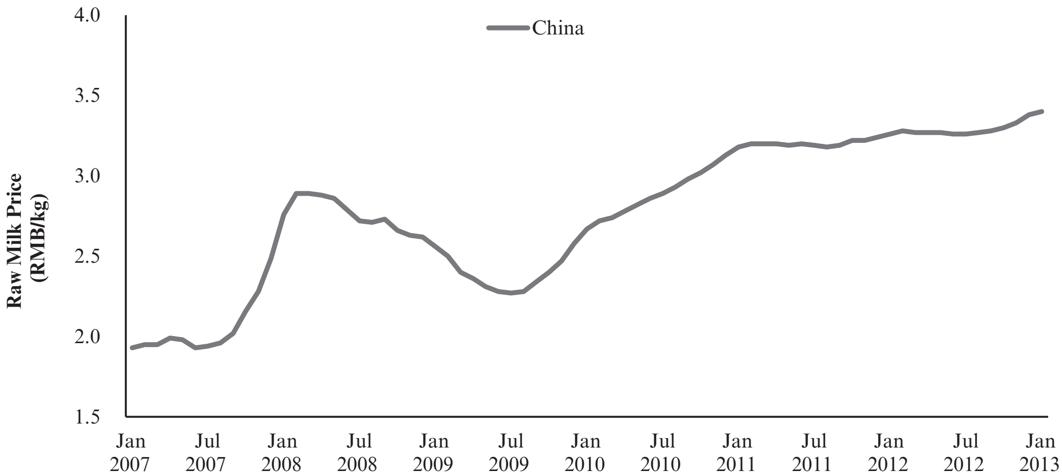
Note: Raw milk only represents cow milk and excludes other types of milk

Source: Historical raw milk production is sourced from the National Bureau of Statistics of China

China's premium raw milk production currently only accounts for a small proportion of the total raw milk production. However, it increased rapidly from 1.7 million tonnes in 2007, representing 4.8% of total raw milk supply to 4.1 million tonnes in 2012, representing 11.0% of total raw milk supply, at a CAGR of 19.6%. Despite the strong growth in premium raw milk production, it is expected that the premium raw milk market will continue to experience a shortage in supply.

Price of Raw Milk

Set forth below illustrates the monthly raw milk price development in China from January 2007 to January 2013.

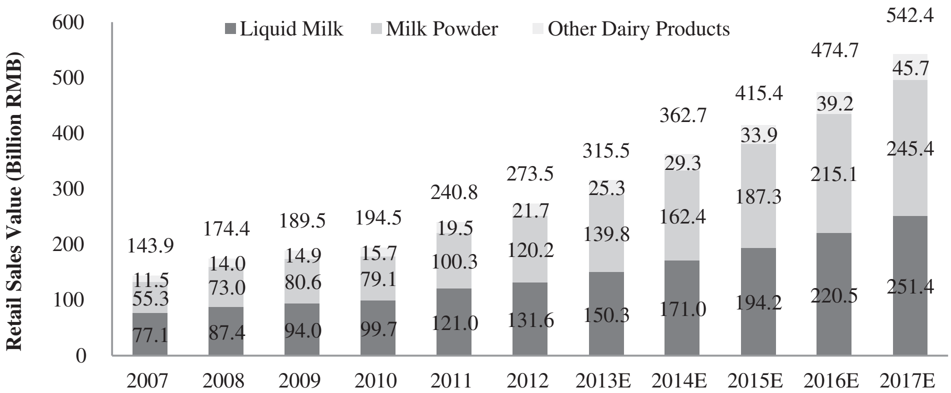


Source: Ministry of Agriculture of the People's Republic of China

Generally, price of raw milk is significantly affected by market demand, the cost of cow feeds and product quality. The raw milk price has predominantly maintained an upward momentum in recent years, except for a sharp decline between mid-2008 to mid-2009 as a result of the melamine incident. Raw milk price gradually recovered and returned to trending upwards from the second half of 2009. In recent years, rising price of cow feeds has been the main driver of the rising raw milk prices in China. Furthermore, the shortage of raw milk supply is also a contributing factor to the rising prices. Going forward, the raw milk price is expected to continue to increase, primarily driven by the increasing supply shortage and increasing demand for high-end dairy products, which requires premium raw milk. As a result, dairy companies with internal supplies of raw milk, particularly premium raw milk, are expected to enjoy significant cost benefits.

DAIRY PRODUCTS MARKET IN CHINA

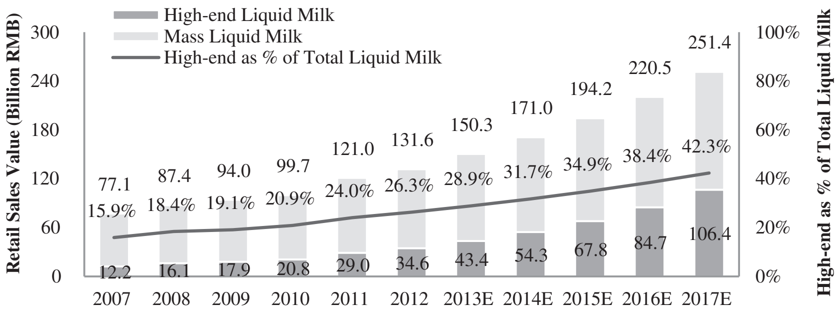
In terms of retail sales value, the dairy products market in China increased at a CAGR of 13.7% from RMB143.9 billion in 2007 to RM273.5 billion in 2012. With increasing disposable income of Chinese consumers and rising awareness of the health benefits of dairy products, China's dairy products market is likely to maintain strong growth in the near future. According to Frost & Sullivan, China's dairy products market is expected to further grow at a CAGR of 14.7% to RMB542.4 billion in 2017. In China, dairy products are primarily divided into three major categories, liquid milk products, milk powder, and other dairy products. Liquid milk products include UHT milk, fresh milk (also known as pasteurized milk), and yogurt. Milk powder products include consumer milk powder and industrial milk powder products. Other dairy products include cheese, cream, and etc. Set forth below illustrates the dairy products retail sales value and breakdown in China from 2007 to 2012, and the forecasted sales from 2013 to 2017.



Note: Other dairy products include cream, cheese, condensed milk, lactose, etc.

Liquid Milk Products Market

China's liquid milk products market has been growing rapidly in recent years, and is projected to continue such growth in the near future, according to Frost & Sullivan. Further, with increasing awareness of health and food safety, consumers are increasingly attracted to liquid milk products with higher nutrition content and food safety assurance. As a result, demand for high-end, high nutrition liquid milk products from reputable brands with reliable raw milk sources is expected to grow rapidly. High-end liquid milk is defined as products with a retail price of above RMB12 per liter. Set forth below illustrates China's liquid milk retail sales value from 2007 to 2012 and forecasted sales from 2013 to 2017.



The liquid milk products market in China in terms of retail sales value grew at a CAGR of 11.3% from RMB77.1 billion in 2007 to RMB131.6 billion in 2012, and is expected to further grow at a CAGR of 13.8% to RMB251.4 billion by 2017, according to Frost & Sullivan. Compared with the overall liquid milk products market, China's high-end liquid milk products market has experienced stronger growth. The market expanded at a CAGR of 23.1% from RMB12.2 billion in 2007 to RMB34.6 billion in 2012. The leading market participants have all developed high-end product lines and achieved significant growth with increasing contributions from such products. According to Frost & Sullivan, China's high-end liquid milk products market is expected to further grow at a CAGR of 25.2% to RMB106.4 billion in 2017.

A substantial majority of Huishan Group's liquid milk products were sold in Northeastern China, where the liquid milk market accounted for approximately 10% of China's total liquid milk market in terms of retail sales value. In 2012, Huishan Group had the largest market share at 13.7% in Northeastern China. Set forth below are the major participants of the liquid milk products market in Northeastern China and their respective market share.

Rank	Company	Retail Sales Value in Northeast China	Market Share
		(Billion RMB)	(%)
1	Huishan Group	1.96(1)	13.7
2	Mengniu Group	1.90(2)	13.3
3	Yili Group	1.89(2)	13.2
4	Wondersun	1.18(2)	8.2
5	Bright	0.79(2)	5.5

(1) Based on Company's internal records.

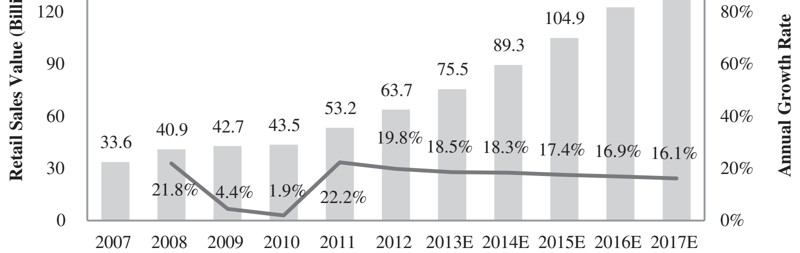
(2) Data compiled by Frost & Sullivan.

Milk Powder Market

Milk powder products are further divided into consumer milk powder products that account for approximately 60% of the total milk powder products market, and industrial milk powder products, which account for the remainder. Industrial milk powder products are generally used as important raw materials for various types of food products, including bakery products, milk beverages and confectionery, amongst others.

Infant Milk Formula Market

Infant milk formula powder is the major type of milk powder product that accounts for approximately 80% of total retail sales of consumer milk powder products in China. Set forth below illustrates China's infant milk formula powder retail sales value from 2007 to 2012 and forecasted sales from 2013 to 2017.



Driven by rising per capita expenditure on milk powder and continued increase in infant and child population aged 0-3 in China, the infant milk formula powder market is projected to enter a faster growth stage in the coming years as compared with 2007 to 2012, during which it was adversely affected by various food safety incidents. According to Frost & Sullivan, the total market size is expected increase at a CAGR of 17.4% to RMB142.3 billion in 2017.

In recent years, foreign infant milk formula powder brands have occupied a larger market share than domestic brands, especially in the high-end segment. Relying on their superior brand image in China and the lack of consumer confidence in domestic brands following the melamine incident in 2008, the price of foreign infant milk formula powder continued to rise during these years, which has resulted in a heavy burden to many consumers. Most Chinese milk powder is up to standard and is generally superior to imported milk powder in terms of freshness. According to Frost & Sullivan, the key challenge for domestic milk powder producers is the lack of consumer confidence in terms of food safety and product quality. Nevertheless, consumers are still willing to purchase safe and high-quality products from domestic suppliers. For example, according to an independent survey conducted by Frost & Sullivan, approximately 86.4% and 85.7% of the respondents indicated their intention to buy liquid milk and milk powder products, respectively, from domestic suppliers that are able to provide safe and high quality dairy products with self-owned raw milk supply.

Whey Powder Supply

D90 whey powder is one of the key raw materials for infant milk formula powder, and is widely used by global manufacturers of infant milk formula powder, due to its low mineral content. Major nutritional products producers have begun to increase their application of D90 whey powder in infant milk formula powder production to improve their product quality and the nutrition value of their products. Accordingly, Frost & Sullivan forecasts further demand growth for D90 whey powder. However, milk powder producers in China also use others alternative sources of whey protein rather than rely on D90 whey powder due to costs concerns and a lack of reliable supply sources.

There is currently a supply-demand gap for D90 whey powder in China, which is expected to continue, according to Frost & Sullivan. As of the end of 2012, all the D90 whey powder used by Chinese manufacturers was imported from abroad, primarily from European countries.

A number of domestic dairy processors are aware of the potential risks of over-reliance on imported D90 whey powder and have begun their research and development efforts on the production technique of D90 whey powder. However, technical limitations create high barriers to entry, and most Chinese dairy companies are not currently capable of producing D90 whey powder. In China, Huishan Group is the only company that has received the official approval for production and sale of D90 whey powder and sells D90 whey powder as a product. Huishan Group commenced commercial production of D90 whey powder in January 2013. According to Frost & Sullivan, given the rising demand for D90 whey powder in China, dairy companies with such production capabilities will be able to leverage this advantage to better compete in the milk powder products market.

FUTURE DEVELOPMENT TRENDS AND KEY SUCCESS FACTORS

Set forth below are considered the key success factors in China's dairy industry:

Development of Large-scale Dairy Farming

With a larger amount of capital investment, more advanced technology, more experienced management teams and standardized management procedures as compared with small dairy farms, large scale dairy farms with over 1,000 dairy cows typically have higher milk yield and more efficient operations.

Vertical Integration along the Value Chain

In recent years, Chinese dairy companies have gradually realized that the imbalanced development between rapid downstream expansion and insufficient upstream sources could result in food safety incidents. As a result, several leading dairy companies have begun to move up the supply chain by setting up their self-owned raw milk sources to ensure the safety and quality of supply as well as control costs. Such vertical integration is likely to further increase. Going forward, the degree of vertical integration and ability to control the critical elements of value chain will be a key competitive advantage.

Increased Efforts to Ensure the High-quality of Raw Milk

China's dairy market witnessed slower growth following the melamine incident in 2008. Since then, dairy manufacturers are making additional efforts, such as enhancing dairy product safety and quality, to win back consumer confidence by establishing self-owned raw milk sources to ensure the safety and quality of raw milk so as to avoid future food safety incidents.

Maintaining Low Production Costs and High Operational Efficiency

As the prices of alfalfa and raw milk continue to increase, it is essential for Chinese dairy companies to control the production costs of their products to remain competitive. In particular, dairy companies who are able to source internal supplies of alfalfa and raw milk through vertical integration, employ advanced dairy farm management systems and achieve economies of scale will be able to control production costs, achieve high operational efficiency and profitability.

Ability to Offer High-end Dairy Products

With the increasing demand for high-end dairy products, the ability to capture the opportunities presented by such expected increase is a key factor to succeed in the dairy industry in China. In particular, companies that are able to offer specialty products leveraging their strong upstream resources will enjoy a competitive advantage.

A summary of the main PRC laws, rules and regulations applicable to our current business and operations is set out below.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

Policies Relating to Foreign Investment in Dairy Farming and Production of Dairy Products

Guidance on foreign investment in different industries in the PRC can be found in the Foreign Investment Industrial Guidance Catalogue (《外商投資產業指導目錄》) (the "**Catalogue**") jointly issued by the National Development and Reform Commission of the PRC (中華人民共和國國家發展與改革委員會) ("**NDRC**") and the Ministry of Commerce of the PRC (中華人民共和國商務部) ("**MOFCOM**") and such Catalogue will be amended and re-promulgated from time to time by these two government authorities. Industries generally fall into four categories for the purposes of guiding foreign investment: encouraged, permitted, restricted and prohibited. The Catalogue only lists out specific industries falling under the encouraged, restricted and prohibited categories and what is not listed there would fall into the permitted category. The current effective version of the Catalogue was issued on December 24, 2011 and became effective on January 30, 2012. According to the 2011 Catalogue, dairy farming and production of dairy products should both belong to the permitted category.

Policies Relating to Modern Husbandry and Dairy Industry

Since 2006, the State Council of the PRC (中華人民共和國國務院) (the "**State Council**"), the Ministry of Agriculture of the PRC (中華人民共和國農業部) ("**MOA**") and NDRC have promulgated a series of policies aiming at promoting the development of modern husbandry and the healthy and sustainable development of the dairy industry. These policies include the Several Opinions of the State Council Concerning the Promotion of Sustainable and Healthy Development of Husbandry (《國務院關於促進畜牧業持續健康發展的意見》), promulgated by the State Council in January 2007, the Several Opinions of the State Council Concerning the Promotion of Sustainable and Healthy Development of the Dairy Industry (《國務院關於促進奶業持續健康發展的意見》), promulgated by the State Council in September 2007, the Circular of the General Office of the State Council Regarding the Transmittal of the Outlines of the Restructuring and Revitalization Plan for the Dairy Industry issued by NDRC and Other Ministries (《國務院辦公廳關於轉發發展改革委等部門奶業整頓和振興規則綱要的通知》), issued by the General Office of the State Council in November 2008, the Development Plan of Major Dairy Cow Farming Regions (2008-2015) (《全國奶牛優勢區域佈局規劃(2008-2015)》), promulgated by MOA in January 2009 and the Several Opinions of MOA Concerning the Acceleration of the Work of Promoting Standardized Large Scale Raising and Breeding of Livestock and Poultry (《農業部關於加快推進畜禽標準化規模養殖的意見》), issued by MOA in January 2010.

On June 26, 2009, the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) and the NDRC released Dairy Product Industrial Policies (2009 Version) (《乳製品工業產業政策(2009年修訂)》). Investment in dairy products must comply with certain admission conditions. For example, to engage in dairy products processing and manufacturing, investors shall have stable and controllable bases of raw milk supply; for new dairy product processing projects, the supply of raw milk for no lower than 40% of its process capacity shall come from stable and controllable supply bases; for rebuilt dairy product processing projects, the proportion shall be no lower than 75%; all raw fresh milk used by liquid milk production enterprises shall come from stable and controllable supply bases; and for formula milk powder production enterprises, the proportion shall be no lower than 50%.

Large Scale Animal Raising and Breeding Industry

Recordal of Animal Breeding Farms

The Husbandry Law of PRC《中華人民共和國畜牧法》(the "**Husbandry Law**"), which was promulgated by the Standing Committee of the National People's Congress of the PRC (全國人民代表大會常務委員會) (the "**Standing Committee of the NPC**") on December 29, 2005 and became effective on July 1, 2006, stipulates the conditions an animal breeding farm shall meet, and requires the owner of a breeding farm to submit the name of the farm, address, strains of livestock and poultry as well as scale of breeding for recordal with the administrative department for animal husbandry and veterinary medicine under the people's government at the county level where the farm is located, and to obtain labels and codes for the livestock and poultry.

License for Production and Operation of Breeding Livestock

According to the Husbandry Law and Measures for the Licensing for Production of Livestock Genetic Materials《家畜遺傳材料生產許可辦法》, which was promulgated by MOA on January 21, 2010 and became effective on March 1, 2010, entities and/or individuals engaging in the production and operations of breeding livestock and poultry or in the commercial production of new born livestock and poultry shall obtain a license for production and operation of breeding livestock and poultry. Applicants applying for a license for production and operation of breeding livestock and poultry shall meet various conditions set out in the Husbandry Law and Measures for the Licensing for Production of Livestock Genetic Materials. The license is issued by animal husbandry and veterinary medicine authority at or above the county level and is valid for three years.

Certificate for Meeting Animal Epidemic Prevention Conditions

The Law on Animal Epidemic Prevention of the PRC (《中華人民共和國動物防疫法》) (the "**Law on Animal Epidemic Prevention**"), which was amended by the Standing Committee of the NPC on August 30, 2007 and became effective on January 1, 2008, and the Measures for the Examination of Animal Epidemic Prevention Conditions (《動物防疫條件審查辦法》), which was promulgated by MOA on January 21, 2010 and became effective on May 1, 2010, stipulate the conditions for prevention of animal epidemics that an animal breading farm shall meet and require the operator of an animal breeding farm to apply to the administrative departments for veterinary medicine under the people's government at the county level for a certificate for meeting animal epidemic prevention conditions.

Eradication of Livestock for Animal Epidemic Prevention Purposes

According to the Law on Animal Epidemic Prevention, animal epidemic prevention institutions shall monitor the arising and spreading of animal epidemic; any entities and individuals engaged in animal raising, slaughtering, isolation, transportation or operation shall report to the local administrative departments for veterinary medicine, animal health supervision institutions or animal epidemic prevention and control institutions immediately once they find the animals have got epidemics or suspect epidemics, and shall take measures to prevent the spread of such epidemics.

Where animals are eradicated and animal products and relevant goods are destroyed through mandatory measures taken in the course of prevention, control and elimination of animal epidemics, people's governments at or above the county level shall provide compensation. The specific rates and measures for compensation shall be determined and adopted by the department of finance under the State Council together with the departments concerned.

Quality Safety of Dairy Products

According to the Regulation on the Supervision and Administration of the Quality Safety of Dairy Products《乳品質量安全監督管理條例》, which was promulgated by the State Council and became effective on October 9, 2008, dairy animal breeders, raw milk purchasers, dairy products production enterprises and sellers are the first responsible persons who shall assume responsibility for the quality safety of the dairy products which they produce, purchase, transport and sell. Fresh milk and dairy products must comply with the national safety standards governing the quality of dairy products, which are developed by the competent health department of the State Council and amended from time to time in accordance with the results of risk monitoring and risk assessments. The addition of non-edible chemical substances or other substances which may be harmful to human health during the production process of dairy products is prohibited.

According to the Administrative Measures for Fresh Milk Production and Procurement (《生鮮乳生產收購管理辦法》), which was promulgated by MOA and became effective on November 7, 2008, provides that dairy animal breeders, purchasers of raw fresh milk and transporters of raw fresh milk are the first responsible persons who shall assume responsibility for the quality safety of the raw fresh milk that they produce, purchase, transport or sell. Raw fresh milk produced, purchased, stored, transported or sold shall comply with the national quality safety standards for dairy products. No substance is permitted to be added in during the processes of production, procurement, storage, transportation and sale of raw fresh milk. Dairy products producers, dairy animal breeders, production cooperatives for farmers of dairy animals who wishes to open raw fresh milk purchase stations shall apply to the administrative department for animal husbandry and veterinary medicine under the people's government at the county level where they are located for a raw fresh milk purchase permit. Such raw fresh milk purchase permits are valid for a period of two years.

The owners of vehicles transporting raw fresh milk shall obtain for such vehicles permits for transportation of raw fresh milk issued by the administrative department for animal husbandry and veterinary medicine under the people's government at the county level where they are located.

Production of Feedstock

The Regulation on the Administration of Feedstock and Feedstock Additives (《飼料和飼料添加劑管理條例》), which was promulgated by the State Council on November 3, 2011 and became effective on May 1, 2012, and Measures for the Administration of Production Licenses for Feedstock and Feedstock Additives (《飼料和飼料添加劑生產許可管理辦法》), which was promulgated by MOA on May 2, 2012 and became effective on July 1, 2012, stipulates the conditions that an enterprise producing feedstock or feedstock additives shall meet. To establish an enterprise producing feedstock or feedstock additives, applicants shall apply for and obtain a production license issued by MOA or the administrative departments for feedstock under the people's government at the provincial level.

Production licenses for feedstock or feedstock additives are valid for five years. Enterprises producing feedstock or feedstock additives have to apply for renewal of the production licenses six months prior to the expiry.

Laws and Regulations Relating to the Food Industry in General

Food Safety in General

The Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the "**Food Safety Law**"), which was adopted by the Standing Committee of the NPC on February 28, 2009 and became effective on June 1, 2009, and its implementation regulation (《中華人民共和國食品安全法實施條例》), which was promulgated by the State Council and became effective on July 20, 2009, adopt measures and requirements in the following aspects to improve food safety and prevent large scale food safety accidents:

- Strengthen the role of local government in the supervision and coordination of food safety regulation work.
- Strengthen food safety risk monitoring, assessment; early intervention and quick control over food safety accidents.
- Revise the standards for the use of food additives and strengthen regulation of use of food additives.
- Establish a food recall system.
- Abolish food safety inspection exemption system
- Clarify the fundamental principles in formulating food safety standards.

Food Production License

In accordance with the Food Safety Law, China implements a licensing system on food production.

According to the Measures for the Administration of Food Production Licenses (《食品生產許可管理辦法》), which was issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) ("**AQSIQ**") on April 7, 2010 and became effective on June 1, 2010, food production enterprises must meet the required production conditions stipulated therein and must obtain food production licenses. An enterprise intending to produce food shall apply to the local quality and technical supervision department where food will be produced. The effective period for a food production license is three years.

Food Distribution Permit

Pursuant to the Administrative Measures for Food Distribution Permits (《食品流通許可證管理辦法》), which was issued by the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) ("**SAIC**") and became effective on July 30, 2009, operators engaging in food business along the chain of food distribution shall obtain a food distribution permit. A food distribution permit is valid for three years.

Food Inspection

In accordance with the Food Safety Law, China has implemented an inspection system relating to food production and operations. The State and local food safety supervision and administrative departments are required to carry out food inspection and may not exempt any food from inspection. The quality and technical supervision departments, industry and commerce administrative departments and food and drug supervision and administration departments at and above the county level shall carry out food inspections by taking samples on a regular or irregular basis. An enterprise engaging in the production or operations of food may itself inspect the food it produces, or entrust a qualified food inspection institution to undertake the inspection.

Laws on Product Quality

The Product Quality Law of the PRC (《中華人民共和國產品質量法》)

Products that we manufacture are subject to the laws, rules and regulations in relation to the product quality in the PRC. The Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**"), which was promulgated by the Standing Committee of the NPC on February 22, 1993 and became effective on September 1, 1993 and amended on July 8, 2000, is the principal law governing the supervision and administration of product quality.

According to the Product Quality Law, manufacturers are liable for the quality of products they produce and sellers must take reasonable actions to ensure the quality of the products they sell.

The manufacturer shall be liable to compensate for any bodily harm or damage to property (other than the defective product itself) caused by the defective products of the manufacturer unless the manufacturer is able to prove that:

- it has not circulated the product;

- the defect did not exist at the time when the product was circulated; or
- the state of scientific or technological knowledge at the time when the product was circulated was not such that it allowed the defect to be discovered.

The seller shall be liable to compensate for any bodily harm or damage to property (other than the defective product itself) caused by the defective products it sold if such defect is attributable to the seller. A person who is harmed or whose property is damaged by the defective product may claim such loss against the manufacturer or the seller.

The Agricultural Products Safety Law of the PRC (《中華人民共和國農產品質量安全法》)

The Agricultural Products Safety Law of the PRC (《中華人民共和國農產品質量安全法》) (the "**Agricultural Products Safety Law**"), which was promulgated by the Standing Committee of the NPC on April 29, 2006 and became effective on November 1, 2006, governs the supervision and administration of the quality and safety of primary agricultural products, namely plants, animals, microorganisms and other products obtained in the course of agricultural activities. The Agricultural Products Safety Law regulates the agricultural products in the following aspects to ensure that they meet the requirements necessary to protect people's health and safety, including:

- the quality and safety standards of agricultural products;
- the production places of agricultural products;
- the production of agricultural products; and
- the packaging and labeling of agricultural products.

According to the Agricultural Products Safety Law, producers of agricultural products shall reasonably use chemical products in order to avoid contaminating production places of agricultural products. The agricultural producers shall also ensure that the preservatives, additives and other chemicals used in the process of production, packaging, preservation, storage and transportation of agricultural products shall be in conformity with the relevant compulsory technical specifications set by the State.

Laws on Product Liabilities

Pursuant to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), which was promulgated by the National People's Congress of the PRC on April 12, 1986 and became effective on January 1, 1987, and the Law on the Protection of Consumers' Rights and Interests of the PRC (《中華人民共和國消費者權益保護法》), which was promulgated by the Standing Committee of the NPC on October 31, 1993 and became effective on January 1, 1994, both manufacturers and distributors shall be held jointly liable for losses and damage suffered by consumers caused by the defective products they manufacture or distribute.

The Tort Liability Law (《中華人民共和國侵權責任法》), which was promulgated by the Standing Committee of the NPC on December 26, 2009 and became effective on July 1, 2010, provides that where a product endangers personal life or property due to its defect, the manufacturers and the distributors shall bear liability in tort.

Import Restrictions to Prevent BSE

The MOA and the AQSIQ promulgated an announcement regarding BSE ("**Bovine Spongiform Encephalopathy**", usually called Mad Cow Disease) on March 1, 2001, according to which, it is forbidden to import any cows and heifers directly or indirectly from countries which had found BSE cases within their territories. The announcement also provides a list to show the countries which had found BSE cases till then, and any country which finds BSE cases from then on will be added into the list automatically. Since 2001, MOA and AQSIQ have promulgated announcements from time to time to forbid imports of cows and relevant products from the countries which found BSE cases, such as Canada (in 2003), Brazil (in 2012), etc.

Land Used for Agricultural Facilities (設施農用地)

According to the Circular of Ministry of Land and Resources and MOA on Relevant Issues Concerning Improving the Administration of Land Used for Agricultural Facilities (《國土資源部、農業部關於完善設施農用地管理有關問題的通知》), which was promulgated and became effective on September 30, 2010, land used for agricultural facilities is divided into two categories, land for production facilities and land for ancillary facilities, which in nature are different from land used for non-agricultural construction project and are treated and administered as agricultural land.

LAWS AND REGULATIONS RELATING TO THE TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which was promulgated by the National People's Congress of the PRC on March 16, 2007 and became effective on January 1, 2008, and the Implementation Rules to the EIT Law (《中華人民共和國企業所得稅法實施條例》) (the "**Implementation Rules**"), which was promulgated by the State Council on December 6, 2007 and became effective on January 1, 2008, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of enterprise income tax of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%.

According to the EIT Law and the Implementation Rules, income of an enterprise generated from Farming cattle and poultry or primary process of agricultural product shall be exempted from enterprise income tax.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) ("**VAT Regulations**"), which was amended by the State Council on November 5, 2008 and became effective on January 1, 2009, and its implementation rules (《中華人民共和國增值稅暫行條例實施細則》), which was amended by the Ministry of Finance of the PRC (中華人民共和國財政部) on October 28, 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value-added tax. Unless provided otherwise, the rate of value-added tax is 17%. Self-produced agricultural products sold by agricultural producers shall be exempt from value-added tax.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

Under the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》), which was amended by the Standing Committee of the NPC on October 31, 2001, and the Law of the PRC on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), which was amended by the Standing Committee of the NPC on March 15, 2001, foreign-invested enterprises may not distribute after-tax profits unless they have contributed to the funds as required by PRC laws and regulations and have set off financial losses of previous accounting years.

According to the EIT Law and the Implementation Rules, dividends paid to its foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC Government provide otherwise.

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**") on August 21, 2006. According to the Arrangement, the withholding tax rate on dividends paid by a PRC company to a Hong Kong resident is 5%, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company, and 10% if the Hong Kong resident holds less than 25% of the equity interests in a PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated and the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) (the "**State Administration of Taxation**") became effective on February 2, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

According to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (《非居民享受税收協定待遇管理辦法(試行)》) (the "**Administrative Measures**"), which came into force on October 1, 2009, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favorable tax treatments provided in the tax agreements.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**"), which was promulgated by the Standing Committee of the NPC and became effective on December 26, 1989, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises and administers the environmental protection work in the PRC, and establishes national standards for the environmental quality and discharge of pollutants. Local environmental protection bureaus are in turn responsible for the environmental protection work within their respective jurisdictions.

Prevention and Control of Pollutions

The Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), which was amended by the Standing Committee of the NPC on February 28, 2008, the Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), which was amended by the Standing Committee of the NPC on April 29, 2000, and the Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), which was promulgated by the Standing Committee of the NPC on October 29, 1996 and became effective on March 1, 1997, as well as the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), which was amended by the Standing Committee of the NPC December 29, 2004, prescribe the details for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste pollution.

Construction Project Environmental Protection

The Environmental Impact Appraisal Law (《中華人民共和國環境影響評價法》), which was promulgated by the Standing Committee of the NPC on October 28, 2002 and became effective on September 1, 2003, the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council and became effective on November 29, 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收管理辦法》), which was promulgated by the State Environmental Protection Administration of the PRC (中華人民共和國國家環境保護總局) on December 27, 2001 and became effective on February 1, 2002, require enterprises planning construction projects to engage qualified professional institution to provide assessment reports on the environmental impact of such projects. The assessment report must be approved by the competent environmental protection authorities prior to commencement of any construction work. Enterprises shall file an application for examination and acceptance of the environmental protection facilities upon the completion of the construction project. A construction project may be formally put into production or use only if the corresponding environmental protection facilities have passed the acceptance examination.

LAWS AND REGULATIONS RELATING TO LABOR

Employment Contracts

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**"), which was promulgated by the Standing Committee of the NPC on June 29, 2007 and became effective on January 1, 2008 and whose amendments made on December 28, 2012 will take effect on July 1, 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employment contract. The Labor Contract Law stipulates that employment contracts must be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

Employee Funds

Under applicable PRC laws and regulations, including the Social Insurance Law of The PRC (《中華人民共和國社會保險法》), which was promulgated by the Standing Committee of the NPC on October 28, 2010 and became effective on July 1, 2011, and the Regulations on the Administration of Housing Accumulation Fund (《住房公積金管理條例》), which was amended by the State Council on March 24, 2002, employers and/or employees (as the case may be) are required to contribute to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and employers who fail to contribute may be fined and ordered to rectify within a stipulated time limit.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the "**Production Safety Law**"), which was promulgated by the Standing Committee of the NPC on June 29, 2002 and became effective on November 1, 2002, is the principal law governing the supervision and administration of production safety in the PRC. This law requires production entities to meet the relevant legal requirements, such as providing its staff with training and a handbook on production safety and providing safe working conditions in compliance with relevant laws, rules and regulations. Any production entities unable to provide the required safe working conditions may not engage in production activities. Violation of the Production Safety Law may result in the imposition of fines and penalties, the suspension of operations, an order to cease operations, or even criminal liability in severe cases.

Pursuant to the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》), which was promulgated by the State Council on March 11, 2003 and became effective on June 1, 2003 and amended on January 24, 2009, special equipment, including boilers, pressure vehicles (including gas cylinders), pressure pipelines, elevators, lifting alliances, passenger ropeways, and large amusement devices, which relate to safety of human lives or having high risks, shall be registered with competent departments for safety supervision and administration of special equipment. The operators of special equipment shall not engage in operation or management of the special equipment until they have passed the examination organized by the departments for safety supervision and administration of special equipment.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE REGISTRATION

Pursuant to Circular on Foreign Exchange Issues Related to Equity Finance and Round-Trip Investments by Domestic Residents through Offshore Special Purpose Vehicles (《國家外匯管理局關於境內企業通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "**Circular 75**"), which was promulgated by the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) ("**SAFE**") on October 21, 2005 and became effective on November 1, 2005, (i) a domestic resident, including a domestic resident natural person or a PRC company, must register with the local SAFE branch before it establishes or controls a Special Purpose Vehicle ("**SPV**") for the purpose of conducting overseas equity financing; (ii) when a domestic resident contributes assets or equity interests to an overseas SPV, such domestic resident must register its interests in the overseas SPV or any change to its interest in the overseas SPV with the local SAFE branch; and (iii) when the overseas SPV undergoes a material change in capital outside the PRC, such as a change in share capital or merger and acquisition, the domestic resident must register such change with the local SAFE branch.

LAWS AND REGULATIONS RELATING TO MERGERS AND ACQUISITIONS BY FOREIGN INVESTORS

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》) (the "**M&A Provisions**") was promulgated by MOFCOM, the State Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the State Administration of Taxation, SAIC, China Securities Regulatory Commission (中國證券監督管理委員會) ("**CSRC**") and SAFE on August 8, 2006 and became effective on September 8, 2006 as amended on June 22, 2009. Under the M&A Provisions, the following scenarios qualify as an acquisition of a domestic enterprise by a foreign investor:

- a foreign investor purchases by agreement the equity interests of a domestic enterprise without foreign investment or subscribes for the increased capital of a domestic enterprise without foreign investment, and thus converts the domestic enterprise without foreign investment into a foreign-invested enterprise;

- a foreign investor establishes a foreign-invested enterprise and use such foreign-invested enterprise to purchase by agreement the assets of a domestic enterprise and operates such assets; or

- a foreign investor purchases by agreement the assets of a domestic enterprise and then contribute such assets as capital to establish a foreign-invested enterprise and operates such assets.

LAWS AND REGULATIONS RELATING TO SECURITY REVIEW SYSTEM FOR MERGERS AND ACQUISITIONS OF DOMESTIC ENTERPRISES

Pursuant to the Circular of the General Office of the State Council on the Establishment the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), which was promulgated on February 3, 2011 and became effective on March 3, 2011, and the Provisions of MOFCOM on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), which was promulgated on August 25, 2011 and became effective on September 1, 2011, where foreign investors initiate mergers and acquisitions of domestic military industrial enterprises and supportive military industrial enterprises, enterprises surrounding major and sensitive military facilities, and other entities relating to the national defense security; mergers and acquisitions of domestic enterprises relating to important agricultural products, important energies and resources, important infrastructural facilities, important transportation services, key technologies, manufacturing of major equipment and other business related to the national security, which may result in the actual controlling power of foreign investors over those acquired domestic enterprises, the foreign investors shall apply to MOFCOM for the security review of the concerned mergers and acquisitions. Whether a foreign investor' mergers and acquisitions of a domestic enterprise falls under the scope of mergers and acquisitions security review or not shall be determined in terms of the substance and actual influence of the mergers and acquisitions transaction. No foreign investors may substantially evade mergers and acquisitions security review under any circumstances, including but not limited to by way of holding on behalf of others, trust, multi-level reinvestment, leasing, loans, variable interest entities, or overseas transactions.

INTELLECTUAL PROPERTY LAWS AND REGULATIONS

China has adopted legislations related to intellectual property rights, including trademarks, patents and copyrights. China is a signatory party to all major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, the Madrid Agreement on the International Registration of Marks and Madrid Protocol, the Patent Cooperation Treaty, the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, and the Agreement on Trade-Related Aspects of Intellectual Property Rights ("**TRIPs**").

Regulations on Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated on March 12, 1984 and amended on September 4, 1992, August 25, 2000 and December 27, 2008, with the last amendment effective on October 1, 2009, patent protection is divided into three categories, namely, invention patent, utility patent and design patent. Invention patents are valid for twenty years from the date of application, while design patents and utility patents are valid for ten years from the date of application. Once an invention patent, utility patent or a design patent is granted, unless otherwise permitted by law, no individual or entities are permitted to engage in the manufacture, use, sale, or import of the product protected by such patent or otherwise engage in the manufacture, use, sale, or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder. The patent application system in China is different in many ways from that in other countries. The patent system in China uses the "first to file" principle, which means when more than one person files for a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, China requires absolute novelty for an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of China. Furthermore, patents issued in China are not enforceable in Hong Kong, Taiwan or Macau, each of which has an independent patent system. Although patent rights are national rights, the Patent Cooperation Treaty allows an applicant in one country to seek patent protection for an invention in multiple member countries at the same time by filing an international patent application. However, the fact that a patent application is pending is not a guarantee that a patent will be granted. Furthermore, even if a patent application is granted, the scope of a patent may not be as broad as the applicant requested in the initial application.

Regulations on Trademarks

The Trademark Law of the PRC (《中華人民共和國商標法》) was promulgated in August 1982 (later amended on February 22, 1993 and October 27, 2001) and Implementation Regulations on the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) was promulgated on August 3, 2002 by the State Council. These laws and regulations provide the basic legal framework for the regulations of trademarks in China. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks. The Trademark Office under the State Administration for Industry and Commerce is responsible for the registration and administration of trademarks throughout the country. Trademarks are granted on a term of ten years. Six months prior to the expiration of the ten-year term, an applicant can renewed the application and reapply for trademark protection.

Under the Trademark Law, any of the following acts may be regarded as an infringement of the exclusive right to use of a registered trademark:

- use of a trademark that is identical with or similar to a registered trademark on the same or similar kind of commodities of the trademark registrant's without the authorization of the trademark registrant;

- sale of commodities infringing upon the exclusive right to use the registered trademark;

- counterfeiting or making, without authorisation, representations of a registered trademark, or sale of such representation of a registered trademark; and

- otherwise infringing upon other person's exclusive right to use a registered trademark and cause damages.

Violation of the Trademark Law may result in the imposition of fines, confiscation and destruction of the infringing commodities. Trademark licence agreements must be filed with the Trademark Office under the State Administration for Industry and Commerce or its regional counterparts. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

Regulations on Domain Names

The Measures for the Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》) were promulgated by the Ministry of Information Industry on November 5, 2004 and became effective on December 20, 2004. These measures regulate the registration of domain names in Chinese with the Internet country code of ".cn". The Measures on Domain Names Dispute Resolution (《中國互聯網信息中心域名爭議解決辦法(2006年修訂)》) were promulgated by the Chinese Internet Network Infrastructure Centre on February 14, 2006 and became effective on March 17, 2006. These measures require domain name disputes to be submitted to institutions authorized by the Chinese Internet Network Information Centre for resolution.

OVERVIEW

Our Company, China Huishan Dairy Holdings Company Limited, was incorporated in the Cayman Islands on March 31, 2011 as part of the corporate reorganization undertaken to create a corporate structure to facilitate the investment by the Exchangeable Bondholders and the preparation of Listing. Our Company is the holding company of our Group which comprises certain intermediate holding companies incorporated in the British Virgin Islands and Hong Kong, and our key operating subsidiaries established in the PRC, namely Liaoning Huishan Dairy, Jinzhou Huishan Sales, Shenyang Huishan Sales, Maoyuan Grass and Liaoning Xiushui, as well as the other operating subsidiaries.

HISTORY AND DEVELOPMENT

Our Founder, Mr. Yang Kai

Mr. Yang began his involvement in the PRC dairy industry through his role as the general manager of Shenyang Dairy Co., Ltd. (瀋陽乳業有限責任公司) ("**Shenyang Dairy**") in 2002. Prior to this, Mr. Yang had accumulated experience during the earlier part of his career in the foods and agriculture industry in Northeastern China, including experience in seeds, agricultural products, food and beverage processing and sales, sales of food and beverage processing machinery, as well as foodstuffs trading, which had given him insights into the industry's supply chain. In December 2004, Mr. Yang became an indirect shareholder holding a 50% interest in Shenyang Dairy and continued his commitment to the dairy industry in China. The other 50% interest in Shenyang Dairy was held indirectly by three individuals who are independent third parties, namely Mr. Charles Diodosio and Mr. Warren Diodosio (holding as joint tenants with right of survivorship) as well as Mr. Li Anmin (the "**Business Partners**").

Through his engagement in the dairy business since 2002, Mr. Yang built up his commitment to deliver the best quality dairy products to consumers in the PRC. Mr. Yang advocated the importance of ensuring product safety through the ability to control raw milk supply and the need for traceability in the dairy industry value chain. At that early stage, Mr. Yang had already envisioned the vertical integration business model as being critical to achieving success and delivering safe and high quality products in the dairy industry in China.

The 2008 nationwide melamine incident in the PRC exposed the conflicting and competing commercial interests of different participants at various critical stages along the dairy product value chain, giving rise to malpractices and economic incentives to compromise on food safety. This has resulted in a significant loss of consumer confidence in dairy products produced domestically. At that time, none of "輝山 (Huishan)" brand products were found to be contaminated by melamine. The melamine incident reaffirmed Mr. Yang's belief in the potential benefits that could be brought about by producing dairy products through a fully integrated business model exerting full control over the entire supply chain. At the same time, the PRC Government promulgated new policies regarding the establishment of the new dairy products processing companies and the expansion of the then existing dairy products processing companies. The PRC Government required dairy products processing companies, depending on the nature of their business, to obtain 40% to 100% of raw milk need from a stable and controllable milk source. While such implementation of new policies created challenges for engaging in dairy business operations in China, Mr. Yang believed such new policies also created opportunities for him to establish a vertically-integrated dairy company that produces high-quality dairy products with full traceability.

Development of Our Business

Establishment of Liaoning Holdings. Shortly after the melamine incident and the promulgation of the new government policies, Mr. Yang considered it an opportune time to invest in upstream operations to cover feeds plantation and raising of dairy cows to safeguard product safety. In addition, Mr. Yang believed the internalization of feeds plantation within the supply chain would help achieve a controllable cost structure to withstand pressure from increasing external feed costs hence creating a competitive advantage in terms of the quality and cost control of dairy products that are produced through such supply chain. Accordingly, in 2009, Mr. Yang established Liaoning Huishan Holdings (Group) Co., Ltd. (遼寧輝山控股(集團)有限公司) ("**Liaoning Holdings**"), in which he effectively held a 90.5% equity interest (part of such effective interest was held by Mr. Yang through his 50% indirect interest in Shenyang Dairy)[(1)], to serve as a new investment vehicle to realize and accelerate such upstream investment. Liaoning Holdings' initial registered capital was RMB20 million which was increased to RMB300 million by the end of 2009. Mr. Yang's capital contributions to Liaoning Holdings at that time were funded from his personal financial resources that he had generated from his other business investments including real estate investments in the PRC.

Liaoning Holdings began its business in January 2009 by making investments in constructing dairy farms, importing heifers and establishing dairy products processing facilities. Liaoning Holdings' initial focus was to secure land for developing its fully-integrated dairy business and import heifers from Australia and New Zealand. By March 31, 2010, Liaoning Holdings had secured land for 32 dairy farms, and had imported 12,763 heifers and contracted to import 11,175 more. During the same period of time, Liaoning Holdings also secured land for three liquid milk and milk powder processing plants in Liaoning Province. In the subsequent year, Liaoning Holdings continued its efforts in making investments to build dairy farms, import heifers and construct dairy products processing plants. In the years ended March 31, 2010 and 2011, Liaoning Holdings made capital expenditure of RMB1,451 million and RMB1,667 million, respectively. In February 2011, Liaoning Holdings transferred its business, including all 30 operating subsidiaries in the PRC and its dairy processing facilities, to our Group to form a single platform to own and control dairy operations as part of our corporate restructuring. Since then, Liaoning Holdings has ceased to carry on any business.

Relationships with Shenyang Dairy. As part of the overall modernization of Shenyang City in the 1990's, and with a view of providing a centralized and safe supply of liquid milk and other dairy products, the Shenyang City Government initiated a consolidation of the local dairy industry. Shenyang Dairy, which was at that time owned by a PRC state authority that engaged in agricultural activities, became one of the primary producers and suppliers of liquid milk products in Liaoning

Note:

(1) The remaining 9.5% effective interest in Liaoning Holdings was held indirectly by the Business Partners who are independent third parties, through their interest in Shenyang Dairy.

Province using the “輝山 (Huishan)” brand. Between 2002 and 2004, Shenyang Dairy began its transformation by stages into a private enterprise when its entire interest was acquired by a foreign company, which is an independent third party, and continued to produce and sell dairy products primarily in Liaoning Province. Mr. Yang was invited to serve as the general manager of Shenyang Dairy in 2002 by the Business Partners who acquired Shenyang Dairy primarily as a result of their business relationship arising out of a prior 50:50 jointly invested business in China where Mr. Yang successfully managed its business operations on a daily basis and the Business Partners generally acted as passive investors. In December 2004, in view of Mr. Yang’s contribution to Shenyang Dairy and all other joint ventures, the Business Partners transferred 50% of Shenyang Dairy to Mr. Yang to secure his future services and dedication. At the establishment of Liaoning Holdings in January 2009, Shenyang Dairy subscribed for 19.0% equity interest in Liaoning Holdings by contributing cash and agreeing to complete the transfer of the Huishan brand into Liaoning Holdings before Liaoning Holdings (or its subsidiaries) commenced liquid milk commercial production. We initially sold our liquid milk products through Shenyang Dairy’s sales network in order to test the market acceptance of our products while building our own sales channels. Pursuant to a contract with Shenyang Dairy, we agreed to sell our liquid milk products at our total costs plus a 3% margin from November 2010 to March 2012, except that during our trial production period between November 2010 and March 2011, we sold our liquid milk products to them at our total costs without any margins because our initial production costs were high.

In June 2011, Shenyang Dairy consented to a relocation notice which it received from the Shenyang government in 2010 to relocate its facilities by 2015 for zoning reasons in exchange for relocation compensation (the “**Compensation**”), and therefore began the process of phasing out and withdrawing from the business of liquid milk products processing, sales and distribution. Shenyang Dairy determined to take measures to cope with the impact of relocation on its business and so it could continue to fulfill the existing contracts while negotiating with the government on the detailed terms of the Compensation. As it began to reduce its production capacity and phase out its contracts in preparation for surrendering its processing assets and production licenses ahead of the relocation deadline, Shenyang Dairy purchased liquid milk products from us between April 2011 and June 2012 to fulfill Shenyang Dairy’s obligations under the contracts that had not yet expired.

As a result of Shenyang Dairy gradually phasing out its distribution contracts, its distribution network disintegrated. Having lost its sales channels, Shenyang Dairy continued its production functions and provided contract manufacturing services to us at the market price between October 2011 and May 2013 to process liquid milk products which complemented our product range. Back then, we did not have the packaging capabilities for the types of products Shenyang Dairy processed for us. For the years ended March 31, 2012 and 2013, Shenyang Dairy processed 44,787 tonnes and 160,429 tonnes of liquid milk products for us, representing approximately 53% and 65% of our total sales volume of our liquid milk products for the respective periods. For the year ended March 31, 2012, such processing volume represented 28% of total sales volume of Shenyang Dairy. For the year ended March 31, 2013, Shenyang Dairy used its entire processing capacity to provide contract manufacturing services for us to produce liquid milk products. Turnover generated from the sales of these products amounted to RMB307 million and RMB1,186 million, respectively, representing approximately 23% and 46% of our turnover for the respective periods.

Shenyang Dairy also purchased raw milk from us between April 2010 to March 2012 at the market price, but we discontinued to supply raw milk to Shenyang Dairy beginning April 2012. In July 2012, the Business Partners transferred their 50% interest in Shenyang Dairy to Ms. Ge. Shenyang Dairy was then indirectly held by Mr. Yang and Ms. Ge in equal share. Since such transfer, the Business Partners had ceased to have any relationship with Mr. Yang. As of the Latest Practicable Date, Mr. Yang and Ms. Ge remained the only shareholders of Shenyang Dairy.

In May 2013, Shenyang Dairy surrendered its production license and ceased its business of liquid milk production, processing as well as sales and distribution of liquid milk products. Accordingly, it was considered not appropriate to consolidate the business of Shenyang Dairy into the Group. Since then, Shenyang Dairy has been focusing on and will continue to focus on building a processing facility for dairy products in a new location with the intention to lease out or sell such facility when it is completed. The processing facility will be built in Shenbei New District in Shenyang and Shenyang Dairy anticipates the construction will be completed by 2015. There will be no competition between the business activities of Shenyang Dairy and our business activities.

Shenyang Dairy remains as a landlord of certain dairy farms operated by the Group. For further details, please refer to the section headed "Connected Transactions" in this prospectus.

Other material development events

In June 2011, the Exchangeable Bondholders completed their investment in our Group through the subscription for exchangeable bonds issued by Champ Harvest with an aggregate principal amount of US$290 million. See the sub-section headed "Corporate restructuring to facilitate the investment by Exchangeable Bondholders" of this section for further details. Also in June 2011, we established two sales companies, namely Jinzhou Huishan Sales and Shenyang Huishan Sales, to engage in the wholesale and distribution of our liquid milk products. Also in June 2011, we entered into an acquisition agreement with an independent third party to acquire 100% in Maoyuan Grass which began our commercial operation of alfalfa plantation covering 90,000 mu of land for the growing of alfalfa as feeds for our dairy cows.

In August 2012, we acquired the entire indirect interest of Liaoning Xiushui, which specialized in the development and production of infant milk powder products, from Mr. Yang and Hero. Liaoning Xiushui was a 50:50 joint venture indirectly established by Mr. Yang and Hero in April 2010. The joint venture was initially formed to leverage on the management experience, production technology and stringent quality control practices in milk powder business of Hero to engage in the development of infant formula milk powder that is suitable for consumption by infants in China. As a result of the acquisition, Hero became a 6.5% shareholder of our Company. In January 2013, we commenced the commercial production and sales of our infant formula milk powder products.

Brief history of "輝山 (Huishan)" Brand

The history of "輝山 (Huishan)" brand can be traced back to the early 1950's when it began to appear in association with dairy product sales, at the time when "輝山牧場" (Huishan Dairy Farm), one of the oldest dairy farms in China, was founded in Liaoning Province, China.

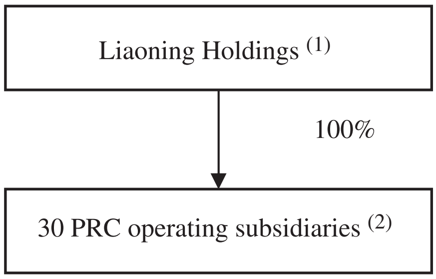
The following table sets forth a summary of the key development milestones of the business of our Group:

Year	Milestone Event
2009	• Liaoning Holdings, the predecessor company of some of the businesses now being held by our Group, was established and held interests in operating subsidiaries that operated dairy farms and produced raw milk.
2010	• In April 2010, Mr. Yang established a joint venture with Hero to engage in the development of infant formula milk powder. • In November 2010, we commenced commercial production and sales of liquid milk products.
2011	• In the first quarter of 2011, Liaoning Holdings transferred the entire interest in 30 operating subsidiaries in the PRC to Liaoning Huishan Dairy, which became a key subsidiary holding the majority of the operating companies of our Group. • In March 2011, our herd size of dairy cows exceeded 55,000. • In June 2011, we established two sales companies, namely Jinzhou Huishan Sales and Shenyang Huishan Sales, to engage in the wholesale and distribution of our liquid milk products. • In June 2011, we began our commercial operation of alfalfa plantation covering 90,000 mu of land for the growing of alfalfa as feeds for our dairy cows. • In June 2011, the Exchangeable Bondholders invested a total of US$290 million in our Group through the subscription for Exchangeable Bonds issued by Champ Harvest.
2012	• In March 2012, our herd size of dairy cows exceeded 90,000. • In the first half of 2012, our Group began alfalfa plantations on an additional of 30,000 mu of land. • In August 2012, we acquired 100% indirect interest of Liaoning Xiushui from Mr. Yang and Hero and continued with the development of infant formula milk powder business. • In May 2012, our concentrated feeds processing facility commenced production.
2013	• In January 2013, we commenced commercial production of our D90 whey powder and our infant formula milk powder products. • In March 2013, our herd size of dairy cows exceeded 112,000.

CORPORATE RESTRUCTURING TO FACILITATE THE INVESTMENT BY EXCHANGEABLE BONDHOLDERS

Set out below is the shareholding structure of our PRC operating subsidiaries which were held by Liaoning Holdings prior to the corporate reorganization undertaken to facilitate the investment by the Exchangeable Bondholders:

Liaoning Holdings



Notes:

(1) Liaoning Holdings was established in 2009 by Mr. Yang (through the holding of a majority beneficial interest) and three other individuals who are independent third parties. Immediately prior to February 2011, Mr. Yang held approximately 86.72% effective interest in Liaoning Holdings. The remaining effective interest in Liaoning Holdings were held by the Business Partners who are independent third parties, namely Mr. Charles Diodosio and Mr. Warren Diodosio (holding as joint tenants with right of survivorship) as well as Mr. Li Anmin.

(2) Liaoning Holdings directly held the entire equity interests in 30 PRC operating subsidiaries, which were Xiahe Farming; Liaoning Huishan Group Xiushui Farming Co., Ltd* (遼寧輝山乳業集團秀水牧業有限公司); Liaoning Huishan Group Baihua Farming Co., Ltd* (遼寧輝山乳業集團百花牧業有限公司); Liaoning Huishan Group Jiubing Farming Co., Ltd* (遼寧輝山乳業集團救兵牧業有限公司); Liaoning Huishan Group (Fushun) Co., Ltd* (遼寧輝山乳業集團(撫順)有限公司); Liaoning Huishan Group Wangshu Farming Co., Ltd* (遼寧輝山乳業集團王樹牧業有限公司); Liaoning Huishan Group Sunjia Farming Co., Ltd* (遼寧輝山乳業集團孫家牧業有限公司); Taiping Farming; Liaoning Huishan Group Yemaotai Farming Co., Ltd* (遼寧輝山乳業集團葉茂台牧業有限公司); Yushu Farming; Liaoning Huishan Group Woniushi Farming Co., Ltd* (遼寧輝山乳業集團臥牛石牧業有限公司); Liaoning Huishan Group Shuangtaizi Farming Co., Ltd* (遼寧輝山乳業集團雙台子牧業有限公司); Pengjia Farming; Liaoning Huishan Group Dasan Farming Co., Ltd* (遼寧輝山乳業集團大三牧業有限公司); Yixian Guanghua Farming Co., Ltd* (義縣光華牧業有限公司); Yixian Shengdao Farming Co., Ltd* (義縣勝道牧業有限公司); Yixian Zhongao Farming Co., Ltd* (義縣中澳牧業有限公司); Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd* (遼寧輝山乳業集團(錦州)有限公司); Yixian Aohua Farming Co., Ltd* (義縣澳華牧業有限公司); Yixian Longbang Farming Co., Ltd* (義縣龍邦牧業有限公司); Yixian Heguang Farming Co., Ltd* (義縣荷光牧業有限公司); Liaoning Huishan Group Sihecheng Farming Co. Ltd* (遼寧輝山乳業集團四合城牧業有限公司); Liaoning Huishan Dairy Xinqiu Farming Co., Ltd* (遼寧輝山乳業集團新秋牧業有限公司); Liaoning Huishan Holdings (Group) Liangjiazi Farming Co., Ltd* (遼寧輝山控股(集團)兩家子牧業有限公司); Liaoning Huishan Holdings (Group) Leyuan Farming Co. Ltd* (遼寧輝山控股(集團)樂源牧業有限公司); Liaoning Huishan Holdings (Group) Zhangwu Dairy Co., Ltd* (遼寧輝山控股集團彰武乳業有限公司); Liaoning Huishan Holdings (Group) Youxian Farming Co., Ltd* (遼寧輝山控股(集團)優鮮牧業有限公司); Liaoning Huishan Holdings (Group) Mantanghong Farming Co., Ltd* (遼寧輝山控股(集團)滿堂紅牧業有限公司); Liaoning Huishan Group Fuxing Farming Co., Ltd* (遼寧輝山乳業集團福興牧業有限公司); and Liaoning Huishan Holdings (Group) Daleng Farming Co., Ltd* (遼寧輝山控股(集團)大冷牧業有限公司), among which, 27 were principally engaged in dairy farming operations, three were principally engaged in dairy products processing operations.

Transfer of PRC operating entities from Liaoning Holdings to Liaoning Huishan Dairy in February 2011

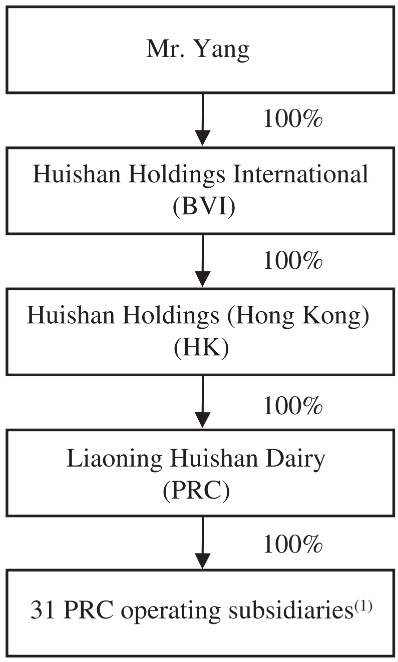
Huishan Holdings (Hong Kong) was incorporated in Hong Kong on January 11, 2011 with an authorized capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On February 17, 2011, the only subscriber share was transferred to Huishan Holdings International, a company which was directly wholly-owned by Mr. Yang at the time of transfer. On June 28, 2011, 9,999 shares were further allotted to Huishan Holdings International at the cash consideration which represented their par value.

On February 18, 2011, Huishan Holdings (Hong Kong) and L&D High Technology Foods (HK) Limited (a company which was indirectly owned as to 50.92% by Mr. Yang, as to 40% by The Meadow Company, an independent third party, and as to 9.08% by four individuals who are independent third parties) entered in to an equity transfer agreement pursuant to which the entire equity interest of Liaoning Huishan Dairy was transferred by L&D High Technology Foods (HK) Limited to Huishan Holdings (Hong Kong) for cash consideration of US$1.2 million. The consideration was determined with reference to the net asset value of Liaoning Huishan Dairy at that time, which was US$1.2 million. The transfer of the entire equity interest of Liaoning Huishan Dairy was completed and registered with the relevant local administration of industry and commerce of the PRC on February 18, 2011. The cash consideration was fully settled by Huishan Holdings (Hong Kong) on September 2, 2011. After the transfer, we did not continue any business that was carried out by Liaoning Huishan Dairy prior to such transfer, other than redeploying the equipment and disposing of the inventories.

On February 20, 2011, Huishan Holdings (Hong Kong) and Liaoning Holdings entered into a capital increase agreement pursuant to which the registered capital of Liaoning Huishan Dairy was increased from US$5 million to US$120 million. Pursuant to the capital increase agreement, Huishan Holdings (Hong Kong) contributed US$34,731,942 in cash and Liaoning Holdings contributed US$80,268,058 in kind by transferring the entire equity interests in 30 PRC operating entities to Liaoning Huishan Dairy. The consideration was determined with reference to the net asset value of the 30 PRC operating entities at that time. Upon completion of the capital increase, Huishan Holdings (Hong Kong) and Liaoning Holdings held approximately 33.11% and 66.89% of the equity interest in Liaoning Huishan Dairy respectively. All these 30 PRC operating entities were principally engaged in dairy farming and dairy products processing operations in Liaoning Province, of which four were located in the Fushun County, ten were located in the Faku County, seven were located in the Yixian County and nine were located in the Zhangwu County. The transfer of the 30 PRC operating entities was completed and registered with the relevant local state administration of industry and commence of the PRC on February 24, 2011. The cash consideration was fully settled by Huishan Holdings (Hong Kong) on September 7, 2011.

On February 28, 2011, Huishan Holdings (Hong Kong) and Liaoning Holdings entered into an equity transfer agreement pursuant to which 66.89% equity interest in Liaoning Huishan Dairy was transferred by Liaoning Holdings to Huishan Holdings (Hong Kong) for cash consideration of US$80,268,058. Upon completion of the equity transfer, Huishan Holdings (Hong Kong) became the sole equity owner of Liaoning Huishan Dairy which in turn held the entire equity interests in all of the 30 PRC operating entities which then became PRC subsidiaries of our Group. The transfer of the 66.89% equity interest in Liaoning Huishan Dairy was completed and registered with the relevant local administration of industry and commence of the PRC on March 7, 2011. The cash consideration was fully settled by Huishan Holdings (Hong Kong) on June 30, 2011. As Liaoning Huishan Dairy was already a wholly-owned foreign enterprise at that time, it was considered desirable for it to act as the PRC holding company of the 30 PRC operating entities.

Set out below is the shareholding structure of our Group after completion of the transfer of PRC operating entities from Liaoning Holdings to Liaoning Huishan Dairy:



Note:

(1) On November 17, 2010, Liaoning Huishan Dairy established Zhangwu Youpin Farm Feeds Co., Ltd* (彰武優品農牧飼料有限公司), a limited liability company under the laws of the PRC with a current registered capital of RMB60,000,000. It is principally engaged in feedstuff processing and sales and purchases of food products. As a result, Liaoning Huishan Dairy directly held the entire equity interest of a total of 31 PRC operating subsidiaries.

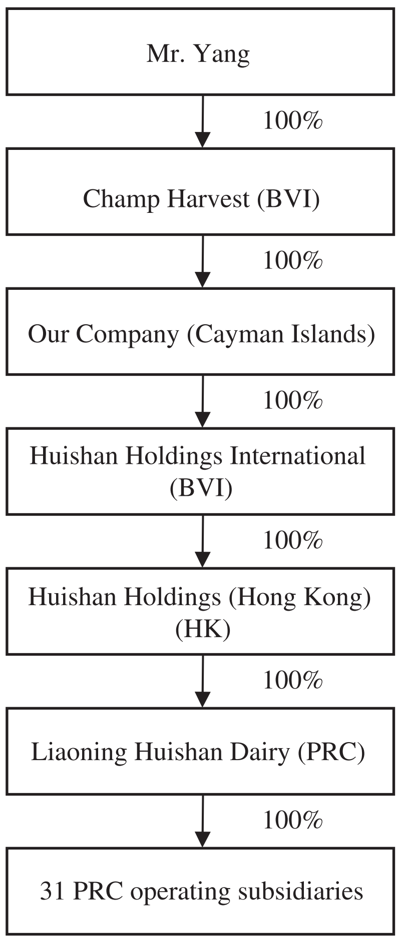
Incorporation of Champ Harvest and transfer of Huishan Holdings International to Champ Harvest in April 2011

Champ Harvest was incorporated in the British Virgin Islands on January 20, 2011 and on April 26, 2011, 10,000 shares were allotted to Mr. Yang at the cash consideration which represented their par value. After Huishan Holdings (Hong Kong) (which was then wholly-owned by Huishan Holdings International) had become the sole equity owner of Liaoning Huishan Dairy and the incorporation of Champ Harvest, the entire issued share capital of Huishan Holdings International was transferred by Mr. Yang to Champ Harvest on April 28, 2011 for cash consideration of US$1,000.

Incorporation of our Company, China Huishan Dairy, and transfer of Huishan Holdings International to our Company in May 2011

Our Company, China Huishan Dairy, was incorporated in the Cayman Islands on March 31, 2011. The initial authorized share capital of our Company was US$50,000 divided into 50,000 shares of US$1 each. On May 23, 2011, the subscriber share was transferred to Champ Harvest in consideration of US$1. On May 23, 2011, Champ Harvest applied for the allotment and subscription of 9,999 Shares of our Company and our Company issued and allotted 9,999 Shares credited as fully-paid to Champ Harvest in consideration of US$9,999. On June 28, 2011, Champ Harvest transferred the entire issued share capital of Huishan Holdings International to our Company for nominal cash consideration of US$1,000.

Set out below is the shareholding structure of our Group after the incorporation of our Company and completion of the transfer of Huishan Holdings International to our Company in May 2011:



INVESTMENT BY THE EXCHANGEABLE BONDHOLDERS

For the purpose of providing further funding to expand the business of our Group, funds were raised indirectly by the issuance of the Exchangeable Bonds by Champ Harvest to the Exchangeable Bondholders. The Exchangeable Bondholders, as financial investors, invested in the Company by subscribing the Exchangeable Bonds as they believe that the PRC dairy industry has substantial growth potentials.

On June 13, 2011, Mr. Yang and Champ Harvest entered into an investment agreement with Well Ease, Alpha Spring Limited ("**Alpha Spring**"), An Yu Investments Limited ("**An Yu**") and Investec Bank plc ("**Investec**") pursuant to which Champ Harvest issued the Series A Exchangeable Bonds in the principal amount of US$170 million to Well Ease and the Series B Exchangeable Bonds in the aggregate principal amount of US$120 million to Alpha Spring, An Yu and Investec. The investment agreement and certain ancillary agreements were amended or supplemented on February 22, May 16 and May 29, 2013 to effect certain amendments on the exchange formula to determine the number of Shares that the Exchangeable Bonds could be exchanged into and other consequential amendments.

The consideration paid by the Exchangeable Bondholders was the principal amount of the Exchangeable Bonds and was determined based on arm's length negotiation and by reference to the net asset value, earning potentials and growth prospects of our Group at the time of the investment. On June 28, 2011, the Exchangeable Bondholders have settled the consideration in full, and on the same day, Champ Harvest has issued the Exchangeable Bonds to the Exchangeable Bondholders. On June 28, 2011, the entire share capital of Champ Harvest, the Company and certain of our subsidiaries were charged to the Exchangeable Bondholders to secure the obligations of Champ Harvest under the investment agreement.

According to the investment agreement, the proceeds from the issuance of the Exchangeable Bonds were required to be injected by Champ Harvest into our Group for development of the business of our Group in terms of the purchase of cattle, investment into construction projects for dairy farms, investment into construction projects for production facilities, and general working capital.

As at the Latest Practicable Date, the consideration received from the Exchangeable Bondholders have been fully utilized by our Group for such purposes.

Background of the Exchangeable Bondholders

Well Ease, a limited liability company incorporated in the British Virgin Islands, which is 80% owned by Chow Tai Fook Nominee Limited, a company incorporated in Hong Kong which is owned and controlled by Dato' Dr. Cheng Yu Tung, and 20% owned by Crown Castle Investment Holdings Limited which is held under trust for the benefit of Ms. Law Mei Ling Katherine, the daughter of Mr. Law Siu Wah Eddie. Well Ease is an independent third party of our Company but will become a substantial shareholder of our Company and hence a connected person of our Company upon the full exchange of the Series A Exchangeable Bonds immediately prior to Listing. Accordingly, all the Shares to be held by Well Ease will not be counted as part of the public float of our Company for the purpose of Rule 8.08 of the Listing Rules.

Alpha Spring, a limited liability company incorporated in the British Virgin Islands, which is wholly owned by Nantong Zongyi Investment Co., Ltd* (南通綜藝投資有限公司), a company established in the PRC and principally engaged in equity investment, new energy business and information technology business, which is controlled by Zan Shengda and is 52% owned by Zan Shengda, a total of 17.25% separately owned by five individuals who are relatives of Zan Shengda and a total of 30.75% separately owned by six other individuals. The ultimate shareholders of Alpha Spring are independent third parties to our Company.

An Yu, a limited liability company incorporated in the British Virgin Islands, which is (i) 65% owned by Eager Info Investments Limited, an investment holding company incorporated in the British Virgin Islands which is wholly owned by Zhao Xiaohong, and (ii) 35% owned by Spring Eminent Limited, an investment holding company incorporated in the British Virgin Islands which is wholly owned by Cheung Wing Hong Shannon. The ultimate shareholders of An Yu are independent third parties to our Company.

Investec, formerly known as Investec Bank (UK) Limited, a limited liability company incorporated in the United Kingdom, which is owned by Investec 1 Limited and Investec Holding Company (Nominees) Limited, and ultimately controlled by Investec plc, an international specialist bank and asset manager and the shares of which are listed on the London Stock Exchange. As far as our Company is aware, the ultimate shareholders of Investec are independent third parties to our Company. Investec Capital Asia Limited, the financial advisor to our Company relating to the Listing and Joint Bookrunner to the Global Offering, is a wholly-owned subsidiary of Investec. Investec Capital Asia Limited is a wholly-owned subsidiary of Investec, and the main role of Investec Capital Asia Limited as a financial advisor in the Listing has been to assist the management of the Company in its selection of sponsors, and where necessary, to assist and advise the Company in its discussions with the sponsors in matters relating to the Listing. Investec is also one of the Joint Bookrunners in connection with the Global Offering.

Each of Alpha Spring, An Yu and Investec is not a connected person of our Company and all the Shares to be held by them respectively upon the full exchange of the Series B Exchangeable Bonds held by them shall be counted as part of the public float of the Company for the purpose of Rule 8.08 of the Listing Rules.

Exchange of the Exchangeable Bonds

As at the Latest Practicable Date, none of the Exchangeable Bonds has been exchanged into Shares of our Company. According to the terms of the Exchangeable Bonds, the Exchangeable Bonds are subject to mandatory exchange upon the initial public offering the Shares. The table below sets out details of the shareholding in our Company to be held by each of the Exchangeable Bondholders upon the Exchangeable Bonds having been exchanged in full:

	Name of Exchangeable Bondholder	Principal Amount of the Exchangeable Bonds	Number of Shares to be exchanged upon full exchange of the Exchangeable Bonds(1)	Cost per Share paid by each Exchangeable Bondholder (HK$)(3)	Effective discount to the Offer Price(1)	Approximate percentage of shareholding in Company immediately upon Listing(2)	Approximate percentage of shareholding in Company after the full exercise of the Over-allotment Option(1)
1.	Well Ease	US$170 million Series A Exchangeable Bonds	1,807,377,049	0.73	70.61%	11.58%	9.91%
2.	Alpha Spring	US$40 million Series B Exchangeable Bonds	397,540,984	0.78	68.56%	2.76%	2.18%
3.	An Yu	US$40 million Series B Exchangeable Bonds	397,540,984	0.78	68.56%	2.55%	2.18%
4.	Investec	US$40 million Series B Exchangeable Bonds	397,540,984	0.78	68.56%	2.76%	2.18%

Notes:

(1) Assuming the Global Offering will be conducted at the mid-point of the Offer Price range.

(2) Assuming the Global Offering will be conducted at the mid-point of the Offer Price range and the Over-allotment Option is not exercised.

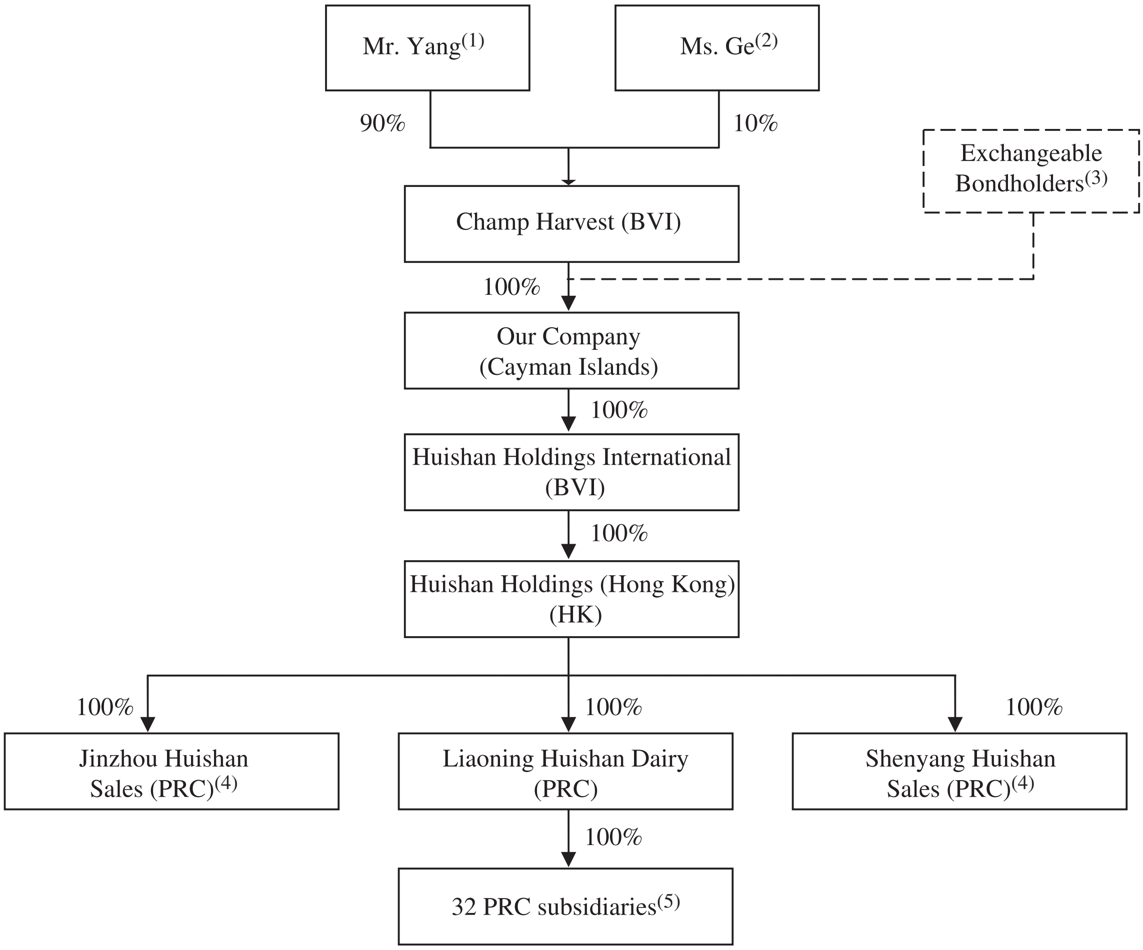
(3) Assuming conversion of US dollars into Hong Kong dollars is based on the exchange rate of US$1 to HK$7.75.

Please refer to Appendix III to this prospectus for further details of the Exchangeable Bonds, including the special rights attached to the Exchangeable Bonds. All the special rights enjoyed by the Exchangeable Bondholders will fall away immediately upon the Exchangeable Bonds having been exchanged in full.

The Joint Sponsors have determined that the terms of the Exchangeable Bonds are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on October 13, 2010.

At the same time as the issuance of the Exchangeable Bonds on June 28, 2011, Mr. Yang transferred 10% of the total issued share capital of Champ Harvest to Gain Excellence Limited, a company wholly-owned by Ms. Ge, for Ms. Ge to hold the economic interest in such shares in Champ Harvest on his behalf.

Set out below is the shareholding structure of our Group after the issuance of the Exchangeable Bonds by Champ Harvest to the Exchangeable Bondholders and immediately prior to the undertaking of the Reorganization:



Notes:

(1) Mr. Yang directly held 70% of the total issued share capital of Champ Harvest and indirectly held 20% of the total issued share capital of Champ Harvest through King Pavilion Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Yang.

(2) Ms. Ge indirectly held 10% of the total issued share capital of Champ Harvest through Gain Excellence Limited a company incorporated in the British Virgin Islands and is wholly-owned by Ms. Ge. On June 6, 2013, for the purpose of confirming that Mr. Yang and Ms. Ge have been acting in concert as shareholders of our Group since Ms. Ge became a shareholder of Champ Harvest on June 28, 2011, Mr. Yang and Ms. Ge entered into a concert party agreement which confirmed that Mr. Yang and Ms. Ge have voted or procured the directors appointed by each of them to vote (and will continue to vote and procure their appointed directors to vote) consistently with each other at the shareholder meetings and the board meetings of our Company and companies comprising our Group (as the case may be) in respect of all operating and financial matters, including but not limited to, project development, operation plan, budgeting, financial policies, investment and financing management and property management. This agreement also confirmed that Ms. Ge holds the economic interest in the shares that she holds in Champ Harvest on behalf of Mr. Yang.

(3) Pursuant to the terms of the Exchangeable Bonds, each of the Exchangeable Bondholders is entitled to exchange its respective Exchangeable Bonds into Shares held by Champ Harvest at any time during the period from the issue date to the maturity date (namely, June 28, 2014). However, the Exchangeable Bonds are subject to mandatory exchange upon the initial public offering of the Shares. Immediately following the Exchangeable Bonds having been exchanged in full and the completion of the Global Offering (assuming at the mid-point of the Offer Price range), Well Ease, Alpha Spring, An Yu and Investec will hold 11.58%, 2.76%, 2.55% and 2.76% of the total issued share capital of our Company respectively.

(4) We established Jinzhou Huishan Sales on June 20, 2011 and Shenyang Huishan Sales on June 2, 2011 to engage in food packaging and wholesale and distribution of dairy products.

(5) As part of the expansion of the business of our Group, Liaoning Huishan Dairy acquired the entire equity interest in Maoyuan Grass from an independent third party in consideration of RMB19.7 million on December 19, 2011. The consideration was determined with reference to net asset value. Maoyuan Grass is principally engaged in the operations of alfalfa plantations and such consideration has been fully settled. Accordingly, Liaoning Huishan Dairy directly held the entire equity interests of a total of 32 PRC subsidiaries.

REORGANIZATION IN PREPARATION FOR LISTING

In preparation for the Listing, our Group has undertaken the following Reorganization primarily to consolidate certain related businesses held by Mr. Yang and Ms. Ge with the business of our Group:

Sub-division of Shares of our Company and acquisition of Liaoning Xiushui in August 2012

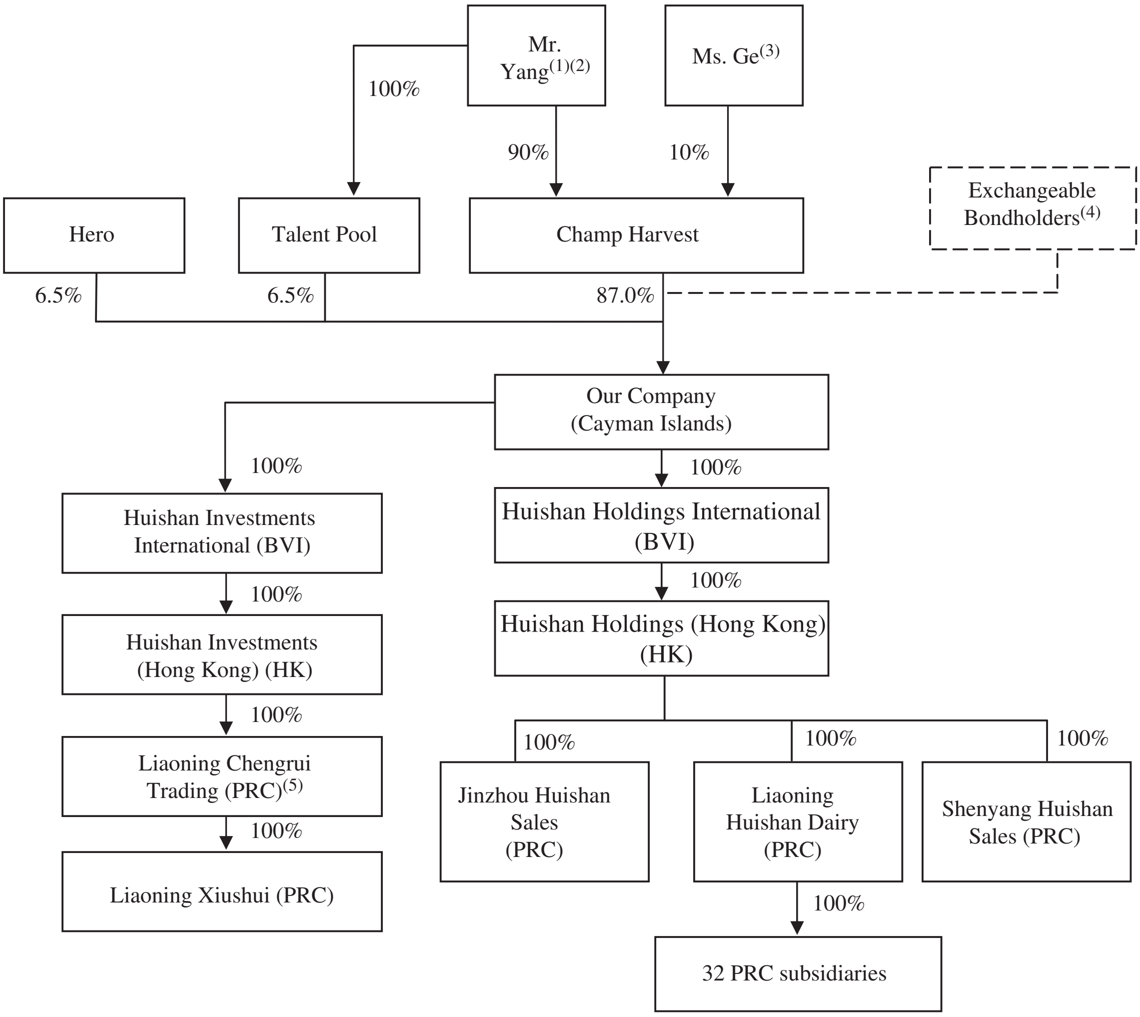
On August 30, 2012, one Share with par value of US$1 in the authorized share capital of our Company was subdivided into 1,000 Shares with par value of US$0.001 each. As a result of the subdivision of the Shares, our authorized share capital has been changed to US$50,000 consisting of 50,000,000 Shares, and the number of Shares held by Champ Harvest (being our sole Shareholder at that time) in our Company increased from 10,000 Shares to 10,000,000 Shares.

Immediately after the above subdivision of the Shares, we acquired the entire equity interest in Liaoning Xiushui from Mr. Yang and Hero through acquiring the entire issued share capital of Huishan Investments International, which was an investment holding company indirectly holding the entire equity interest in Liaoning Xiushui. In consideration of the acquisition of the effective interest in Liaoning Xiushui, our Company issued 747,126 Shares credited as fully paid to each of the direct shareholders of Huishan Investments International, namely Talent Pool (a company which is indirectly wholly-owned by Mr. Yang) and Hero, representing a total of approximately 13% of the total issued share capital of our Company at that time. Accordingly, Champ Harvest's shareholding in our Company was diluted from 100% to 87%. The consideration for the acquisition was determined with reference to the net asset value, earning potential and growth prospects of each of Huishan Investments International and our Group at that time.

Liaoning Xiushui is principally engaged in production and selling of milk powder products. Upon completion of the acquisition, our Company held the entire equity interest in Liaoning Xiushui indirectly through three wholly-owned investment holding companies.

On February 3, 2013, Talent Pool, as a borrower, entered into a loan agreement with Well Ease, as a lender. Talent Pool injected majority of the loan proceeds into our Group subsequently. On February 3, 2013, Mighty Global Limited charged the shares of Talent Pool held by it to Well Ease to secure Talent Pool's obligations under the loan agreement.

Set out below is the shareholding structure of our Group upon completion of the subdivision of the Shares and acquisition of Liaoning Xiushui:



Notes:

(1) Mr. Yang directly held 70% of the total issued share capital of Champ Harvest and indirectly held 20% of the total issued share capital of Champ Harvest through King Pavilion Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Yang.

(2) Mr. Yang indirectly held the entire issued share capital of Talent Pool through Mighty Global Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Yang.

(3) Ms. Ge indirectly held 10% of the total issued share capital of Champ Harvest through Gain Excellence Limited a company incorporated in the British Virgin Islands and wholly-owned by Ms. Ge.

(4) Pursuant to the terms of the Exchangeable Bonds, each of the Exchangeable Bondholders is entitled to exchange its respective Exchangeable Bonds into Shares held by Champ Harvest at any time during the period from the issue date to the maturity date (namely, June 28, 2014). However, the Exchangeable Bonds are subject to mandatory exchange upon the initial public offering of the Shares. Immediately following the Exchangeable Bonds having been exchanged in full and the completion of the Global Offering (assuming at the mid-point of the Offer Price range), Well Ease, Alpha Spring, An Yu and Investec will hold 11.58%, 2.76%, 2.55% and 2.76% of the total issued share capital of our Company respectively.

(5) When the 100% interest of Liaoning Chengrui Trading was acquired by Huishan Investments (Hong Kong) from Shenyang Dairy in 2010, as the acquisition was of a domestic enterprise by a foreign investor, it was subject to the Regulation on the Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"). As at the time of the acquisition, Liaoning Chengrui Trading was wholly-owned by Shenyang Dairy, and Shenyang Dairy was in turn a wholly foreign-owned enterprise established prior to the effective date of the M&A Rules, Liaoning Chengrui Trading was therefore already indirectly wholly-owned by a foreign shareholder. In such a case, the acquisition of Liaoning Chengrui Trading by Huishan Investments (Hong Kong) from Shenyang Dairy was not subject to Article 11 of the M&A Rules and did not require the approval of Ministry of Commerce (MOFCOM). The Foreign Trade and Economic Cooperation Bureau of Shenyang City (瀋陽市對外貿易經濟合作局), which is the authority having the relevant approval power at provincial level, was of the same view and approved such acquisition.

Acquisition of Liaoning Shiling Farming

On January 24, 2013, Huishan Holdings (Hong Kong) acquired the entire equity interest in Liaoning Shiling Farming from World King Investments Limited, which is a company directly wholly-owned by Mr. Yang, for a cash consideration of US$5,360,000. The consideration for the acquisition was determined with reference to the net asset value of Liaoning Shiling Farming at that time and such consideration has been fully settled. Liaoning Shiling Farming is principally engaged in dairy farming operations and it operates a dairy farm in Shenbei New District, Shenyang, the PRC.

Acquisition of Shenyang Fengle Life Agriculture Technology Co. Ltd* (瀋陽豐樂生態農業科技有限公司)

Shenyang Fengle Life Agriculture Technology Co. Ltd* (瀋陽豐樂生態農業科技有限公司) was a limited liability company established on January 15, 2013 under the laws of the PRC. On March 9, 2013, Liaoning Huishan Dairy acquired the entire equity interest in Shenyang Fengle Life Agriculture Technology Co. Ltd* (瀋陽豐樂生態農業科技有限公司) from Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司), which is a company indirectly wholly-owned by Ms. Ge (which interest is held on behalf of Mr. Yang), for cash consideration of RMB100,000. The consideration for the acquisition was determined with reference to the registered capital of Shenyang Fengle Life Agriculture Technology Co. Ltd at that time and such consideration has been fully settled. Shenyang Fengle Life Agriculture Technology Co. Ltd is principally engaged in farming technology development, farming and sales.

Acquisition of Shenyang Dacang Life Agriculture Technology Co. Ltd* (瀋陽大倉生態農業科技有限公司)

Shenyang Dacang Life Agriculture Technology Co. Ltd* (瀋陽大倉生態農業科技有限公司) was a limited liability company established on December 21, 2012 under the laws of the PRC. On March 13, 2013, Liaoning Huishan Dairy acquired the entire equity interest in Shenyang Dacang from Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司), which is a company indirectly wholly-owned by Ms. Ge (which interest is held on behalf of Mr. Yang), for a cash consideration of RMB500,000. The consideration for the acquisition was determined with reference to the registered capital of Shenyang Dacang Life Agriculture Technology Co. Ltd at that time and such consideration has been fully settled. Shenyang Dacang Life Agriculture Technology Co. Ltd is principally engaged in agricultural activities.

As advised by our PRC legal advisor, Jingtian & Gongcheng, our Group's restructuring and reorganization corporate actions concerning the transfers of equity interests in our PRC incorporated enterprises as described in this section have been properly and legally completed according to applicable PRC laws and regulations.

SAFE REGISTRATION IN THE PRC

The SAFE issued a public notice in October 2005, or the SAFE Circular No. 75, requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the SAFE Circular No. 75 as SPVs. Further, PRC residents are required to file amendments to their registrations with the local SAFE branch if their SPVs undergo a material event involving changes in capital, such as changes in share capital, mergers and acquisitions, share transfers or exchanges, spin-off transactions or long-term equity or debt investments.

On March 18, 2013, Mr. Yang and Ms. Ge updated their foreign exchange registration of overseas investments in respect of the Reorganization (other than Liaoning Xiushui becoming a wholly foreign-owned enterprise as the result of the winding-up of Liaoning Chengrui Trading) with the local SAFE branch as required under the Circular No. 75. On April 19, 2013, they updated their foreign exchange registration of overseas investments in respect of Liaoning Xiushui becoming a wholly foreign-owned enterprise as the result of the winding-up of Liaoning Chengrui Trading.

Our PRC legal advisor, Jingtian & Gongcheng, has advised that Mr. Yang and Ms. Ge, being the relevant beneficial shareholders of our Group and who are domestic residents of the PRC, have registered their foreign exchange registration of overseas investments with the local SAFE branch as required under the Circular 75.

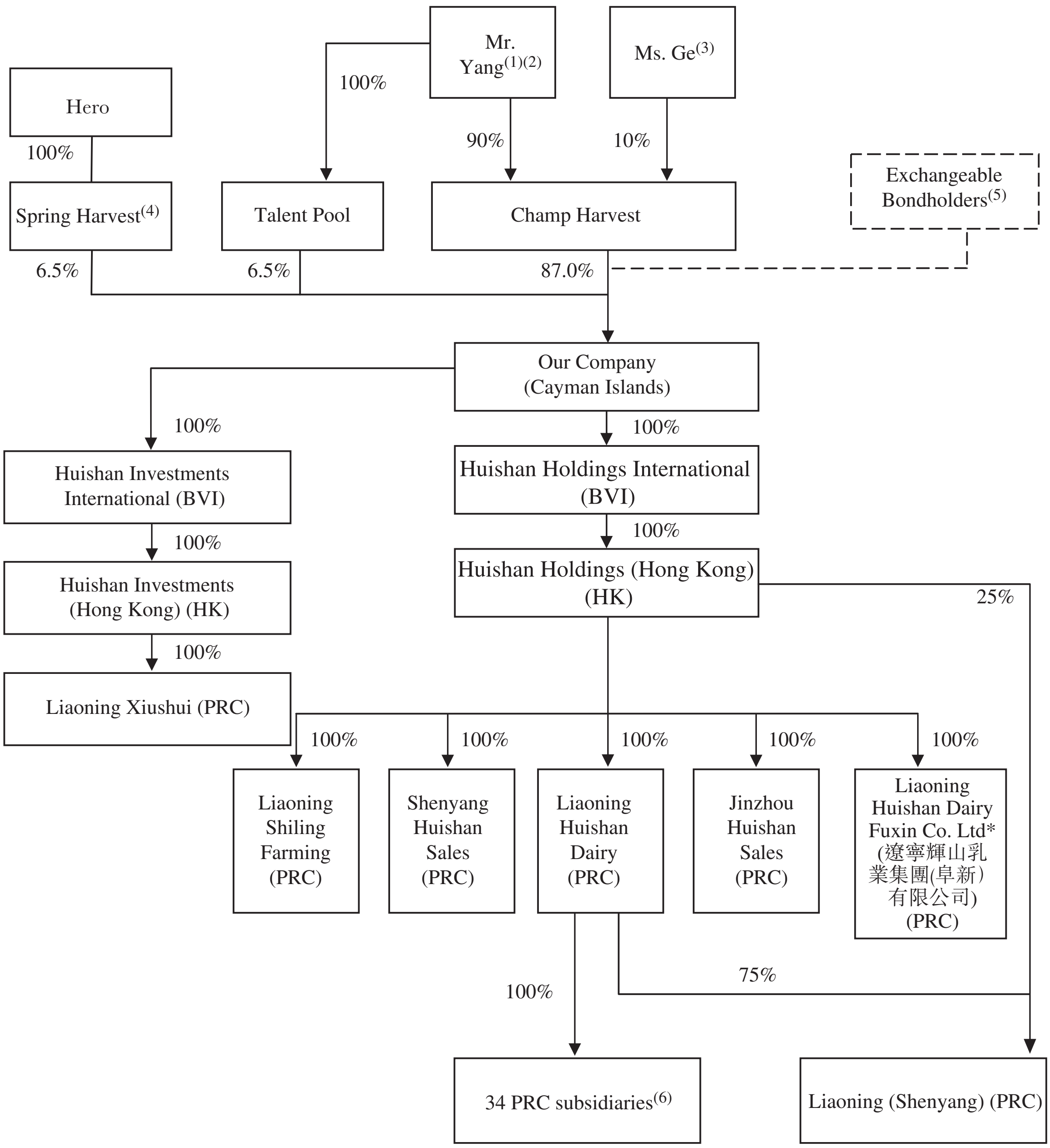
THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS IN THE PRC

On August 8, 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, promulgated the Regulation on the Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**") which became effective on September 8, 2006 and was revised on June 22, 2009. Pursuant to Article 11 of the M&A Rules, where a domestic individual person intends to take over 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 Ministry of Commerce of the PRC. As advised by the Company's PRC legal advisor, Jingtian & Gongcheng, except for the acquisition of Liaoning Chengrui Trading by Huishan Investments (Hong Kong) (details of which are set out in the section headed "Our History and Corporate Structure — Reorganization in Preparation for Listing"), the Group's restructuring and reorganization corporate actions were not subject to the M&A Rules. For example, Liaoning Huishan Dairy was a foreign funded enterprise established in November 2002, prior to the effective date of the M&A Rules, so its acquisition by Huishan Holdings (Hong Kong) and its registered capital increase in 2011 shall be subject to Provisions on the Alteration of Investors' Equities in Foreign-funded Enterprises (外商投資企業投資者股權變更的若干規定); its relevant domestic investments such as its establishment of Jinzhou Guhai Life Agriculture Technology Co. Ltd (錦州谷海生態農業科技有限公司) and its acquisition of Shenyang Fengle Life Agriculture Technology Co. Ltd (瀋陽豐樂生態農業科技有限公司) shall be subject to the Interim Provisions on the Domestic investment by Foreign Invested Enterprises (關於外商投資企業境內投資的暫行規定).

Our PRC legal advisor, Jingtian & Gongcheng, has also confirmed that 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 that we are not required to obtain approval from the CSRC, MOFCOM or other relevant PRC authorities for the Listing.

OUR CORPORATE STRUCTURE AFTER THE REORGANIZATION AND BEFORE THE GLOBAL OFFERING

As a result of the Reorganization and up to the Latest Practicable Date but before completion of the Global Offering, the shareholding structure of our Group is as follows (assuming that none of the Exchangeable Bonds are exchanged into our Shares):



Notes:

(1) Mr. Yang directly holds 70% of the total issued share capital of Champ Harvest and indirectly holds 20% of the total issued share capital of Champ Harvest through King Pavilion Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Yang.

(2) Mr. Yang indirectly holds the entire issued share capital of Talent Pool through Mighty Global Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Yang.

(3) Ms. Ge indirectly holds 10% of the total issued share capital of Champ Harvest through Gain Excellence Limited a company incorporated in the British Virgin Islands and wholly-owned by Ms. Ge.

(4) Hero indirectly holds 6.5% of the total issued share capital of our Company through its wholly-owned subsidiary, Spring Harvest Limited.

(5) Pursuant to the terms of the Exchangeable Bonds, each of the Exchangeable Bondholders is entitled to exchange its respective Exchangeable Bonds into Shares held by Champ Harvest at any time during the period from the issue date to the maturity date (namely, June 28, 2014). However, the Exchangeable Bonds are subject to mandatory exchange upon the initial public offering of the Shares. Immediately following the Exchangeable Bonds having been exchanged in full and the completion of the Global Offering (assuming at the mid-point of the Offer Price range), Well Ease, Alpha Spring, An Yu and Investec will hold 11.58%, 2.76%, 2.55% and 2.76% of the total issued share capital of our Company respectively.

(6) Apart from the acquisitions referred to under the paragraph "REORGANIZATION IN PREPARATION FOR LISTING" of this section, our Group has undergone the following corporate actions as part of the organic growth of its business during the Track Record Period and before the Global Offering. As a result, Huishan Holdings (Hong Kong) directly holds six subsidiaries which are foreign-invested enterprises and Liaoning Huishan Dairy directly holds the entire equity interests in 34 PRC subsidiaries, among which 24 are principally engaged in dairy farming operations, two are principally engaged in dairy products processing operations, one is principally engaged in feedstuffs processing operations, five are principally engaged in alfalfa plantation operations, one is principally engaged in farming related technology development, and one is principally engaged in the sales of feedstuffs and foodstuffs.

(i) Establishment of Liaoning Huishan Dairy Group (Shenyang) Co., Ltd.* (遼寧輝山乳業集團 (瀋陽) 有限公司)

Liaoning Huishan Dairy Group (Shenyang) Co., Ltd. was established in the PRC with limited liability on November 14, 2012 with a registered capital of USD20,000,000. It is owned as to 75% by Liaoning Huishan Dairy and as to 25% by Huishan Holdings (Hong Kong). Liaoning Huishan Dairy Group (Shenyang) Co., Ltd. is principally engaged in dairy products research and development.

(ii) Establishment of Liaoning Huishan Dairy Fuxin Co. Ltd* (遼寧輝山乳業集團 (阜新) 有限公司)

On March 6, 2013, Huishan Holdings (Hong Kong) established Liaoning Huishan Dairy Fuxin Co., Ltd, a limited liability company established under the laws of the PRC with a registered capital of RMB6,300,000. It is principally engaged in dairy products research and development.

(iii) Establishment of Jinzhou Guhai Life Agriculture Technology Co. Ltd* (錦州谷海生態農業科技有限公司)

On April 18, 2013, Liaoning Huishan Dairy established Jinzhou Guhai Life Agriculture Technology Co., Ltd, a limited liability company under the laws of the PRC with a registered capital of RMB1,000,000. It is principally engaged in farming technology development, farming and sales.

(iv) Establishment of Liaoning Huishan Life Technology Research Co. Ltd* (遼寧輝山生物科技研究有限公司)

On March 21, 2013, Liaoning Huishan Dairy established Liaoning Huishan Life Technology Research Co., Ltd, a limited liability company under the laws of the PRC with a registered capital of RMB5,000,000. It is principally engaged in technology research and development on cattle reproduction, dairy product processing and feedstuffs production.

(v) Establishment of Jinzhou Quality Agricultural and Dairy Feedstuffs Co. Ltd* (錦州優品農牧飼料有限公司)

On July 4, 2013, Jinzhou Quality Agricultural and Dairy Feedstuffs Co. Ltd was established under the laws of the PRC with a registered capital of RMB300,000. It is principally engaged in the sales of feedstuffs and foodstuffs.

(vi) Establishment of Tieling Shenghui Ecological Agricultural Technology Co. Ltd* (鐵嶺盛匯生態農業科技有限公司)

On August 29, 2013, Tieling Shenghui Ecological Agricultural Technology Co. Ltd was established under the laws of the PRC with a registered capital of RMB100,000. It is principally engaged in the farming of forage grass and alfalfa, the production and sales of silage, the leasing of agricultural machinery and the farming and sales of crop seeds.

(vii) Establishment of Liaoning Huishan Dairy Group Jinxing Farming Co. Ltd* (遼寧輝山乳業集團金星牧業有限公司)

On August 29, 2013, Liaoning Huishan Dairy Group Jinxing Farming Co. Ltd was established under the laws of the PRC with a registered capital of RMB500,000. It is principally engaged in cattle farming, the trading of agricultural products and the farming and processing of forage grass.

(viii) Establishment of Liaoning Huishan Dairy Group Fengyuan Farming Co. Ltd* (遼寧輝山乳業集團豐源牧業有限公司)

On August 29, 2013, Liaoning Huishan Dairy Group Fengyuan Farming Co. Ltd was established under the laws of the PRC with a registered capital of RMB500,000. It is principally engaged in cattle farming, the trading of agricultural products and the farming and processing of forage grass.

(ix) Deregistration of certain PRC subsidiaries

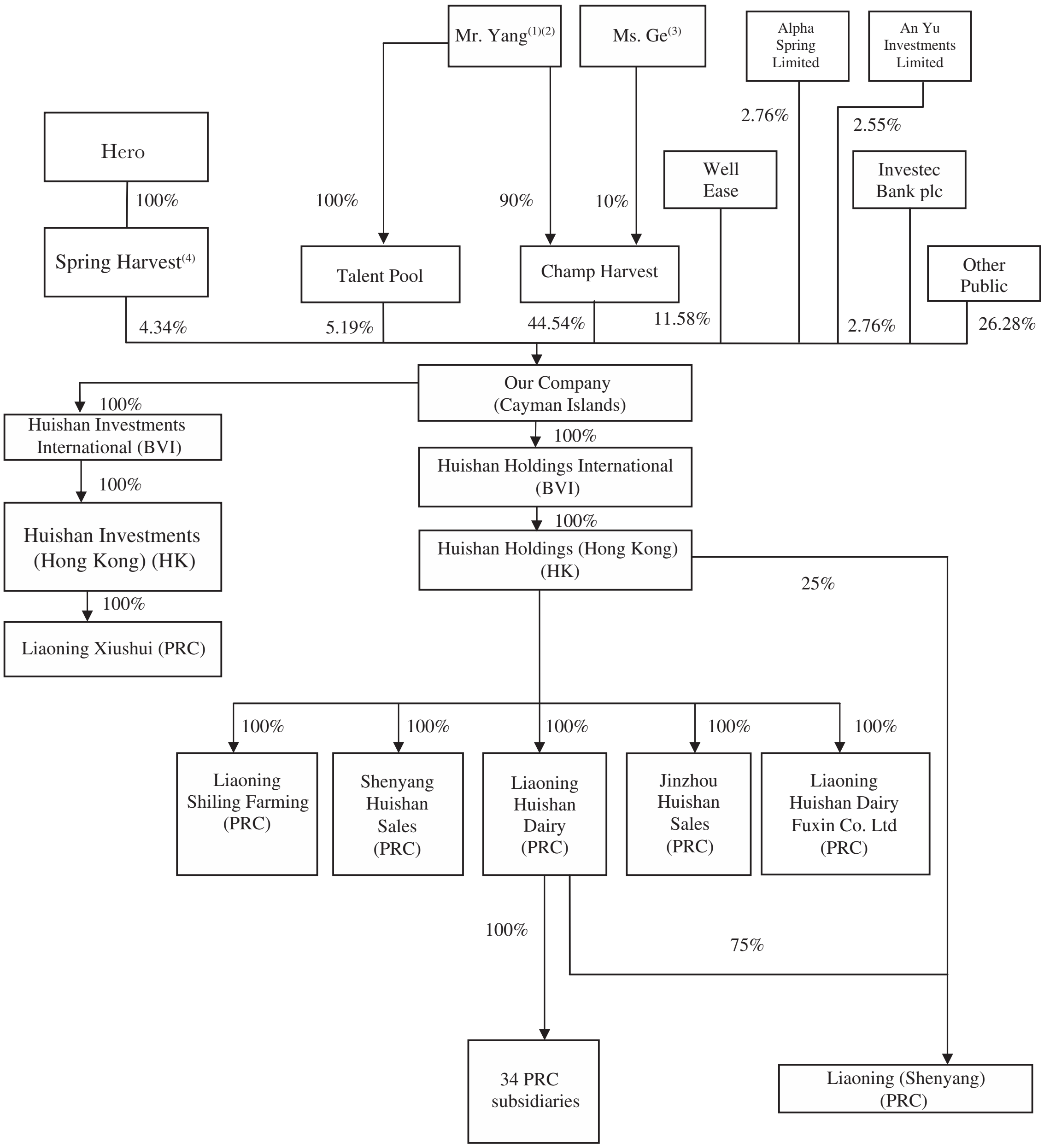
Liaoning Huishan Holdings (Group) Zhangwu Dairy Co. Ltd* (遼寧輝山控股 (集團) 彰武乳業公司) was deregistered on July 9, 2013, and Liaoning Huishan Holdings (Group) Youxian Dairy Farming Co. Ltd* (遼寧輝山控股 (集團) 優鮮牧業公司), Liaoning Huishan Holdings (Group) Mantonghong Dairy Farming Co. Ltd* (遼寧輝山控股 (集團) 滿堂紅牧業公司), Liaoning Huishan Holdings (Group) Liangjiazi Dairy Farming Co. Ltd* (遼寧輝山控股 (集團) 兩家子牧業公司), Liaoning Huishan Holdings (Group) Leyuan Dairy Farming Co. Ltd* (遼寧輝山控股 (集團) 樂源牧業) and Liaoning Huishan Holdings (Group) Daleng Dairy Farming Co. Ltd* (遼寧輝山控股 (集團) 大冷牧業公司), were deregistered on July 11, 2013, for the reason that these PRC subsidiaries did not carry on any substantive operations. There was no material resultant gain/loss to our Group or material outstanding liabilities or obligations to be borne by the Group upon such deregistration.

(x) Voluntary winding-up of Liaoning Chengrui Trading

For the purpose of simplifying the holding structure of Liaoning Xiushui within our Group, we have commenced voluntary winding-up proceeding to liquidate Liaoning Chengrui Trading and the winding-up proceeding was completed on April 3, 2013. As a result, Liaoning Xiushui became a wholly foreign-owned enterprise directly held by Huishan Investments (Hong Kong), which is in turn wholly-owned by our Company. There was no material resultant gain/loss to the Group or material outstanding liabilities or obligations to be borne by the Group upon the winding-up.

OUR CORPORATE STRUCTURE AFTER THE GLOBAL OFFERING

Immediately upon completion of the Global Offering (assuming at the mid-point of the Offer Price range), the shareholding structure of our Group will be as follows:



Notes:

(1) Mr. Yang directly holds 70% of the total issued share capital of Champ Harvest and indirectly holds 20% of the total issued share capital of Champ Harvest through King Pavilion Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Yang.

(2) Mr. Yang indirectly holds the entire issued share capital of Talent Pool through Mighty Global Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Yang.

(3) Ms. Ge indirectly holds 10% of the total issued share capital of Champ Harvest through Gain Excellence Limited, a company incorporated in the British Virgin Islands and wholly-owned by Ms. Ge.

(4) Immediately following the completion of the Global Offering (assuming at the mid-point of the Offer Price range), Hero indirectly holds 4.34% of the total issued share capital of our Company through its wholly-owned subsidiary, Spring Harvest Limited.

LOCK-UP UNDERTAKINGS

Each of Spring Harvest Limited, Well Ease, Alpha Spring, An Yu and Investec has agreed that it will not, at any time during the period of six months following the Listing Date, dispose of any of its Shares (save for the Shares to be disposed of by it as a Selling Shareholder and/or an Option Grantor as contemplated in this prospectus).

OVERVIEW

We are a leading and the most vertically integrated dairy company in China, and we currently own the largest upstream resources and the second largest herd of dairy cows in the country, each according to Frost & Sullivan. We pioneered and operate a unique fully integrated business model with the aim to establish the most trusted national dairy brand with a leading scale that inspires consumers' confidence in product safety and quality. Our unique business model covers the entire dairy industry value chain, which includes growing and processing of alfalfa and supplementary feeds, processing of concentrated feeds, dairy farming, and manufacturing and sales of dairy products. We believe this "grass to glass" business model represents the best solution to address the lack of accountability in China's dairy industry arising from the competing economic interests among participants across critical segments of the value chain. Currently, we are the only company in China capable of satisfying 100% of raw milk requirements for the production of liquid milk and milk powder products with raw milk produced by our own farms. Meanwhile, our brands and products have never been associated with any food safety incidents as of the Latest Practicable Date.

Product safety and quality are our core values. We safeguard these values through our business model that enables us to exert complete control over the entire value chain and offer products with full traceability. As of the Latest Practicable Date, our brands have never been associated with any food safety incidents. We believe that our impeccable safety records have forged a trusted brand that signifies safety and quality, which has allowed us to establish a top regional presence in Northeastern China with strong consumer recognition. According to Frost & Sullivan, we had the largest market share in the liquid milk products market and are one of the most reputable dairy brands in Northeastern China in 2012. In addition, according to Frost & Sullivan, liquid milk products under our Huishan brand ranked first in terms of consumer satisfaction in Northeastern China in 2012.

We distinguish ourselves from our competitors by the large scale and strategic location of our feeds resources under highly efficient operations. We operated the largest commercial fields of alfalfa in China covering 120,000 mu of land with fixed rents (approximately the size of the Hong Kong Island or the Borough of Manhattan) in Liaoning Province as of the end of 2012. Between March and May 2013, we entered into new leases with fixed rents that cover over 118,000 mu of land in Liaoning Province to support our future growth.

Our herd of dairy cows comprises over 106,000 Holsteins and over 6,200 Jerseys as of March 31, 2013. According to Frost & Sullivan, we owned the second largest herd of Holsteins and the largest herds of Jerseys in China as of the end of 2012. Our dairy cows are housed in 50 standardized dairy farms in Liaoning Province. Due primarily to our highly efficient dairy farm management system and favorable geographic and climatic conditions, we were able to achieve an industry leading average milk yield per milkable cow of approximately 9.1 tonnes per annum for the year ended March 31, 2013, as compared with the industry average of 5.8 tonnes per annum in 2012. In addition, we produce premium raw milk with industry-leading quality that enabled us to sell our raw milk to other leading dairy companies in China at approximately RMB4,500 per tonne during the Track Record Period, which is one of the highest prices in the industry according to Frost & Sullivan.

Our ability to produce premium raw milk combined with our production expertise has enabled us to expand downstream by offering a diverse range of high-quality branded liquid milk products and milk powder products tailored to different consumers' preferences to maximize our profits. As of March 31, 2013, we had 65 offerings of dairy products under 12 brands, including high-end dairy products such as "Dr. Fresh" fresh milk, "Colostrum 24K" premium yogurt and UHT milk and milk powder made from Jersey cow milk, as well as various types of mid-end and mass-market products. We sell our products to end consumers through various third party distributors and multiple retail channels, including modern channels and specialty channels.

We have experienced rapid growth during the Track Record Period, primarily attributable to the strong demand for our premium dairy products together with our continuous expansion. Our turnover grew from RMB374.0 million for the year ended March 31, 2011 to RMB2,552.4 million for the year ended March 31, 2013, representing a CAGR of 161.2%, while our profit for the year before biological fair value adjustments grew from RMB32.7 million for the year ended March 31, 2011 to RMB1,013.9 million for the year ended March 31, 2013, representing a CAGR of 457.1%. Leveraging our unique business model and strong management capability, we believe we enjoy industry leading profitability across all our key operating segments. Gross margin of our dairy farming business (after elimination of internal supplies of raw milk) amounted to 42.7%, 48.5% and 58.7%, for the years ended March 31, 2011, 2012 and 2013, respectively, while gross margin of our liquid milk business (after elimination of internal uses of raw milk) amounted to 6.1%, 38.4% and 54.0% for the years ended March 31, 2011, 2012 and 2013, respectively. With the ability to offer a wide range of safe and high-quality dairy products, we believe we are well positioned to replicate our success in Northeastern China in the fast-growing premium dairy products market throughout the country. According to Frost & Sullivan, China's dairy industry is expected to continue to experience robust growth, driven by strong economic growth, rising health awareness and increasing demand for high-end products.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths differentiate us from our competitors and have contributed to our success:

Industry leader pioneering a unique fully integrated business model to ensure product safety and quality

We are a leading and the most vertically integrated dairy company in China, and we currently own the largest upstream resources and the second largest herd of dairy cows in the country, each according to Frost & Sullivan. We pioneered and operate a unique fully integrated business model that was envisioned more than a decade ago by our Chairman, Mr. Yang, who believes that such a business model represents the best solution to address the lack of accountability in China's dairy industry arising from competing economic interests among participants across critical segments of the value chain. Our "grass to glass" business model covers the entire dairy industry value chain, which includes the following elements:

- *Large-scale feeds plantation fields and processing capability.* As of March 31, 2013, our alfalfa fields covered an aggregate 120,000 mu of land, which constituted the largest commercial alfalfa operation in China, and our concentrated feeds processing facilities had an aggregate annual capacity of 300,000 tonnes. For the year ended March 31, 2013, we harvested 113,440 tonnes of alfalfa, and we were the largest producer of alfalfa in China in 2012 in terms of production volume, according to Frost & Sullivan. Currently, we are able to satisfy substantially all of our internal alfalfa and concentrated feeds demand through our own alfalfa operation and concentrated feeds processing facilities.

- *Large herd of dairy cows.* As of March 31, 2013, we owned over 106,000 Holsteins and over 6,200 Jerseys. According to Frost & Sullivan, we owned the second largest herd of Holsteins and the largest herd of Jerseys in China as of end of 2012. For the year ended March 31, 2013, our raw milk output amounted to 365,066 tonnes, which was able to satisfy substantially all of our internal demand from the production of liquid milk and milk powder products.

- *Production expertise for dairy products.* Our production capabilities comprise our advanced production facilities and technological know-how. As of March 31, 2013, we had an annual production capacity of 90,000 tonnes of liquid milk products and 26,000 tonnes of milk powder products. We strive to enhance and improve the technical standards and efficiency of each segment of our integrated operation. One example is our recent introduction of D90 whey powder production line with an annual production capacity of 12,000 tonnes. We are the only company in China that has received the official approval for production and sale of D90 whey powder, and sells D90 whey powder as a product, according to Frost & Sullivan. We commenced commercial production of D90 whey powder in January 2013.

- *Diverse product offering.* Leveraging on the premium quality of our raw milk, we are able to offer a diverse range of branded high-quality liquid milk products and milk powder products to expand downstream market and maximize our profits. As of March 31, 2013, we had 65 dairy product offerings under 12 brands.

Our unique fully integrated business model allows us to exert complete control over the entire dairy industry value chain, which differentiates us from our competitors in China and ensures product safety and quality, as well as enables us to achieve industry leading profitability through an optimal cost structure.

Trusted brand with impeccable product safety records and premium product quality

Product safety and quality are our core values. Through our vertically integrated operations, we are able to overcome the issues arising from the competing economic interests among participants across critical segments of the value chain, which, according to Frost & Sullivan, is the principal cause of food safety issues in China's dairy industry. As of the Latest Practicable Date, our brands and products have never been associated with any food safety incidents. We believe our impeccable safety records have forged a trusted brand that signifies safety and quality. We are one of the most reputable dairy companies in our primary market in Northeastern China according to Frost & Sullivan.

We believe our fully integrated operations, coupled with our stringent quality controls and production safety measures, ensures consistent and high nutrition value of our dairy products. The principal factor affecting the nutrition value of raw milk is the quality and nutrition value of feeds for dairy cows, and the alfalfa we grow has higher nutritional value, particularly protein content. According to Frost & Sullivan, the alfalfa we produce is typically of the highest grade according to the quality standard in China. We also ensilage a portion of our harvested alfalfa with special treatment and preservation techniques to retain nutrients. Furthermore, we actively seek to improve our feed mix and formula to bolster the quality of our raw milk. As a result, we are able to produce premium raw milk with industry-leading quality that enabled us to sell our raw milk at a premium price of approximately RMB4,500 per tonne during the Track Record Period, which was substantially higher than the industry average of approximately RMB3,300 per tonne as of the end of 2012 according to Frost & Sullivan. In particular, we believe that the high protein and fat content, as well as the superior quality indicators, such as the bacteria and somatic counts, have all contributed to the high average selling prices we were able to realize. Meanwhile, as we are the only dairy company that operates large-scale dairy farms in the geographical area where our operations are located, none of the nearby smaller dairy farms are able to produce raw milk with such quality and quantity that are able to meet the continuous demand for high quality raw milk from our customers. Set forth below are comparisons of certain key quality indicators between our premium raw milk, raw milk produced by an industry peer and certain national or industry standards:

	Protein Content	Fat Content	Bacterial Limits	Somatic Cell Count
	(%)		(CFU/ml)	
Our products[1]	≥3.2	≥4.1	<50,000	<200,000[4]
Modern Dairy[2]	≥3.1	≥3.7	<50,000	<250,000
PRC national standard	≥2.8	≥3.1	<2,000,000	N/A[5]
EU standard[3]	N/A	N/A	<100,000	<400,000
United States standard	≥3.2	≥3.5	<100,000	<750,000

Notes:

(1) Based on our production record for the year ended December 31, 2012.

(2) Based on data for the year ended December 31, 2012 as reported by Frost & Sullivan.

(3) Refers to 92/46/EEC Standard adopted by 15 EU member states.

(4) Verified by SGS.

(5) The PRC Government has not established any standard for the highest acceptable level of somatic cells.

Largest and strategically located upstream feeds resources and operations in China to support future expansion

We distinguish ourselves from our competitors by the large scale and strategic location of our feeds resources and highly efficient upstream operations. We operate the largest commercial fields of alfalfa in China covering 120,000 mu of land (approximately the size of the Hong Kong Island or the Borough of Manhattan) in Liaoning Province under leases with fixed rents expiring in 2028. Liaoning Province sits in the Golden Corn Belt, and its climate condition is ideal for growing many types of feeds, such as alfalfa and corn. For the year ended March 31, 2013, we harvested 113,440 tonnes of alfalfa, which was used to satisfy substantially all of our internal demand. According to Frost & Sullivan, we were the largest producer of alfalfa in China in 2012 in terms of production volume.

Between March and May 2013, we entered into new leases with fixed rents primarily expiring in 2027 that cover over 118,000 mu of land in Liaoning Province to grow alfalfa and other feed crops. We are confident that if our future expansion plan requires more land, we will be able to continue to secure additional land to meet such expansion as our business model is in line with government policies that encourage the consolidation of dairy farming companies and upstream feeds planting companies, as well as the industrialization of agricultural activities. In addition, we operate two concentrated feeds processing plants in Liaoning Province with an aggregate annual production capacity of approximately 300,000 tonnes, which can satisfy substantially all of our internal demand. With our abundant land resources and concentrated feeds production facilities, we target to achieve and maintain a high self-sufficiency rate of our feeds for dairy cows.

The close proximity between our plantation fields and our dairy farms enables us to enjoy low transportation and handling costs for alfalfa and supplementary feeds, as well as to retain the protein content of alfalfa. We are also able to take advantage of the flat terrains of our plantation fields to maximize the output of our advanced equipment and production process. Our large and efficient upstream operations not only fortify our ability to ensure the quality of feeds we use, but also substantially reduce our operational costs. For example, our cost of growing alfalfa amounts to approximately US$70 per tonne, as compared with an industry average price of US$400 per tonne for imported alfalfa, as reported by Frost & Sullivan. We believe it is difficult for our competitors to replicate our large-scale upstream operations because none of them has as much quality land supply and strategically located plantation fields as we do.

One of the largest herds of dairy cows in China under highly efficient management

Our herd of dairy cows comprises over 106,000 Holsteins and over 6,200 Jerseys as of March 31, 2013. According to Frost & Sullivan, we owned the second largest herd of Holsteins and the largest herd of Jerseys in China as of end of 2012. Our dairy cows are currently housed in 50 standardized dairy farms in Liaoning Province. As a result of our highly-efficient dairy farm management systems and favorable geographic and climatic conditions, we were able to achieve an industry leading average milk yield per milkable cow of approximately 9.1 tonnes per annum for the year ended March 31, 2013, as compared with the industry average of 5.8 tonnes per annum in 2012. See “Financial Information—Factors Affecting Our Financial Condition and Results of Operations—Milk yield” for detailed analysis on the factors leading to our industry-leading average milk yield per milkable cow.

All of our 50 dairy farms are built on land of similar size and can house approximately 3,000 milkable cows per farm. The design and layout of, capacity of equipment and facilities used in, and operational procedures for each of our dairy farms are standardized and easy to replicate. These standardized design and procedures enable us to devise unified staffing, supplying and feeding plans and to operate our farms under the same strictly enforced protocols. Accordingly, we are able to apply the same applicable benchmarks to evaluate the performance of each of our dairy farms. Such standardized processes also facilitate us in replicating the successful experiences amongst our dairy farms through the sharing of management techniques and operational best-practices to improve our operational efficiency. We also employ a proprietary ERP system we developed to keep complete herd records, including family history, pedigree, reproductive history, vaccination history and health records. We believe the reasonable size of our farms also enhances management efficiency by promoting economies of scale without over-burdening the surrounding environment. For example, the relatively economical size of our dairy farms enables us to efficiently handle biowaste and gaseous waste at lower costs as well as causing lower impact to surrounding environments. In addition, the scale our dairy farms entail less burden and risks with regard to disease control as compared with super large-scale dairy farms.

Top regional brand with diversified range of products and strong multi-channel coverage

We have established a top regional brand in Northeastern China with strong consumer recognition. According to Frost & Sullivan, we had the largest market share in terms of retail value in the liquid milk products market in Northeastern China of approximately 13.7% in 2012. Meanwhile, according to Frost & Sullivan, Huishan is the top liquid milk brand in terms of consumer satisfaction in Northeastern China. We believe our leading market position in Northeastern China stems from the consumer trust built over time on the Huishan brand that has existed since the early 1990's. Our impeccable safety records and our dedication to further strengthen and promote our fully integrated business model further enhances our leading market position. We offer a diverse range of high quality dairy products using our premium raw milk, tailored to address different consumer preferences. As of March 31, 2013, we had 65 dairy product offerings under 12 brands, including high-end dairy products and various types of mid-end and mass-market products. We have also established a strong retail distribution network comprising diverse sales channels including third-party distributors, modern channels such as supermarkets and department stores, and specialty channels, such as fresh milk home delivery and e-commerce platforms, to cover our targeted markets and customers. Currently, our retail distribution network primarily covers Liaoning Province, Jilin Province and selected major cities in Heilongjiang Province, as well as Shandong Province and Beijing. As of March 31, 2013, we had 394 third party distributors and place our products through 404 retail chains under our modern channels and specialty channels.

With our ability to offer a wide range of safe and high-quality dairy products, we believe we are well positioned to replicate our success in the fast-growing premium dairy products market throughout the country. Our ability to control high quality raw milk supply enables us to continue to introduce new high quality dairy products to address changing market demand. In addition, we have recently explored a new line of products through co-operation with FrieslandCampina Kievit B.V., or FrieslandCampina, a Netherlands based international dairy company specializing in the production and sales of various types of dairy products and dairy ingredients, for the production of non-dairy creamers. We believe the successful experience with FrieslandCampina demonstrates the quality of our products and our production capability.

According to Frost & Sullivan, demand for high quality liquid milk products is expected to increase substantially in China. In particular, we believe our products, with impeccable safety records, will bolster confidence of new consumers across China who view dairy products safety as a paramount factor for their purchase decisions. According to Frost & Sullivan, approximately 86% of surveyed interviewees expressed their preference to purchase liquid milk and milk powder products that are produced by domestic manufacturers with self-owned raw milk supply and high product safety and quality standards.

Optimal and sustainable cost structure

Our unique business model, large scale operations and efficient management systems optimize our cost structure in the following aspects:

- *Feed costs*. Typically, feeds for dairy cows account for the substantial majority of costs for dairy farming. By growing and processing alfalfa and concentrated feeds for our internal consumption, we are able to control such costs. For example, under our large scale and efficient upstream operations, our cost of growing alfalfa amounts to approximately US$70 per tonne, as compared with an industry average price of US$400 per tonne for imported alfalfa as reported by Frost & Sullivan.

- *Operating costs*. Our large scale production facilities, standardized dairy farms and highly efficient operations all help reduce our operating costs. The size of our dairy farms also enables us to enjoy economies of scale without incurring excessive costs for biowaste management and disease control.

- *Raw milk and other raw materials costs*. Typically, costs to purchase raw milk account for a substantial portion of production costs for liquid milk products and milk powder products. Our costs for producing raw milk internally are substantially lower than procuring raw milk of comparable quality from external suppliers. Under our vertically integrated business model, we continued to increase the use of internally-sourced raw milk to produce liquid milk products throughout the Track Record Period. We have also discontinued the purchase of raw milk from external suppliers since May 1, 2013 and started to use exclusively our internal supplies of raw milk to produce our liquid milk products. We also rely solely on our internal supplies of raw milk to satisfy requirements from the production of our milk powder products. In addition, by producing D90 whey powder in-house, we are able to reduce the raw material costs for our infant milk formula powder products.

- *Internal transportation and handling costs*. In general, high costs are incurred for long distance transportation and handling of alfalfa and raw milk to prevent a substantive loss of any nutrition value or spoilage. The close proximity of our plantation fields, dairy farms and various processing facilities enables us to enjoy low transportation and handling costs.

- *Land costs*. As our business model is in line with the government policies that encourage the consolidation of dairy farming companies and upstream feeds planting companies as well as the industrialization of agricultural activities, we have been able to secure long-term leases with an average term of 15 years to be used as plantation fields at fixed rents. In accordance with the lease terms, the annual rent payments are not subject to increases before the leases expire between 2027 and 2028.

As a result of the foregoing factors, we enjoy industry leading profitability across all our operating segments. Gross margin of our dairy farming business (after elimination of internal supplies of raw milk) amounted to 42.7%, 48.5% and 58.7%, for the years ended March 31, 2011, 2012 and 2013, respectively, while gross margin of our liquid milk business (after elimination of internal uses of raw milk) amounted to 6.1%, 38.4% and 54.0% for the years ended March 31, 2011, 2012 and 2013, respectively.

Experienced and committed management team with proven track record supported by high-quality financial and strategic investors

Our experienced management team comprises industry leaders and experts and has spearheaded our rapid development into a leading dairy company in China. Our management team possesses long-term strategic vision. For example, our Chairman, Mr. Yang has over 20 years of experience as an entrepreneur in the food industry and is one of the pioneers in the dairy industry in China, having envisioned our unique business model more than a decade ago. The majority of our senior management team have over 15 years of experience in their respective industries. In addition, the vast majority of our senior management have been working together in the dairy industry as a team for more than a decade, which evidences their dedication and commitment in forging a trusted consumer brand. Furthermore, members of our management team possess diverse experiences and expertise that complement each other. Ms. Ge Kun, our executive director, has been dedicated in assisting Mr. Yang in building our business and operations for more than a decade. Mr. Xu Guangyi, our senior vice president in charge of dairy farming operations, has been instrumental in developing our upstream operations. Mr. So Wing Hoi, our chief financial officer, was a senior partner of KPMG. Mr. Kwok Hok Yin, our vice president, is one of the pioneers for dairy ingredients business in China, and was a senior manager of Fonterra in China before joining us. In addition, our financial investors led by Well Ease (a company which is 80% owned by Chow Tai Fook Nominee Limited) have provided us with access to an international network and resources that have supported the growth of our business in various aspects. We have also benefited from the experience of and guidance provided by our strategic investor Hero, a leading international consumer foods group based in Switzerland specializing in infant nutrition products and fruit-based products, with respect to management experience, production technology and stringent quality control practices in the milk powder business.

OUR STRATEGIES

Our goal is to establish the most trusted national dairy brand with a leading scale that inspires consumers' confidence in product safety and quality. To achieve this goal, we plan to implement the following strategies:

Enhance our distribution network and penetrate additional geographical end-markets beyond Northeastern China and expand our industrial customer base

To further promote our products and replicate our success in Northeastern China, we intend to enhance our distribution network and penetrate additional geographical end-markets beyond Northeastern China. We aim to educate Chinese consumers on our beliefs that product safety lies in complete control of the entire dairy industry value chain. We plan to implement bespoke strategies targeting different types of customers, geographical areas and different products through various channels:

- *Liquid milk products*. Our initial targets for expansion are selected provinces and major cities outside Northeastern China. We plan to select reputable third party distributors to leverage their existing distribution networks and relationships with key retailers. To establish our presence and effectively gain consumer recognition in these markets, we plan to focus on the high-end market. We also plan to further penetrate mid-end markets and increase our share of the mass-market in Northeastern China.

- *Milk powder products*. We aim to establish our presence across China. Our initial targets are selected provinces in Northeastern China, Northern China and Central China. We plan to engage reputable third-party distributors to penetrate these markets with bespoke product offerings. To facilitate the distribution of our products, we plan to utilize additional logistics centers at major cities, each expected to cover several nearby provinces. Furthermore, we will continue to explore specialty channels to sell our products throughout China.

To expand our industrial customer base for our milk powder products and dairy ingredients, we will continue to leverage our strong upstream resources to offer manufacturing services and solutions that are tailored to address their needs. We will work with existing and potential industrial customers to enhance their product offerings. In particular, we aim to explore opportunities in the food service and bakery industries, where the popularity of dairy products has increased substantially over the past few years.

Expand our upstream operations and resources to uphold our highest standards of product safety and quality

Our core values of product safety and quality control are safeguarded by our unique business model, under which we exert complete control over the entire dairy industry value chain. We are dedicated to remain in complete control over our production process and maintain our impeccable safety records as we increase our production capacity to cater to the expected increase in demand for our products. In particular, we plan to expand our upstream operations and resources in the following aspects:

- *Alfalfa*. We intend to establish additional alfalfa fields in Liaoning Province to achieve and maintain a 100% self-sufficient rate for alfalfa. We also plan to further improve our alfalfa treatment and preservation techniques to improve the nutrition value of our raw milk.

- *Concentrated and supplementary feeds*. We intend to increase our processing capacity of concentrated feeds to support our future expansion. We also plan to procure additional land to plant alfalfa, corn and other grains and root vegetables to be used as feeds.

- *Dairy cows and dairy farms*. We intend to lease additional land in Liaoning Province to establish new dairy farms to support our expansion. To further expand our dairy cows herd, we plan to procure approximately 25,000 dairy cows per year over the next three years. We believe that the incremental raw milk produced by our expanded herd will support the future expansion of our liquid milk and milk powder businesses.

In addition, we will endeavor to continue our disciplined product safety control practices and strictly implement our internal product safety policies. In particular, we aim to leverage the standardization of our dairy farms to continue our success in maintaining high product safety standards and implementing stringent safety control practices.

Continuously expand our product portfolio and offer innovative products to address changing consumer preferences and additional end market needs to improve profitability

We plan to enhance our product offering to capitalize on the expected growth in demand for premium dairy products in China. To achieve our goal, we plan to:

- Expand our product portfolio: We aim to develop new products and further diversify our current range of liquid milk and milk powder products. We also aim to explore additional dairy products associated with our production process or using our existing production facilities. For example, we plan to leverage our cooperative experience with FrieslandCampina to explore additional opportunities. Furthermore, we aim to offer other dairy ingredients, such as milk powder for soft serve, fresh cream and sweetened condensed milk.

- Offer specialty products to capture niche markets: We aim to offer specialty products and explore or create niche markets based on market trends and new consumer preferences. In particular, we aim to leverage our strong upstream resources, dairy farming expertise and premium raw milk supply to offer unique products that are differentiated from our competitors.

Strengthen brand recognition across China and enhance consumer loyalty

We aim to further solidify the values of our brand as trustworthy, safe and of high quality that inspires consumers' confidence. We aim to further promote our corporate image that centers on highest quality standards throughout China and establish recognition and loyalty for our brands through initiatives including:

- Undertaking nationwide corporate image advertising and engaging in educational campaigns to promote our beliefs that product safety lies in the complete control of the entire dairy industry value chain.

- Demonstrating our stringent safety control and advanced production processes through open-house events at our dairy farms and production facilities.

- Actively promoting our brand image and consumer loyalty through social media and the internet.

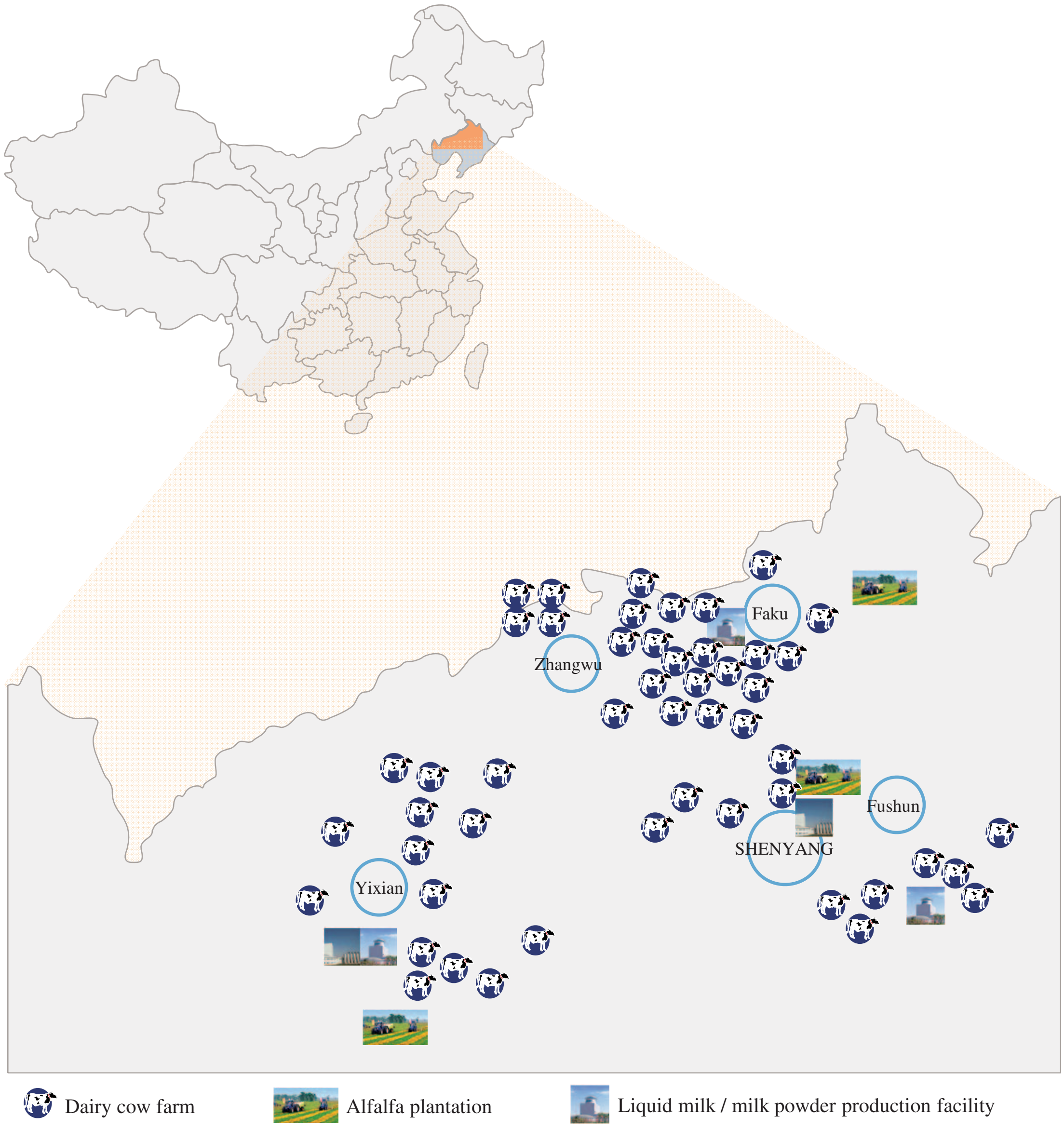
OUR UNIQUE BUSINESS MODEL

We operate a fully integrated business model. In recent years, China's dairy industry has been impacted by ongoing safety and reliability concerns. This has led to consumers' lack of confidence in consumer dairy products as well as a significant reliance on imported dairy ingredients (such as skim milk powder). According to Frost & Sullivan, the competing economic interests among participants of critical segments of the dairy industry value chain is the principal cause of food safety issues in

China's dairy industry. We believe our "grass to glass" business model represents the best solution to address the lack of accountability in China's dairy industry.

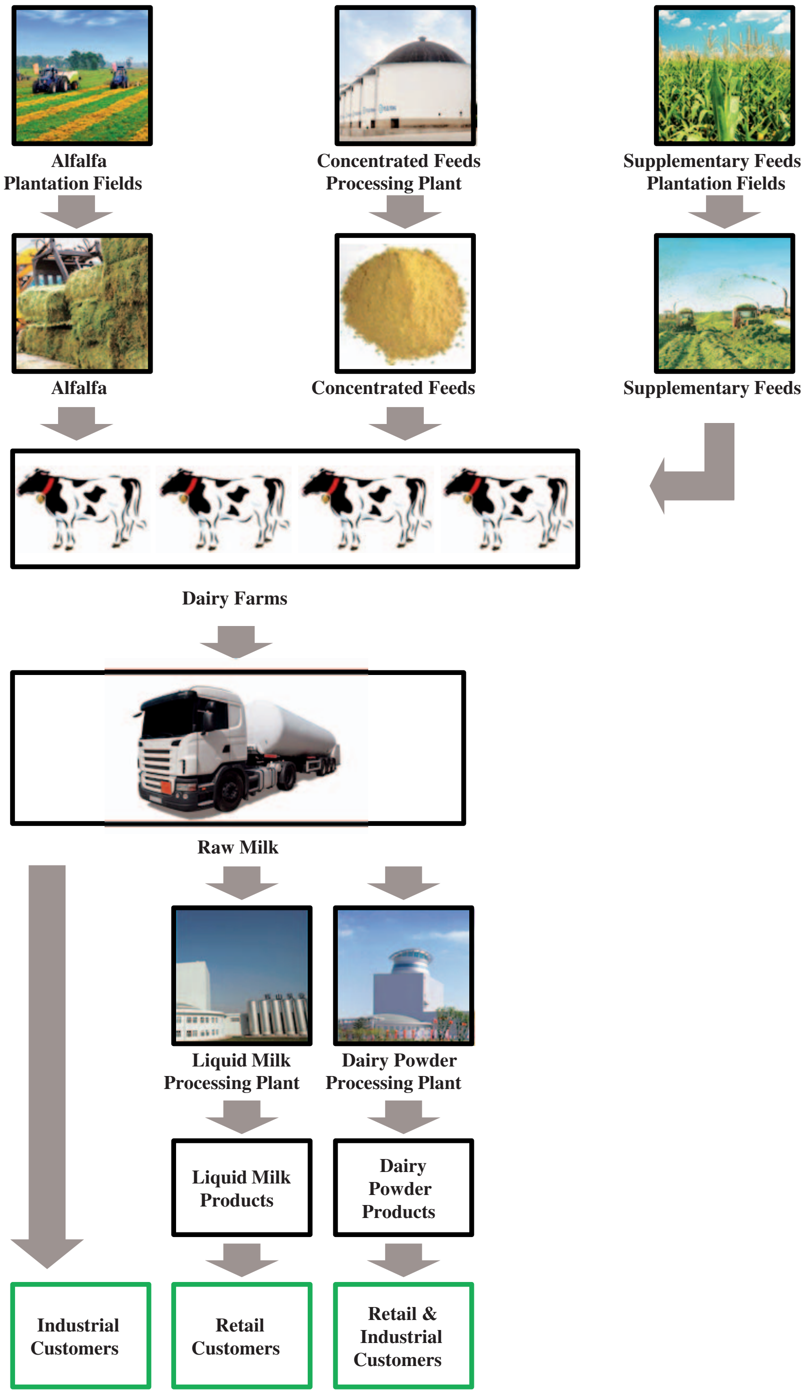
Our unique fully integrated business model allows us to exert complete control over the entire dairy industry value chain, which differentiates us from our competitors in China and ensures product safety and quality, as well as enables us to achieve industry leading profitability through an optimal cost structure. In addition, all of our plantation fields, dairy farms and various production and processing facilities are in close proximity in the agricultural heartland of Liaoning Province in Northeastern China, which is located in the most ideal latitude zones for dairy farming in China, known as the Golden Raw Milk Belt, according to Frost & Sullivan. The close geographical proximity of our various facilities has enabled us to reduce transportation costs as well as ensure the freshness and quality of our feeds and raw milk. Our expansion to liquid milk and milk powder businesses enables us to extract additional value from the dairy industry value chain and further enhances our profitability. However, expansion into these businesses also exposes us to additional risks. For example, the tighter market competition in the liquid milk and milk powder products markets may result in downward pricing pressure and thereby impact our profitability. Our results of operations may also be more volatile due to the rapidly changing market and industry conditions. The change in customer profile also affect our credit risks, as the distributors and/or customers for our downstream business may have a longer credit period under current market practices. See "Risk Factors—Risks Relating to Our Business—We may face difficulties as we expand into new end-markets or as we introduce new product lines."

Set forth below illustrates the location of our dairy farms and plantation fields:



PRODUCTION

Our vertically integrated production activities include growing and processing of alfalfa and supplementary feeds, processing of concentrated feeds, dairy farming, and manufacturing and sales of dairy products. Set forth below illustrates our primary production activities:



Feeds Growing and Processing

Feeds for dairy cows account for the majority of costs for dairy farming. To assure feeds quality and optimize our cost structure, we have devoted substantial efforts to establish our own feeds production capability. Primary feeds we use include forage (primarily alfalfa), concentrated feeds and supplementary feeds. We began to grow and process alfalfa in 2011, and started to process concentrated feeds in 2012. Currently, the alfalfa we produce and our concentrated feeds production capacity can satisfy substantially all our internal demand. In May 2013, we began to grow corn to be used as feeds. Going forward, we target to achieve and maintain a high level of self-sufficiency of feeds for our dairy cows. To improve the quality and nutrition content of our feeds, we engage in research and development efforts to develop better mix and formula, enhance processing techniques as well as explore the use of additional ingredients to feed our dairy cows.

Alfalfa

Alfalfa, a perennial flowering plant, is a primary source of protein for dairy cows, and is essential for high protein content in raw milk. The high fiber content in alfalfa also helps improve milk yield. We have been growing alfalfa since June 2011, using seeds imported from the United States and Canada. We believe that we are the first dairy company in China to grow alfalfa on a large-scale for self-consumption instead of importing alfalfa from overseas. Under our large-scale and efficient upstream operations, our cost of growing alfalfa amounts to approximately US$70 per tonne, as compared with an industry average price of US$400 per tonne for imported alfalfa, as reported by Frost & Sullivan. We were the largest producer of alfalfa in China in 2012 in terms of production volume, according to Frost & Sullivan. All of the alfalfa we produce is consumed internally. As of March 31, 2013, we had two alfalfa fields located in Liaoning Province with an aggregate area of approximately 120,000 mu with fixed rents. The alfalfa we produce can satisfy substantially all of our internal demand. For the years ended March 31, 2012 and 2013, we harvested 36,350 tonnes and 113,440 tonnes of alfalfa, respectively, while our internal consumption amounted to 40,239 tonnes and 109,139 tonnes for the respective years. In May 2013, we established an additional alfalfa plantation field using 20,000 mu of the 118,000 mu of land we acquired recently. With an aggregate of 140,000 mu of alfalfa plantation fields and based on the estimated size of our dairy cow herd, we estimate that our production output of alfalfa will be able to satisfy substantially all of our internal demand for alfalfa for the coming two years.

Alfalfa can grow for seven years after sowing. In Liaoning Province, we sow in the spring, and in the year of sowing, we typically harvest the alfalfa twice. From the second to the seventh year, we harvest the alfalfa three times a year: twice in summer and once in early autumn. The time between the first two harvests is much shorter than the time between the second and third harvests as alfalfa grows much faster in the summer than in the autumn. In 2011, which was the year we started alfalfa plantation, we sowed in June and harvested the alfalfa in August and September. In 2013, we harvested the alfalfa in early June and mid July and plan to harvest the third time in early October. After the third harvest in the autumn of the seventh year, we intend to rest the soil until we sow the alfalfa again in the next June, and the seven-year cycle repeats again. Due to transportation and trading concerns, harvested alfalfa is typically made into alfalfa hays, which can result in a loss of protein content in the alfalfa. To ensure feeds quality, we ensilage a portion of our harvested alfalfa with special treatment and preservation techniques to retain nutrients, particularly the protein content. Harvested alfalfa is stored in dairy farms that are close to the alfalfa fields. Our alfalfa silage can be stored for a long period of time after harvesting without spoilage or significant loss of nutritional value. Key factors affecting the production volume and operational efficiency of an alfalfa field include climate, locations of alfalfa fields, transportation and handling efficiencies, and harvesting and preserving techniques. According to Frost & Sullivan, Liaoning Province is located in the most ideal climate zone for alfalfa growing in China and enjoys favorable soil condition. The flat terrains of our plantation fields also enable us to maximize the efficiency of our advanced equipment and production process, including mobilized transplanters and harvesters. The close proximity between our alfalfa fields and dairy farms in terms of transportation distance allows us to enjoy low transportation and handling costs, as well as retain the protein content of alfalfa. We believe it is difficult for our competitors to replicate our large-scale upstream operations because none of them have as much quality land supply and strategically located plantation fields as we do.

Concentrated Feeds

Concentrated feeds are lower-fiber feeds and primarily consist of corn, soybean, and cotton meal, and account for approximately 40% of a dairy cow's daily feeds consumption. Grains to be processed into concentrated feeds are mostly commodities and are easily accessible nationwide. We began to process concentrated feeds for our dairy cows in May 2012. As of March 31, 2013, we operated two concentrated feeds processing plants in Liaoning Province with an aggregate annual production capacity of approximately 300,000 tonnes, which can satisfy substantially all of our internal demand. We employ advanced processing equipment and techniques to ensure the quality of our concentrated feeds, which we believe is essential in maximizing the milk yield of our dairy cows as well as optimizing raw milk quality. The primary raw materials of our concentrated feeds are corn, cotton meal and soy meal, all of which are sourced locally.

Supplementary Feeds

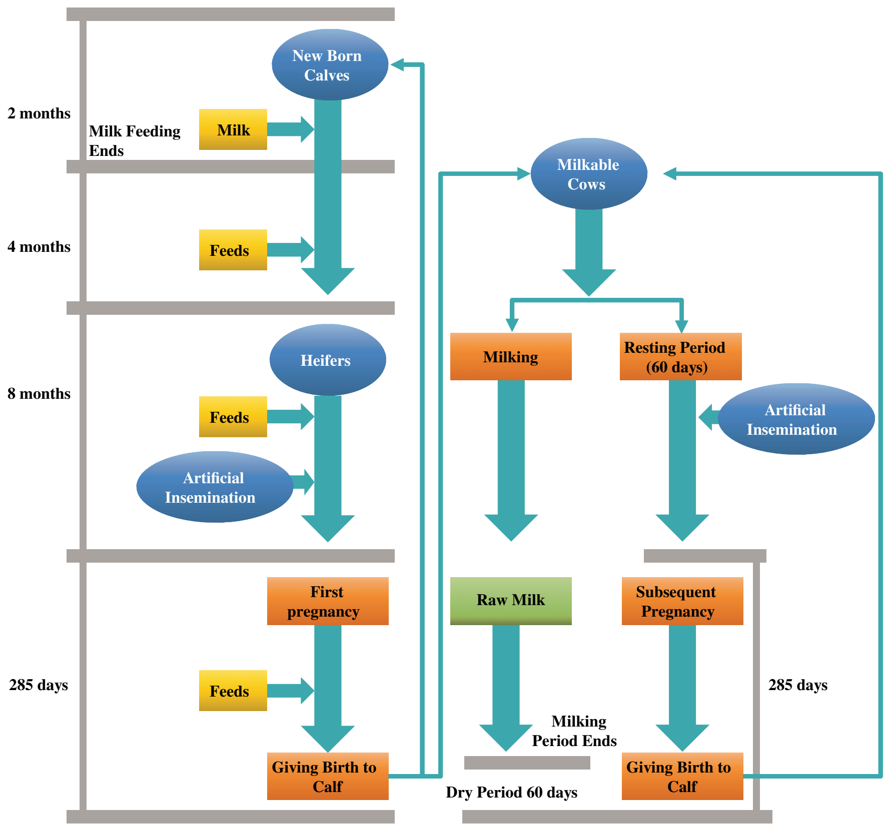
Supplementary feeds, primarily corn silage, are important sources of carbohydrate and vitamin for our dairy cows, and are used to improve the overall nutritional quality of the feeds. Between March and May 2013, we entered into new leases primarily expiring in 2027 with fixed rents that cover over 118,000 mu of land in Liaoning Province, and we began to grow corn to be used as concentrated feeds, supplementary feeds and alfalfa, in May 2013. We also source silage corn from contracted farmers in Liaoning Province to feed our dairy cows.

Dairy Farming and Management

Dairy Cows

As of March 31, 2013, our herd of dairy cows comprises over 106,000 Holsteins and over 6,200 Jerseys. According to Frost & Sullivan, we owned the second largest herd of Holsteins and the largest herd of Jerseys as of the end of 2012 in China. In general, Holsteins are larger in size and have higher milk yield per milkable cow. Jerseys are smaller with better feeds-milk conversion ratio and the milk typically contains higher levels of fat and protein. We import high quality heifers from Australia, New Zealand and Uruguay. We also breed calves using frozen semen imported from North America. Utilizing our in-depth experience in the dairy industry, we typically purchase heifers at around 14 months of age from our overseas suppliers' farms directly. Primary factors for our selection of heifers include physical attributes and pedigree. The selected heifers will then be imported to China and be quarantined for approximately 45 days. It typically takes approximately six months to complete the procurement, transportation, custom clearance and quarantine process for our imported dairy cows. To improve cost efficiency, we also use frozen semen treated by sex-sorting technology imported from North America to inseminate substantially all the heifers, and we are able to achieve a next generation female rate of over 90% for our heifers successfully inseminated this way. The calves given birth by dairy cows inseminated with frozen semen treated by sex-sorting technology have no major differences with other calves, and we implement the same quality control standard to ensure their health and the quality from the raw milk they produce. As advised by our PRC legal advisor, Jingtian & Gongcheng, the use of frozen semen treated by sex-sorting technology to breed dairy cows is not prohibited by PRC laws and regulations and does not require any PRC regulatory approval. However, the importer of the frozen semen treated by sex-sorting technology has to obtain the relevant licenses and qualification from the PRC Government. During the Track Record Period, all of the importers from whom we purchase frozen semen have obtained the necessary licenses and qualifications. Meanwhile, all of the frozen semen we purchased are subject to our stringent storage protocols.

Set forth below illustrates a typical birth cycle of dairy cows:



- Calves normally refer to dairy cows of up to six-months old. We keep the new born female calves and sell all male calves. Calves are typically fed by milk for two months, and then fed by dairy cow feeds afterwards.

- Heifers normally refer to dairy cows aged between seven-months old up to the date of giving birth. Heifers are typically artificially inseminated at 14 months old, and the pregnancy period is approximately 285 days.

- After giving birth to a calf, the heifer can be milked and therefore becomes a milkable cow. Milking starts immediately after the birth of the calf. Therefore, heifers typically become milkable cows as early as at the age of 24 months.

- After giving birth to a calf, a milkable cow will rest for 60 days (commonly referred to as "resting period") before being artificially inseminated again. It typically takes 65 days for a milkable cow to get pregnant again. Milking starts immediately after giving birth and continues during the resting period.

- We stop milking a pregnant milkable cow 60 days before the due date of the calf to ensure a higher milk yield for the subsequent lactation period. The period is called the dry period.

- Typically, a milkable cow can be milked for approximately 350 days before the start of the 60-day dry period ahead of giving birth to another calf.

- During the Track Record Period, our average milk yield per milkable cow was approximately 9.1 tonnes per annum.

- We determine whether to stop milking and sell a milkable cow based on its health condition and milk yield. Typically, a milkable cow can be milked for five lactation periods. Without regard to productivity, a dairy cow can typically live for 10 years.

- As of March 31, 2013, approximately 62%, 28%, 8% and 2% of our milkable cows were in the first, second, third and fourth lactation period and beyond, respectively.

- For the coming three years, we plan to purchase no less than 75,000 heifers in aggregate. Meanwhile, we do not plan to purchase any milkable cows. Instead, we will continue to inseminate the mature heifers to grow our herd of milkable cows.

- For the years ended March 31, 2011, 2012 and 2013, breeding and feeding costs for our calves and heifers amounted to RMB249.2 million, RMB462.6 million and RMB859.8 million, respectively, while breeding and feeding costs for our milkable cows amounted to RMB141.4 million, RMB495.0 million and RMB639.0 million, respectively.

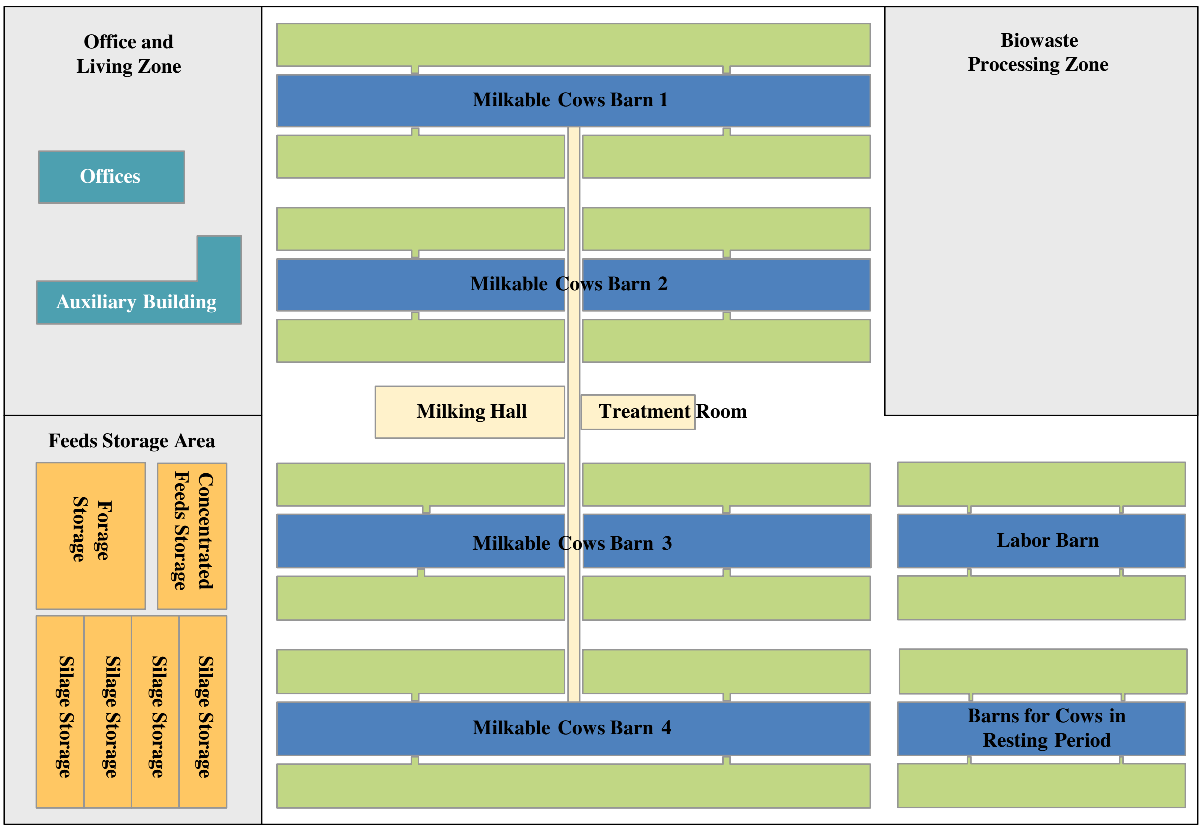
The table below sets forth the breakdown of our dairy cows by maturity stage, each expressed as a percentage of our total dairy cows, as of the date indicated:

	As of March 31,					
	2011		2012		2013	
	Head	**%**	**Head**	**%**	**Head**	**%**
Calves and heifers	36,968	66.5	59,033	65.4	62,962	55.8
Milkable cows......................	18,584	33.5	31,221	34.6	49,889	44.2
Total....................................	**55,552**	**100.0**	**90,254**	**100.0**	**112,851**	**100.0**

Farm Management

As of March 31, 2013, we operated 50 standardized modern large-scale dairy farms, which can house up to 3,000 milkable cows each, or approximately 4,000 heifers and calves each. We believe that the size of our farms enables us to enjoy economies of scale without over-burdening the environment. All of our 50 dairy farms are built on land of similar size. The design and layout of, capacity of equipment and facilitates used in, and operational procedures for each of our dairy farms are standardized and easy to replicate. These standardized design and procedures enable us to devise unified staffing, supplying and feeding plans and operate our farms under the same strictly enforced protocols. Therefore, we are able to apply the same benchmarks to evaluate the performance of each of our dairy farms and improve our operational efficiency arising out of peer pressure. Such standardized processes also facilitate us in replicating our successful experiences amongst our dairy farms through the sharing of management techniques and operational best-practices. We believe that the size of our farms also enhances management efficiency by promoting economies of scale without over-burdening the surrounding environment. For example, the reasonable size of our dairy farms enables us to efficiently handle biowaste and gaseous waste at lower costs. In addition, the scale of our dairy farms entail less burden and risks with regard to disease control as compared with super large-scale dairy farms. All of our dairy farms are located in Liaoning Province, which is among the most ideal latitude zones for dairy farming in China known as the Golden Raw Milk Belt, according to Frost & Sullivan.

Below is a sample of our standardized farm layout:



We employ free stall dairy farming. Free stall dairy farming provides dairy cows with a better living and resting environment, which we believe is one of the most important factors in promoting the health of dairy cows and improving milk yield. To the extent practicable, we keep dairy cows at different maturity stages in separate dairy farms for easy management and feeding. To promote cow health and improve milk yield, we use different feeds formula developed in-house employing the total mixed ration concept based on the cow's development stage, lactation stage and milk yield. We weigh and blend the feeds into a complete ration, which provides adequate nourishment that meets the needs of dairy cows, so that each bite consumed contains the required level of nutrients, including energy, protein, minerals and vitamins. To promote management efficiency, we also employ a proprietary ERP system we developed to keep complete herd records, including family history, pedigree, reproductive history, vaccination history and health records. As required by relevant PRC laws and regulations, all of our dairy farms carry a health certificate issued by government authorities annually.

A stringent and effective disease control policy is enforced in all our dairy farms. Our farm managers are held accountable for any violations of the policy by either themselves or their subordinates, and are subject to disciplinary actions. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any incident of staff violating our internal policies and protocols which would have a material and adverse effect on our business and results of operations. We have set up stringent protocols for any personnel and vehicles entering our dairy farms. To minimize the risk of disease, we disinfect our staff living quarters, milking halls, machines and equipment, and the veterinary hospital on a regular basis. Meanwhile, we carry out routine health inspections based on, among other things, the movement and rumination of dairy cows. Upon observation of any sign of sickness, the dairy cows will be immediately quarantined in a separate zone and examined by our professional veterinarians. Where medical treatment is not cost-effective or not feasible, the diseased dairy cows will be sold or culled, their bodies will be sterilized and disposed (in the case of culling), and the immediate areas will be disinfected. Generally, dead cows are processed and disposed of by our veterinarians within a few hours of death. We generally milk the cured dairy cows in a separate zone, where the milk produced is kept until it passes all of our tests. Where there is a concern of substantial risk of infection, we carry out farm-wide disinfection and immunization to prevent the spread of the disease. In addition, we require each farm to implement a standardized immunization program and to keep detailed records of the immunizations. We are required to make relevant filings to government authorities for outbreak of certain classified diseases. See "Regulatory Overview" for further details. During the Track Record Period, there had been no outbreak of any disease in our farms. Our inspectors also carry monthly immunization checks. Based on the results, our farm managers would devise or renew the immunization plan. Our inspectors conduct regular inspections of the farms' immunization records and ensure a sufficient supply of vaccines. Pursuant to relevant PRC regulations, the local government supplies necessary vaccines to us for free and all such vaccines are stored and used according to their respective requirements.

Well-being of Dairy Cows

We believe that maintaining the well-being of our dairy cows is both our responsibility and essential to sustaining our industry leading milk yield. In particular, we promote and ensure the well-being of our dairy cows from the following aspects:

- For imported heifers, an exporting company is responsible for the condition and well being of the heifers. In particular, Australia, New Zealand and Uruguay have all implemented a series of policies governing transportation conditions, including the supply of feeds and water, proper ventilation systems and air conditioning, periodic cleaning of the deck and on-board veterinarians. Upon arrival of the destination port, the heifers are quarantined and inspected to ensure that they are in good health condition before being accepted by us.

- All our dairy farms are located in Liaoning Province, which is located in the most ideal climate zone for dairy farming as dairy cows generally feel more comfortable in lower temperature climates and can produce more milk.

- To promote cow health and ensure sufficient nourishment, we use different feeds formula developed in-house employing the total mixed ration concept based on the cow's development stage, lactation stage and milk yield. We weigh and blend the feeds into a complete ration, which provides adequate nourishment that meets the needs of dairy cows, so that each bite consumed contains the required level of nutrients, including energy, protein, minerals and vitamins. Our large scale alfalfa plantation operation also ensure an ample supply of high quality fresh alfalfa.

- We install water tanks to ensure an ample supply of clean drinking water for our dairy cows. We also install ventilation systems at each of our dairy cow barns for sufficient air circulation.

- We employ free stall dairy farming that allows our dairy cows ample moving spaces, so that our dairy cows can live in a relaxing environment. The floor of barns for milkable cows and calves are padded with soft materials to ensure maximum comfort.

- We also establish a playground with sand pits to ensure sufficient exercising and resting. The sand pits also promote hygiene of the dairy cows. As a result, our milkable cows have historically experienced a low illness rate.

- We milk our milkable cows three times a day in accordance with the cows' natural milking needs. Such intervals also allow our milkable cows to rest well. The design and size of our dairy farms also help reduce the fatigue of pregnant milkable cows in the milking process by reducing their walking distance.

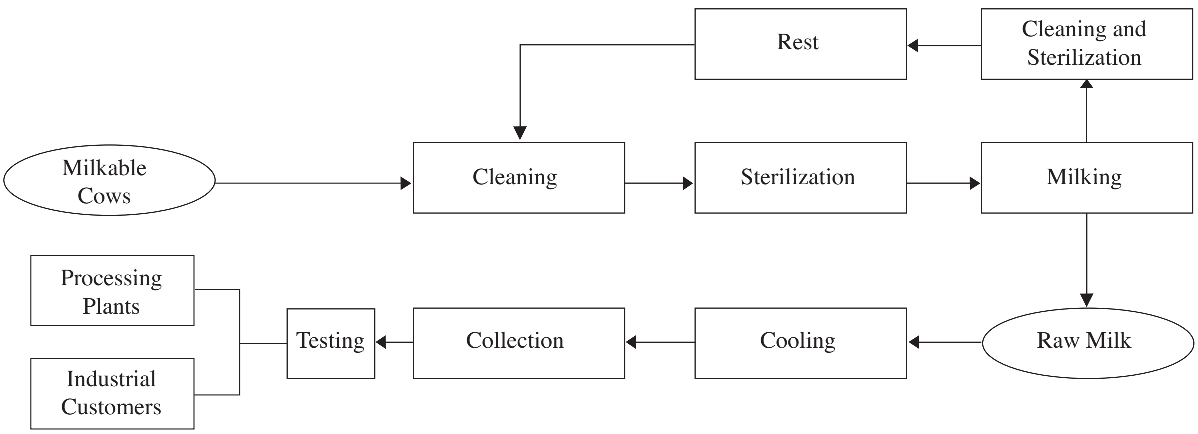
- We implement a stringent disease control system and maintain a strict hygiene standard at our dairy farms.

- We actively monitor the health condition of our dairy cows with a team of experienced veterinarians to treat our dairy cows in case of disease.

Milking

We milk our dairy cows using an imported automatic parallel milking system. We have adopted strict hygiene standards at all of our milking facilities as well as during the milking process. To maintain a high milk yield during the lactation period, we keep a consistent milking interval, usually three times a day. Pregnant cows in super-large sized dairy farms typically have to walk along distance between the living zone and the milking facilities, which reduces the milk yield and quality of raw milk. By comparison, the size of our individual farms enables us to maintain a high milk yield and raw milk quality. We continuously monitor our milking process through closed circuit television systems in our control room and our computer systems that record data from our dairy farms. We carry out inspections at systematic intervals throughout the process to ensure consistency in the quality of our raw milk and compliance with applicable milk safety standards. For the years ended March 31, 2011, 2012 and 2013, we produced an aggregate of 60,741 tonnes, 223,097 tonnes and 365,066 tonnes of raw milk, respectively, and our average milk yield per milkable cow for the respective periods was 8.7 tonnes, 8.6 tonnes and 9.1 tonnes per annum. After completion of the milking process, raw milk will be cooled-off and will flow to a temperature-controlled milk tank before delivery to our customers or our milk processing plants. In addition, we carry out further testing and inspection before the raw milk leaves our farms.

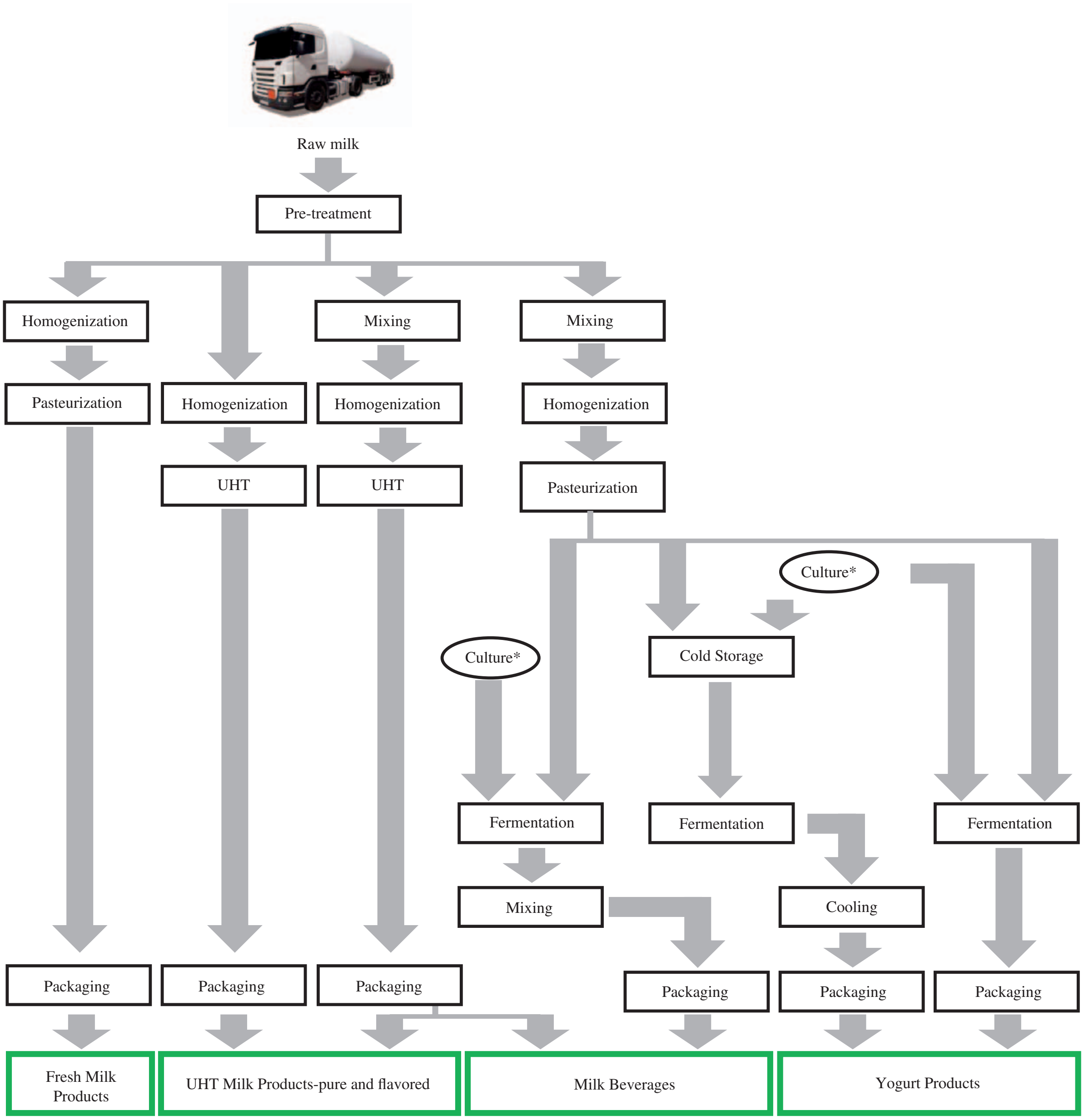
Set forth below illustrates the milking process:



Liquid Milk Processing

We began trial production at our liquid milk processing plant with packaging capability in November 2010. A portion of the raw milk we produce is processed into different types of liquid milk products. Due to the various requirements in packaging processes, packaging materials and packaging sizes, different types of packages require different packaging equipment. We plan and design our production facilities based on the long-term outlook of the dairy products market and install packaging equipment accordingly. We have determined not to install packaging equipment for package types that we believe will lose long-term market appeal in the market at a new processing plant, such as certain types of bottle and cup for yogurt. At the same time, to meet the current demand for certain products that we did not have packaging capability, between October 2011 and May 2013, we engaged Shenyang Dairy to provide contract manufacturing services. As of March 31, 2013, we operated one liquid milk processing plant in Jinzhou, Liaoning Province. On May 30, 2013, we obtained production license for another liquid milk processing plant with an annual production capacity of 115,000 tonnes. Currently, we have an aggregated annual production capacity of approximately 205,000 tonnes.

Set forth below illustrates how raw milk is processed into different liquid milk products:



* Special type of bacteria used for fermentation.

- *Homogenization*: raw milk is treated to prevent separation of fat and liquid and to improve texture and taste.

- *Pasteurization*: raw milk is heated to approximately 85°C for approximately 15 seconds to eliminate bacteria and microbial. For the production of yogurt, raw milk is heated to approximately 95°C for approximately 300 seconds.

- *UHT*: raw milk is heated to a temperature of approximately 137°C to 140˚C for approximately three to four seconds. UHT eliminates bacteria and microbial from the raw milk and significantly extend the shelf life of liquid milk.

- *Fermentation*: bacteria known as "yogurt culture" is added in the milk at a temperature of approximately 43°C for a period of time to allow fermentation.

We perform all these processes in our liquid milk processing plants, and we closely monitor each production step to ensure the safety and quality of our liquid milk products. We also perform sampling tests of our liquid milk products before delivery.

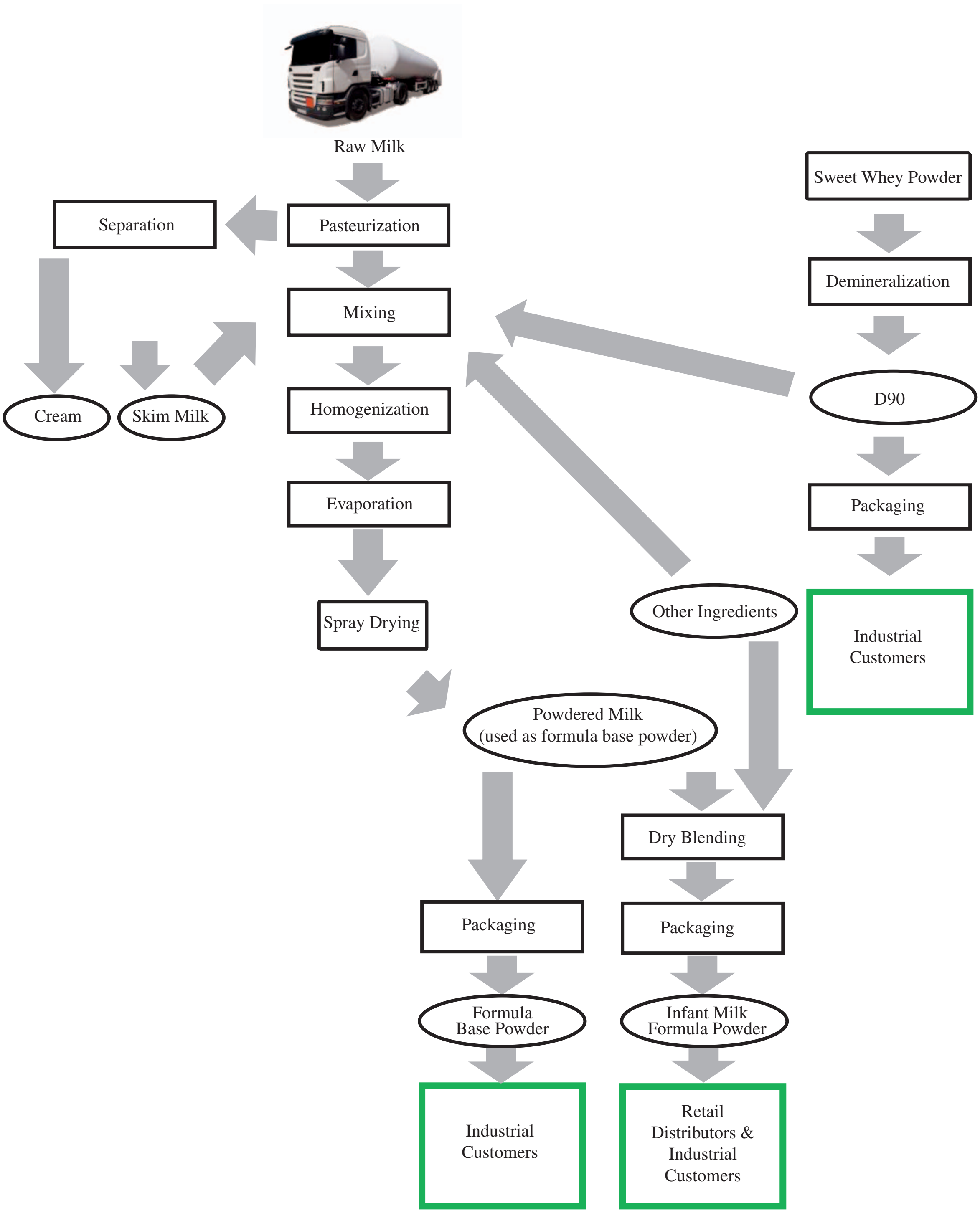
Milk Powder Products and Dairy Ingredients Production

We began the commercial production of our milk powder products in January 2013 using advanced equipment and production processes. In January 2013, we began the commercial production of D90 whey powder, a key ingredient of infant milk formula powder. We are the only company in China that has received the official approval for production and sale of D90 whey powder, and sells D90 whey powder as a product according to Frost & Sullivan. In addition to using our D90 whey powder for our own formula milk powder production, we also plan to sell such product to industrial customers. See "— Our Products — Milk Powder Products and Dairy Ingredients — Dairy Ingredients" for further details. Currently, the global demand for D90 whey powder is strong. As a result, our in-house capability to produce D90 whey powder ensures sufficient supply for our internal demand and reduces our costs.

In December 2012, we entered into a 10-year contract-manufacturing agreement with FrieslandCampina for the production of non-dairy creamers, using our milk powder production facilities. Under the agreement, FrieslandCampina has provided us with their advanced production technology and experienced staff and has enhanced our production facilities.

As of March 31, 2013, we operated one milk powder production plant in Shenyang, Liaoning Province and another processing plant for D90 whey powder in Fushun, Liaoning Province. Our milk powder production plant has an annual production capacity of approximately 26,000 tonnes and our D90 whey powder plant has an annual production capacity of approximately 12,000 tonnes. In July 2013, we obtained the production licence of our second milk powder production plant in Jinzhou, Liaoning Province with an annual production capacity of approximately 19,800 tonnes, and plan to commence commercial production in September 2013.

Set forth below illustrates the production process of our infant milk formula powder and base powder:



- *Separation*: cream and skim milk are separated in the separator.
- *Mixing*: pasteurized milk is mixed with D90 whey powder, skim milk and other ingredients.
- *Evaporation*: pasteurized milk is concentrated through evaporation and approximately 50% of water in the formulated milk will be removed.
- *Spray drying*: the concentrated milk is sprayed into a heated chamber where the water almost instantly evaporates, leaving behind fine particles of powdered milk solids.
- *Dry blending*: other necessary ingredients and nutrients based on our proprietary formula are blended and mixed with the base powder.

Utilization Rate

	As of or for the Year Ended March 31,								
	2011			2012			2013		
	Production Capacity	Volume	Utilization Rate	Production Capacity	Volume	Utilization Rate	Production Capacity	Volume	Utilization Rate
	(Tonnes, except for percentages)								
Concentrated Feeds	—	—	—	—	—	—%	300,000	135,208	45.1%
Liquid Milk Products	90,000	1,563(1)	1.7%	90,000	41,234	45.8%	90,000	86,821	96.5%
Milk Powder Products ...	—	—	—	—	—	—	26,000	991(2)	3.8%
D90 Whey Powder Products	—	—	—	—	—	—	12,000	357(3)	3.0%

Notes:

(1) Trial production began in November 2010.

(2) Commercial production began in January 2013.

(3) Commercial production began in January 2013.

As our business continues to develop, the utilization rate of our production facilities has continued to improve. We began trial production at our liquid milk production plant in Jinzhou, Liaoning Province in November 2010, and gradually ramped up our utilization rate since then. In January 2013, we began commercial production at our milk powder production plant in Shenyang and D90 Whey Powder production plant in Fushun, Liaoning Province. On May 30, 2013, we obtained the production license for an additional liquid milk processing facility with an annual production capacity of 115,000 tonnes. The new production facility has additional packaging equipment installed, which enables us to enhance our packaging capability to cover the full range of our dairy products. Our Directors confirm that we currently have sufficient packaging capacity and have no plan to use any contract manufacturing services in the future.

Transportation

We implement stringent food safety and quality control measures throughout the transportation and delivery process of our feeds, raw milk and dairy products. See "— Product Safety and Quality Control — Quality Control" for details of our quality control procedures. In addition, to monitor the whole transportation process in order to ensure full compliance with our internal quality control procedures, we have established a transportation supervision committee comprising of three members, including a supervisor, a GPS tracking specialist and a customer service specialist. Except for the transportation of a portion of the alfalfa we produce and certain liquid milk products in order to cater to the requirement of certain retail chains, we typically engage third-party logistic companies to transport and deliver our raw milk and dairy products.

Inventory Management

Our inventory comprises of raw materials we procure and produce, packaging materials and finished products. According to our inventory policy, we typically keep two months of raw materials, except certain perishable raw materials such as raw milk, which is consumed or delivered on the day of milking and we typically maintain three days of concentrated feeds. In addition, we typically keep 12 months stock of alfalfa silage. Our sales team will also coordinate with our production department to avoid excessive inventory. For finished products, we monitor the inventory level and performance of our milk powder customers by requesting them to keep complete inventory records, which we are entitled to inspect at any time. Our liquid milk customers normally place orders on a daily basis and due to the short shelf life of liquid milk products, we do not request our liquid milk customers to provide regular inventory reports.

PRODUCT SAFETY AND QUALITY CONTROL

Quality Control Center

Product safety and quality control are our core values and of paramount importance to our business. We implement stringent quality control and production safety measures throughout our production process, including the growing and processing of alfalfa and supplementary feeds, processing of concentrated feeds, dairy farming, milking and raw milk processing, liquid milk processing, milk powder products and dairy ingredients production and storage and transportation of raw materials and products.

We established a quality control center in November 2012, and we require all of the quality control departments in our various operating units to report directly to this center. Mr. Zhang Ming, our chief quality supervisor, is the head of our quality control center. Mr. Zhang Ming has more than 15 years of experience in quality control and has a bachelor's degree in food processing from Shenyang Agricultural University in 1996. He is also a member of the regulation committee of the China Dairy Industry Association, council member of the China Quality Inspection Association and executive council member of Shenyang Quality Inspection Association. Our quality control center, which reports directly to our Chief Executive Officer, is independent from all other departments and has a veto power over all quality control related issues and decisions. The responsibility of our quality control center includes:

- Overseeing our quality control system at the headquarters level;

- Collecting and reporting information regarding food safety, industry updates, applicable laws and regulations and quality standards on a weekly basis;

- Categorizing risks perceived and initial risk evaluation with relevant operating departments; and

- Establishing and enforcing of quality and technical standards for feeds, raw materials, raw milk and dairy products, as well as the production inspection mechanism and product recall policies.

As of March 31, 2013, we have approximately 300 employees dedicated to product safety and quality control in our quality control center and each of our dairy farming, liquid milk and milk powder quality control department conducts daily quality monitoring at the operating level.

Fully integrated and highly monitored value chain

We are currently the only dairy company in the PRC that is fully integrated with comprehensive operations covering all the critical segments of the dairy industry value chain. We implement stringent quality control and production safety measures throughout the various aspects of our operations. For example, we closely monitor our operations in our processing plants in accordance with our HACCP plan. Therefore, we have complete control over every step within the dairy industry value chain, which ensures that our stringent quality control standards are fully implemented and our production procedure is strictly monitored at all times.

Quality Control

Our comprehensive quality control system is divided into eight stages: (i) control over the quality of feeds, (ii) control over the quality of dairy cows, (iii) control during the milking process, (iv) control during storage of raw milk, (v) control during delivery of raw milk, (vi) control over raw materials and suppliers, (vii) control over production process, and (viii) control over storage and delivery of finished products.

Control Over the Quality of Feeds

We have implemented stringent quality control standards and monitoring mechanism for the feeds used at our dairy farms. The feeds for our dairy cows consist primarily of forage (primarily alfalfa), concentrated feeds, and supplementary feeds, among which the alfalfa and a portion of concentrated feeds and supplementary feeds are grown and processed by ourselves. Historically, we also sourced alfalfa from external suppliers. The quality control standards we have for the procurement of feeds and raw materials of feeds are reviewed and modified on a regular basis by the relevant departments. Before placing purchase orders for feeds, our quality control department will first review the qualifications of the feeds suppliers, and then inspect the feeds sample provided by such suppliers if the result of the qualifications review is satisfactory. Besides the procurement standards, we also have specific standards for the selection of plantation fields for alfalfa and supplementary feeds, the growing and harvesting of alfalfa and supplementary feeds and the delivering of feeds to ensure the quality and safety of our feeds. When selecting the land for plantation, we consider the soil condition and level of underground water. We have also specified the technical requirements for sowing, plowing and harvesting. For example, we have established different sets of procedures for the sowing and harvesting for different types of grass or crops. Once the feeds are delivered to our dairy farms, our staff in charge will perform inspections on all feeds, including, among others, physicochemical, forbidden substances (primarily melamine and aflatoxin), sensory and moisture inspections.

Under the dairy farming department, we have established an independent feeds inspection laboratory to conduct inspections and experiments on numerous indicators that are crucial to the quality of feeds and to provide feedback to our dairy farms in order to improve the nutrition formulation of feeds. We also have a comprehensive evaluation and management system to evaluate the feeds procured externally. For example, our feeds inspection laboratory will inspect the quality of feeds of the same kind provided by different suppliers to serve as the basis of our feeds suppliers evaluation. Our vertically integrated operation has given us complete control over our feeds supply from growing, harvesting, processing to delivery to ensure our quality control standards and monitoring mechanism are strictly enforced.

Control Over the Quality of Dairy Cows

We carry out routine dairy herd improvement inspections on our dairy cows and each of our farms is equipped with a set of herd management software to closely monitor the quality and health of our dairy cows. Up to the Latest Practicable Date, our heifers imported from Australia, New Zealand and Uruguay have never been found to be contaminated by any harmful substances. We have a set of comprehensive disease control standards and inspection procedures for dairy cows, including, among other things, movement and rumination evaluation of the dairy cows. We also have a healthcare program for our heifers and dairy cows immediately after calving, namely the feeding of beestings for calves and injection of nutrition for cows immediately after calving, to maintain the good health of heifers and dairy cows and help to prevent the outbreak of diseases. Upon observation of any signs of sickness, such heifer or dairy cow will be immediately examined by our professional personnel. We also employ a proprietary ERP system to facilitate us in keeping track of the vaccination history and health records of our dairy cows.

As of March 31, 2013, our inspection center under the dairy farming department and inspection staff stationed at our dairy farms comprised over 200 employees, who perform five main inspection categories, namely the animal infectious disease examination, veterinary microbiological examination, veterinary parasitological examination, blood tests (physiological and biochemical analyses) and feeds nutrition information examination, on all of our heifers and dairy cows in order to effectively ensure the health of our heifers and dairy cows. Dr. Yu Bo, a registered veterinary doctor, is the head of our inspection center under the dairy farming department and has a master's degree from Northeastern China Agricultural University with extensive experience and knowledge in veterinary inspection and examination.

Control During the Milking Process

We milk our dairy cows in our dairy farms, using the automatic parallel milking system we purchased from leading manufacturers. We have adopted strict hygiene standards for all of our milking facilities and procedures to ensure the quality and safety of raw milk, including, among other things, sanitizing the teats of our dairy cows, the apparel of milking personnel and towels before milking commences, discarding the first three squeezes of raw milk from the dairy cows and dipping the dairy cows' teats with disinfectant for a fixed period of time. We continuously monitor our milking process and carry out inspections at systematic intervals throughout the process to ensure consistency in the quality of our raw milk and compliance with applicable milk safety standards.

The hygiene of the milking facilities is crucial to the safety and quality of raw milk. We have implemented strict cleaning standards for our milking facilities, including the concentration and frequency of cleaning, among other things, to ensure high hygiene level of our milking facilities. After cleaning, the personnel in charge will conduct sensory inspections on the milking facilities and will perform regular inspections on the ancillary facilities on a weekly basis. In addition, engineers from the suppliers of milking facilities will conduct training courses and perform maintenance for the milking facilities at our dairy farms on a regular basis.

Control During Storage of Raw Milk

After completion of the milking process, raw milk will be cooled-off and flow to a temperature-controlled milk tank before delivery to our customers or our milk processing plants. We carry out rigorous testing and inspection before the raw milk leaves our farms, including sensory test, boiling test, tasting test, grain alcohol test, acidity test and antibiotics residual test, to ensure the quality and safety of our raw milk is in compliance with our internal quality control standards and national standards. These tests are designed to ensure the taste and content of nutrients such as fat and protein of the raw milk are of high standards and the raw milk does not contain any forbidden substances such as antibiotics and alcohol. We also issue a report detailing the test results and quality indicators before raw milk leaves the dairy farm. We also implement the same cleaning standards we apply to our milking facilities and perform inspections on our milk tanks to ensure the highest hygiene level of the milk tanks. The quality control personnel are given training courses of professional knowledge on a regular basis and are reviewed and evaluated under strict standards.

Control During Delivery of Raw Milk

Historically, our raw milk are delivered by our own transportation fleet. In March 2013, we sold our raw milk transportation fleets and have since then begun to engage third-party logistics companies to deliver and transport our raw milk, so that our logistic department can focus exclusively on overseeing and implementing our stringent safety and quality control policy throughout the transportation process. We continue to implement stringent policies and requirements during the transportation of our raw milk. For example, we require that the raw milk delivery trucks be capable of maintaining optimal storage conditions to ensure the quality and safety of raw milk are maintained during transit. We also require that such milk trucks be thoroughly cleaned, sanitized and inspected by our specialized personnel after each round of delivery, following our quality control standards. Every milk truck should be equipped with thermal control equipment and certified for transportation of raw milk, and every truck driver is required to carry a health certificate. Upon delivery, the raw milk is inspected to make sure the temperature is below 7°C. Each milk truck is lead-sealed with a designated code and will be examined and opened by our customers upon arrival. To guarantee traceability of our raw milk, each milk truck is installed with a GPS system and delivers raw milk under the designated route and delivery timeframe. We perform monthly reviews on the third party logistics companies to ensure compliance with our policies and standards on timeliness of vehicle dispatching and delivery, condition of vehicles, status of delivered raw milk and documentation. Our third-party logistics companies are required to pay us certain amount of fines in case of violation of any of our safety and quality policies mentioned above. Furthermore, our third-party logistic companies have agreed to be responsible for and indemnify us for all the economic losses if our customers refuse acceptance of the delivery due to quality issues occurred during transportation. As of the Latest Practicable Date, we have never experienced any violation of our safety and quality policies by our third-party logistics companies which would have a material and adverse effect on our business and results of operations.

Control Over Raw Materials and Suppliers

We implement stringent quality control standards with respect to the raw materials we source from external suppliers and stringent evaluation and engagement policies for new suppliers. Before engaging a new supplier, our quality control center will first review the qualifications of the supplier, and then conduct thorough on-site inspection. A supplier will only be qualified if it passes the qualifications review and on-site inspections. Both the qualified suppliers and our current suppliers remain subject to routine review and evaluation, at least twice a year, covering the quality of the raw materials we procured, the timeliness of delivery, compliance to our quality control protocols and their production facilities. We conduct inspection on raw materials upon delivery in compliance with the raw material acceptance standards set forth by our technical center. See "Business — Raw Materials and Suppliers" for further details. Historically, we also sourced raw milk from external suppliers, on which we implement the same stringent standard for raw milk we produced. In particular, we carry out rigorous testing and inspection of externally-sourced raw milk, including sensory test (for color, odor and flavor), boiling test, tasting test, grain alcohol test, acidity test (for freshness) and antibiotics residual test, to ensure the quality and safety of the externally sourced raw milk is in compliance with our internal quality control standards and national standards. We have discontinued the purchase of raw milk from external suppliers since May 1, 2013.

Control Over Production Process

We implement stringent safety and quality standards at each stage of our production process. The infrastructure and facilities in our production plants are designed, constructed, maintained and inspected in accordance with applicable food safety standards, laws and regulations. We also enforce strict hygiene standards for our personnel involved in production activities. Furthermore, all the raw materials and ingredients used in the production process are strictly in compliance with applicable laws and regulations and semi-finished products are tested to ensure compliance with our stringent quality standards before proceeding to the next stage of production. Major tests include sampling tests to ensure the appearance, color, odor, taste and nutrients comply with our safety and quality standard. Material factors to the quality of our production at each production step are listed out and monitored closely according to our HACCP plan in order to prevent and rectify any potential occurrence of production errors.

As advised by our PRC legal advisor, Jingtian & Gongcheng, we have obtained all the necessary approvals in connection with production of dairy products. We also confirm that all our dairy products complied with the quality standards in China, and we have never been subject to any sanctions, fines or other punitive actions imposed by the PRC Government for failure to comply with these requirements.

Control Over Storage and Delivery of Finished Products

We perform quality inspection on our products by batch before delivery to ensure compliance with national food safety standards. We implement quality standards for packaging, loading, delivering and unloading of the product and the delivery process is proceeded in consistence with the guidelines for product transportation to ensure maintenance of the quality and safety of our products. We also impose stringent and specific requirements on the trucks used to deliver our dairy products.

As our products are sold to end-customers through various retail chains, we keep sample for each batch of dairy products delivered to facilitate us in tracing the products for responding and verifying feedbacks from consumers. We also conduct sample surveys at the retail chains to ensure our dairy products are properly transported and stored.

Track Record of Quality Control

As of the Latest Practicable Date, our brands and products have never been associated with any food safety incidents. In addition, we have received various certifications from government authorities or recognized organizations. Our liquid milk processing plant in Jinzhou also received the ISO9001 quality management system certification, HACCP certification, food safety management system certification, ISO14001 environment management system certification and GB/T28001 occupational health and safety management system certification in September 2011. Furthermore, our milk powder processing plant in Shenyang, Liaoning Province received the permit for production on May 14, 2012 and became the first infant milk formula powder production plant in Liaoning Province.

OUR PRODUCTS

We produce and sell a broad range of dairy products in three categories: raw milk, liquid milk and milk powder. As of March 31, 2013, we had approximately 47 offerings of liquid milk products under 10 brands (including the Huishan Brand) and 18 offerings of milk powder products under three brands (including the Huishan Brand). The retail prices of our liquid milk products and milk powder products are generally in line with those of liquid milk products and milk powder products similarly positioned and offered by our competitors. The table below sets forth the breakdown of our consolidated turnover by our operating segments and product categories, and each expressed as a percentage of our consolidated turnover, for the periods indicated:

	Year Ended March 31,					
	2011		2012		2013	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Raw Milk[1]	244,022	65.2	671,943	50.5	680,608	26.7
Liquid Milk Products	15,388	4.2	564,310	42.3	1,707,132	66.9
Fresh milk	—	—	17,100	1.3	178,213	7.0
UHT milk	5,860	1.6	172,961	13.0	548,745	21.5
Milk beverage	7,816	2.1	119,198	8.9	236,904	9.3
Yogurt	1,712	0.5	255,051	19.1	743,270	29.1
Milk Powder Products[2]	—	—	—	—	88,052	3.4
Grain Processing and Trading	114,635	30.6	96,541	7.2	76,646	3.0
Turnover	**374,045**	**100.0**	**1,332,794**	**100.0**	**2,552,438**	**100.0**

(1) After eliminating uses of raw milk in our liquid milk and milk powder businesses.

(2) Commercial production began in January 2013.

Raw Milk

We produce premium raw milk directly from our dairy farms. For the years ended March 31, 2011, 2012 and 2013, we produced an aggregate of 60,741 tonnes, 223,097 tonnes and 365,066 tonnes of raw milk, respectively. We produce premium raw milk with industry-leading quality in terms of protein and fat content, as well as bacteria and somatic cell count. Set forth below are comparisons of certain key quality indicators between our premium raw milk, raw milk produced by other leading raw milk producers and certain national or industrial standards:

	Protein Content	Fat Content	Bacterial Limits	Somatic Cell Count
	(%)		(CFU/ml)	
Our products[1]	≥3.2	≥4.1	<50,000	<200,000[4]
Modern Dairy[2]	≥3.1	≥3.7	<50,000	<250,000
PRC national standard	≥2.8	≥3.1	<2,000,000	N/A[5]
EU standard[3]	N/A	N/A	<100,000	<400,000
United States standard	≥3.2	≥3.5	<100,000	<750,000

Notes:

(1) Based on our production record for the year ended December 31, 2012.

(2) Based on data for the year ended December 31, 2012 as reported by Frost & Sullivan.

(3) Refers to 92/46/EEC Standard adopted by 15 EU member states.

(4) Verified by SGS.

(5) The PRC Government has not established any standard for the highest acceptable level of somatic cells.

For the years ended March 31, 2011, 2012 and 2013, approximately 1.0%, 29.5% and 57.2%, respectively, of our raw milk as measured by value is further processed into our liquid milk products and milk powder products, while the remainder is sold externally to our customers, including Shenyang Dairy and two leading dairy products companies. We have discontinued supplying raw milk to Shenyang Dairy since April 2012. As the raw milk pricing mechanism widely adopted in the industry rewards the quality of raw milk, particularly protein and fat content, we are able to sell our raw milk at a relatively high price. During the Track Record Period, the average selling price for our raw milk was approximately RMB4,500 per tonne, which is substantially higher than the industry average of RMB3,300 per tonne as of the end of 2012, according to Frost & Sullivan. Going forward, however, as part of our strategy to expand our downstream business and enhance our brand recognition, our raw milk produced will first be used to supply our own liquid milk and milk powder production.

Liquid Milk Products

We offer a variety of liquid milk products in four categories: fresh milk, UHT milk, milk beverage and yogurt. Currently, all of our liquid milk products are made using the premium raw milk we produce.

Set forth below are certain basic information about our liquid milk products as of March 31, 2013:

Product Category	Major Ingredients/ Protein Content	Product Offerings	Principal Brands	Shelf Life
Fresh Milk.........	• Pasteurized milk • Protein: 3.1% to 3.5% • Calcium	6	• Dr. Fresh	Three to five days in low temperature (2°C-6°C)
UHT Milk..........	• Milk • Protein: 2.3% to 3.6% • Other flavoring	13	• Jersey Queen • Nature's Farm • Huishan	30 days to six months in ordinary temperature
Milk Beverage...	• Protein: 0.7%	2	• Wonderful	Six months in ordinary temperature
Yogurt...............	• Milk • Protein: 2.3% to 3.1% • Fruit pulps • Other flavoring	26	• Colostrum 24K • Fruity Excellence • Huishan • Ten Days	10 to 21 days in low temperature (2°C-6°C)

Fresh Milk

We market various fresh milk products under different brands. Our fresh milk products are pasteurized milk made from premium raw milk. Pasteurization is generally adopted in the modern dairy industry to reduce the risks of disease from microbial growth while preserving the nutrients of raw milk. The protein and fat content of our fresh milk products contribute to the smooth and rich taste of our fresh milk products. Set forth below are certain basic information about our fresh milk products as of March 31, 2013:

	Brand	**Suggested Retail Price**	**Feature**	**Positioning**
		(per 100 ml)		
	Dr. Fresh	RMB0.65 to RMB1.21	• Protein content: 3.1% to 3.5% • Fat content: 3.3% to 3.5% • Calcium additives	• Mid- and high-end product

UHT Milk

We market various UHT milk products under different brands. Compared with our fresh milk products, our UHT milk products have longer shelf life. We also offer flavored UHT milk. Set forth below are certain basic information about our UHT milk products as of March 31, 2013:

	Brand	**Suggested Retail Price**	**Feature**	**Positioning**
		(per 100 ml)		
	Jersey Queen	RMB2.92 to RMB3.67	• Protein content: above 3.6% • Fat content: above 4.5%	• High-end product
	Nature's Farm	RMB1.58	• Protein content: above 3.3% • Fat content: above 3.5%	• Mid- to high-end product
	Huishan — low fat	RMB1.16	• Protein content: above 3.3% • Fat content: above 1.3%	• Mid-end product

	Brand	Suggested Retail Price (per 100 ml)	Feature	Positioning
	Huishan — flavored milk	RMB0.88 to RMB0.97	• Protein content: above 2.3% • Fat content: above 2.5% • Flavors including chocolate, walnut and coffee	• Mass-market product
	Huishan — pure milk	RMB0.68 to RMB0.97	• Protein content: above 3.0% • Fat content: above 3.3%	• Mass-market product

Milk Beverage

Our milk beverage products are made by blending probiotic lactic acid bacteria and raw milk with other ingredients. Different from milk beverage products available in the market that are typically made of milk powder, our milk beverage products are made of fresh milk. We plan to further expand our milk beverage product line into the premium segment. Set forth below are certain basic information about our milk beverage products as of March 31, 2013:

	Brand	Suggested Retail Price (per 100 ml)	Features	Positioning
	Wonderful	RMB0.70	• Made from raw milk and probiotic lactic acid bacteria	• Mass-market product

Yogurt

We market various yogurt products under different brands. Our yogurt products are made by cultivating live lactic acid bacteria in our premium raw milk. In addition to plain yogurt, we offer flavored yogurt by blending plain yogurt with fruit pulps. Set forth below are certain basic information about our yogurt products as of March 31, 2013:

	Brand	**Suggested Retail Price**	**Features**	**Positioning**
		(per 100 g)		
	Colostrum 24K	RMB5.93	• High nutrition value	• High-end product
	Fruity Excellence	RMB2.95	• Ample fruit pulp and fruit jam	• High-end product
	Ten Days	RMB1.35	• 10-day shelf life	• Mid-end product
	Huishan	RMB0.94 to RMB1.50	• Various flavors and packing sizes available	• Mid-end and mass-market product

Milk Powder Products and Dairy Ingredients

We began commercial production of milk powder products in January 2013. We currently offer branded infant milk formula powder to end-consumers. We also supply infant milk formula powder to other producers of milk powder products under an OEM agreement. In addition, we offer certain dairy ingredients, including non-dairy creamers and D90 whey powder, to our industrial customers. We also plan to sell formula base powder to our industrial customers. Furthermore, we are exploring opportunities to sell additional dairy products and ingredients such as milk powder for soft serve, fresh cream and sweetened condensed milk. Set forth below are certain information about our branded consumer milk powder products:

Product Category	Major Ingredients / Protein Content	Packaging Types	Principal Brands	Target Market	Shelf Life
Infant Milk Formula Powder	• Raw milk and/or milk powder • D90 whey powder • Vegetable fat • Mineral premix • Vitamin premix • Protein: 11-20% depends on formulation • Fat: 20-28% depends on formulation	• Box: 400 grams • Bag: 400 grams • Can: 900 grams	• Huishan Gold Queen • Huishan Gold Label • Huishan • Huishan Grace Star	• Tier two to tier six cities	• Box and bag: 18 months • Can: 24 months

Set forth below are certain information about our milk powder products and dairy ingredients supplied to industrial customers:

Product Category	Major Ingredients / Protein Content	Packaging Types	Target Market	Shelf Life
Infant Milk Formula Powder	• D90 whey powder • Raw milk and/or milk powder • Vegetable fat • Mineral premix • Vitamin premix • Protein: 10.9% • Fat: 28.2%	• Can: 800 grams • Box: 400 grams • Bulk bag: 25 kilograms	• Nutritional powder marketers • Nutritional powder producers	• Box: 18 months • Can: 24 months
Non-dairy Creamers	• Vegetable fat, mono- and disaccharides and sodium caseinate	• Bulk bag: 25 kilograms	• FrieslandCampina	• 24 months
D90 whey powder	• Sweet whey powder	• Bulk bag: 25 kilograms	• Domestic and overseas nutritional powder producers	• 18-24 months

Infant Milk Formula Powder

We offer infant milk formula powder for three different stages: Stage 1 for new born infants up to six months of age; Stage 2 for infants aged from 6 months to 12 months; and Stage 3 for infants aged one to three years old. Our infant milk formula powder is made of our premium raw milk, D90 whey powder and other ingredients such as calcium and DHA, using our proprietary formula. Set forth below are certain information about our infant milk formula powder products as of March 31, 2013:

	Brand	**Suggested Retail Price**	**Feature**	**Positioning**
		(per 100 grams)		
	Huishan Gold Queen	RMB43.11 to RMB47.56	• Proprietary formulas tailored to infants at different stages. • Made of Jersey cow milk • Key ingredients include O-P-O, alpha lactalbumin probiotics and FOG+GOS.	• Ultra-high-end product • Tier two to tier three cities
	Huishan Gold Label	RMB24.75 to RMB33.11	• Proprietary formula • Key ingredients include O-P-O, alpha lactalbumin, DHA+ARA and FOS+GOS.	• High-end and mid-end product • Tier two to tier three cities
	Huishan	RMB17.25 to RMB21.67	• Proprietary formulas to improve the infant development of body, brain, eyes, immunity and digestion.	• Mid-end and mass-market product • Tier three to tier six cities

	Brand	Suggested Retail Price (per 100 grams)	Feature	Positioning
	Huishan Grace Star	RMB10.50 to RMB13.00	• Proprietary formulas to provide balanced nutrition for infants.	• Mass-market product • Tier three to tier six cities

Dairy Ingredients

We offer non-dairy creamers and D90 whey powder to our industrial customers. Our premium non-dairy creamers and D90 whey powder are produced using advanced technologies and equipment sourced from Europe. We are the only company in China that has received the official approval for production and sale of D90 whey powder, and sells D90 whey powder as a product according to Frost & Sullivan. We commenced commercial production of D90 whey powder in January 2013. We have entered into a long-term supply agreement for our non-dairy creamers and we commenced sales of non-dairy creamers and D90 whey powder in September 2013.

Grain Processing and Trading

Our grain processing and trading business was carried over from Liaoning Huishan Dairy. The substantial majority of turnover generated from the grain processing and trading business for the year ended March 31, 2011 came from Liaoning Huishan Dairy's operations before our acquisition in February 2011, and such operations included the processing and sales of corn meals and corn grits, rice products and various by-products of grain processing. We are required by the IFRS to include the results of operations of an acquired entity prior to the acquisition. As disclosed in Section B Note 29(e)(i) of the Accountants' Report, the results of operations of Liaoning Huishan Dairy have been consolidated into our results of operations at the beginning of the Track Record Period by using the merger basis of accounting for business combinations involving entities under common control, as if the acquisition had occurred at the beginning of the Track Record Period and the current group structure had always been in existence throughout the Track Record Period from the Controlling Shareholder's perspective. Accordingly, the results of the operations of Liaoning Huishan Dairy from the beginning of the Track Record Period to the acquisition date, and the results of operations attributable to the processing and sales of corn meals and corn grits, rice products and various by-products of grain processing, were included in our consolidated results of operations.

After our acquisition of Liaoning Huishan Dairy, we began to phase out the grain processing and trading business, and the turnover from the grain processing and trading business continued to decrease both in absolute terms and as a percentage of our consolidated turnover. For the year ended March 31, 2012, turnover from the grain processing and trading business was primarily attributable to the sales of processed corn, which was the inventory from the previous fiscal year. In particular, as the market price of corn increased rapidly in the summer of 2011, we switched the business focus of Liaoning Huishan Dairy to processed corn trading. For the year ended March 31, 2013, as corn prices decreased, we reduced the processed corn trading business gradually and sold out the remaining inventory of corn. We discontinued our grain processing business on January 25, 2011 and our grain trading business on March 28, 2013.

CUSTOMERS

Our products are sold to industrial customers as well as retail customers. The table below sets forth certain information about our industrial customers and retail customers:

	Major Customers	Principal Products Purchased	Use of Our Products
Industrial Customers			
Raw milk	• Two leading dairy products companies	• Raw milk	Production of other end products
Milk powder products and dairy ingredients	• Marketer of infant milk formula powder • FrieslandCampina	• Infant milk formula powder • D90 whey powder • Non-dairy creamers	Production of other end products
Retail Customers			
Liquid milk products	• Distributors • Modern channels • Specialty channels	• Fresh milk • UHT milk • Milk beverage • Yogurt	Sell to other retailers or end-consumers, or for own consumption
Milk powder products	• Distributors • Modern channels • Specialty channels	• Infant milk formula powder	Sell to other retailers or end-consumers, or for own consumption

Our largest customer contributed 50.0%, 37.1% and 20.3% of our total turnover for the years ended March 31, 2011, 2012 and 2013, respectively. Our five largest customers contributed in aggregate 76.2%, 60.4% and 32.0% of our total turnover for the years ended March 31, 2011, 2012 and 2013, respectively.

We sold approximately 69.6%, 39.5% and nil of our raw milk and approximately 100.0%, 20.9% and 0.01% of our liquid milk products, both in terms of sales value, to Shenyang Dairy, a related party, for the years ended March 31, 2011, 2012 and 2013, respectively, who was our largest customer on a consolidated basis for each of the two years ended March 31, 2011 and 2012, respectively. We discontinued supplying raw milk and liquid milk products to Shenyang Dairy in April and June 2012, respectively. Our Directors confirmed that these sales were made on terms that are comparable with the terms for sales to our other customers for raw milk and were made on normal commercial terms. Our Directors also confirm that the sales of liquid milk products to Shenyang Dairy were also conducted on an arm's-length basis. See "Financial Information—Principal Income Statement Components—Turnover—Liquid Milk Business" for further details.

Our Directors confirm that, except as disclosed above, as of the Latest Practicable Date, all of the other major customers were Independent Third Parties and none of our Directors or their associates or our existing Shareholders who, to the knowledge of our directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers.

Industrial Customers

Raw Milk

Currently, our raw milk is primarily used for our internal production of liquid milk products and milk powder products. We also sell our raw milk to two large-scale nationwide dairy product manufacturers in China. Sales to one of these two customers accounted for approximately 19.1%, 27.7% and 33.1%, and sales to the other customer accounted for approximately 9.9%, 2.0% and 7.7%, of our sales of raw milk for the years ended March 31, 2011, 2012 and 2013, respectively.

We entered into a framework agreement in September 2012, with one of these two customers that has a term of 10 years, which was replaced by a further agreement entered into with the customer in September 2013, which extended the term of the agreement to March 2024. The agreement provides a minimum purchase and sale obligation. In case of failure to perform, either party can sue for breach of contract and may obtain compensation for damage it suffered, if any. Definitive supply agreements under the framework agreement are entered into separately with this customer. Under the agreement, the pricing of the raw milk sold to this customer is subject to certain quality standards and calculated with reference to a base price. The base price shall be agreed by both parties annually base on the then market price. The customer shall pay us for raw milk delivered on a semimonthly basis. The agreement can be terminated at any time if agreed by both parties. Upon expiry of the supply agreement, if one party wishes to renew the agreement, it should give the other party 30 days prior notice.

In May 2013, we entered into a framework agreement that has a term of 10 years with the other raw milk customer. The framework agreement provides a minimum purchase obligation. In case of failure to perform, we can sue for breach of contract and may obtain compensation for damage we suffered, if any. Definitive supply agreements under this framework agreement are separately entered into with this customer. The key terms of the supply agreement with this customer are the same as those in the supply agreements with the other customer.

One of our industrial customers, being 內蒙古伊利實業集團股份有限公司* (Inner Mongolia Yili Industrial Group Co., Ltd.) has approved to (subject to certain conditions) invest, through its wholly-owned subsidiary Yili International Development Co., Limited, Shares of the Company in the amount of US$50 million as part of the International Offering as a cornerstone investor. For details of this agreement, please refer to the section headed “Cornerstone Investors” of this prospectus.

Milk Powder Products and Dairy Ingredients

We sell infant milk formula powder to our industrial customers. We have entered into a long-term supply agreement for our non-dairy creamers and we commenced sales of non-dairy creamers and D90 whey powder in September 2013. Our D90 whey powder is a key ingredient for infant milk formula powder. Our non-dairy creamers can be used as coffee creamers and for other food applications.

We have entered into a 10-year supply agreement for non-dairy creamers with FrieslandCampina in December 2012. Under the supply agreement, monthly demand forecast and production plan will be agreed upon on a regular basis, and the minimum supply and purchase obligations are also specified in the agreement. The price of the non-dairy creamers is determined through a formula as set out in the agreement, calculated with reference to, among others, raw material cost, packaging costs and processing fee.

We have entered into an OEM agreement in October 2012 with a term of approximately two years with a milk powder product marketer to produce infant milk formula powder, which will be marketed under its own brand. This agreement also sets forth the formula for calculation of the purchase price and the estimated production volume target for 2013 and 2014.

Retail Customers

Our liquid milk products and our branded infant milk formula powder products are sold to end consumers through third-party distributors, and various retail chains in our modern channels and specialty channels. Retail chains in our modern channels include international supermarkets, national supermarkets, regional supermarkets, convenience stores and department stores. Our specialty channels include home delivery system, e-commerce platforms, club memberships and other channels that are developed to meet demand of special purchase habits. See "— Sales, Marketing and Distribution — Distribution Network" for further details.

We have established a customer service hotline for any satisfaction issues or other feedbacks. We typically respond to the feedbacks promptly. We believe that our customer service hotline enables us to achieve a top-rated consumer satisfaction as a liquid milk brand in Northeastern China as reported by Frost & Sullivan.

SALES, MARKETING AND DISTRIBUTION

Sales and Marketing

Currently, our main markets are in the three provinces in Northeastern China. We have built strong brand recognition for our "Huishan" brand. We adopted a branding strategy to market our products across a broader range of product segments and consumer groups with different purchasing power. See "— Our Products" for further details. We also engage in a variety of marketing and promotional activities tailored to different consumer groups to promote brand recognition of our products, including the following:

- Undertaking image advertising, including the placement of TV advertisements, and engaging in educational campaigns to promote our belief that product safety lies in the complete control of the entire dairy products value chain and full traceability of the dairy products.

- Open-house events at our dairy farms and production facilities to demonstrate our stringent safety control and advanced production processes.

- Establishing demonstration shops within supermarkets or other major retail outlets to promote our brand image and products.

- Actively participating in philanthropic and public interest activities to further forge consumer trusts in our brands.

- Establishing image of experts in infant nutrition and food through promotional campaigns.

- Promoting our brand image and consumer loyalty through social media and the internet.

According to Frost & Sullivan, we ranked first in terms of consumer satisfaction as a dairy brand and liquid milk brand in Northeastern China, with approximately 42.0% and 47.3% of surveyed interviewees voted us as the most satisfactory dairy brand and liquid milk brand, respectively.

We are constantly seeking to develop our brand and product portfolio to meet evolving consumer preferences and target key growth markets. Our dedicated sales and marketing teams are regularly in contact with our customers and distributors to understand consumers' needs and market changes.

Distribution Network

For sales to our industrial customers, we engage in direct sales. For our sales to retail customers, our distribution network is structured to facilitate the sales of different products to address different customer demands, and comprises third-party distributors, modern channels and specialty channels. Currently, our retail distribution network primarily covers Liaoning Province, Jilin Province and selected major cities in Heilongjiang Province, as well as Shandong Province and Beijing. Our third party distributors include primarily regional distributors that are specialized in efficient distribution of dairy products. For retail customers that focus more on the mid-end market and have lower purchase volume, we typically sell through third-party distributors. In addition, we use third-party distributors to penetrate into new geographic markets in order to benefit from their established relationship with the local sales channels. Our modern channels include various retail chains, namely international supermarkets, national supermarkets, regional supermarkets, convenience stores and department stores. Our specialty channels include home delivery system, e-commerce platforms, club memberships and other channels that are developed to meet the demand of special purchase habits.

The distribution network for our liquid milk products primarily covers Liaoning Province, Jilin Province, and selected major cities in Heilongjiang Province. We typically sell our full line of liquid milk products through the retail chains in our modern channels. On the other hand, we focus on selling our UHT milk products and milk beverage products that are positioned as mid-end dairy products through our third-party distributors. Lastly, we provide our fresh milk and yogurt products to end consumers in Liaoning Province directly through our home delivery service to guarantee the freshness of our products. The sales channels for our liquid milk products and milk powder products are generally different. We primarily use third party distributors for our milk powder sales, and our distribution network for these products currently covers Liaoning Province, Jilin Province and Shandong Province. We also utilize logistic centers located in Shenyang, Liaoning Province and Jinan, Shandong Province to facilitate the distribution of our milk powder products. In Northeastern China, we also sell our milk powder products through the retail chains in our modern channels. Furthermore, we sell our milk powder products through our specialty channels throughout the country.

The table below sets forth the breakdown of our consolidated turnover by direct sales and sales to distributors, each expressed as a percentage of our consolidated turnover, for the periods indicated:

	Year Ended March 31,					
	2011		2012		2013	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Raw Milk						
Sales to Shenyang Dairy	171,678	45.9	375,962	28.3	—	—
Industrial customers	72,344	19.4	295,981	22.2	680,608	26.7
Subtotal	244,022	65.3	671,943	50.5	680,608	26.7
Liquid Milk Products						
Sales to Shenyang Dairy	15,388	4.1	118,181	8.9	218	0.0
Distributors	—	—	331,878	24.9	1,154,776	45.3
Modern channels	—	—	100,552	7.5	497,708	19.5
Specialty channels	—	—	13,699	1.0	54,430	2.1
Subtotal	15,388	4.1	564,310	42.3	1,707,132	66.9
Milk Powder Products						
Industrial customers	—	—	—	—	9,249	0.3
Distributors	—	—	—	—	76,713	3.0
Modern channels	—	—	—	—	2,090	0.1
Subtotal	—	—	—	—	88,052	3.4
Grain Processing and Trading[(1)]	114,635[(2)]	30.6	96,541	7.2	76,646	3.0
Turnover	**374,045**	**100.0**	**1,332,794**	**100.0**	**2,552,438**	**100.0**

(1) We discontinued our grain processing business on January 25, 2011 and our grain trading business on March 28, 2013.

(2) Consists primarily of turnover generated by Liaoning Huishan Dairy's operations prior to our acquisition of this subsidiary.

Third-Party Distributors

We have established a wide network of third-party distributors in Northeastern China and engaged a number of distributors in Shandong Province and Beijing. As of March 31, 2011, 2012 and 2013, we had a total of nil, 358 and 394 third-party distributors, respectively. We select our distributors based on their reputation, market coverage, sales experience and ability to foster relationships with local customers, financial strength and existing or potential size of their distribution force. Our distributors generally have experience in the sales of dairy products and are equipped to transport and store dairy products that are prone to spoil. Except for Shenyang Dairy, all of our distributors during the Track Record Period are independent third parties.

Under our distributorship arrangements, our distributors purchase our products from us and subsequently sell our products within a designated region to retailers, dedicated dairy stores or end-consumers. Based on our accounting policy, we recognize revenue from sales to our distributors when we deliver our products and the significant risks and rewards of ownership of our products are transferred to them. We typically enter into written distribution agreements for a one-year term that are generally renewed annually. In addition, we typically enter into non-exclusive agreements under which we are not bound to only sell to such distributor within a defined territory. We believe that such an arrangement provides us with the flexibility to retain distributors with similar geographic coverage but entire different product focuses. Meanwhile, our distributor agreements prohibit our distributor from selling the type of products that we have designated another distributor in the same territory. We also prevent potential competition from delivering the products that we have delegated to other distributors. Our distribution agreements typically have certain periodic sales targets to facilitate our evaluation of the performance of our distributors. Failure of our distributors to achieve the sales targets would not result in any penalty, but may result in non-renewal of the distribution agreement. Guidance on retail prices of our products are also included in the distribution agreements. As of the Latest Practicable Date, no investigation, inquiry or penalty has been instituted or imposed against us as a result of the guidance on retail price included in the distribution agreements entered into between us and our distributors. As advised by the PRC legal advisor, the likelihood is remote that such retail price guidance terms would subject us to the PRC anti-monopoly law. Our distribution agreements also typically provide that we and a distributor will separately negotiate in case of unsold products. However, we have never experienced any product return that has a material impact on our results of operations or financial condition. In addition, if the distributors sell competing products from other companies, we also reserve the right to terminate the distribution agreements. See "Financial Information — Analysis on Selected Financial Position Items — Trade and Other Receivables Analysis" for the payment arrangement.

We actively manage our distribution network and regularly review the performance of each of our distributors. During the Track Record Period, all of our third-party distributors complied with the distribution agreements in all material aspects. The primary reason for non-renewal of a distribution agreement is the failure of the distributor to meet the sales target. We actively monitor our distributors' inventory level, and none of our distributors have experienced obsolete inventories during the Track Record Period. As a result, we believe that the increase in our consolidated turnover during the Track Record Period was not caused by accumulation of inventory at the distributors' level, as we did not experience any product returns that had a material impact on our results of operations from our distributors during the Track Record Period.

The table below sets forth the movement of the number of our third-party distributors and points of sales during the Track Record Period:

	Year Ended March 31,		
	2011	2012	2013
	Third-party distributors	Third-party distributors	Third-party distributors
Opening Balance	—	—	358
Addition	—	358	82
Non-renewal	—	—	46
Net Increase	—	358	36
Closing Balance	—	358	394[(1)]

(1) Commercial production and sales of our milk powder products started in January 2013.

Going forward, we plan to select reputable third party distributors to leverage their existing distribution networks and relationships with key retailers to establish our presence. To expedite our expansion, we will engage only one layer of third party distributors, who in turn deal with the retailers directly. Based on specific market and product demands, we may determine to engage third party distributors to distribute one or all types of our products in a specific region. For our liquid milk products, we will initially target selected provinces and major cities outside Northeastern China. For our milk powder products, we will initially target selected provinces in Northeastern China, Northern China and Central China.

Modern Channels

Our extensive modern channels distribute our liquid dairy and milk powder products in the whole Liaoning Province, Jilin Province and selected major cities in Heilongjiang Province. Our modern channels include various retail chains, namely international supermarkets, national supermarkets, regional supermarkets, convenience stores and department stores. We make direct sales to these retail chains that subsequently sell our products to end-consumers through various outlets within the retail chain. As of March 31, 2011, 2012 and 2013, our modern channel includes a total of nil, 305 and 404 retail chains, respectively. We select our retail chains based primarily on their reputation and market coverage. All of the retail chains during the Track Record Period are independent third parties.

The table below sets forth the movement of the number of our retail chains during the Track Record Period:

	Year Ended March 31,		
	2011	2012	2013
	Retail chains	Retail chains	Retail chains
Opening Balance	—	—	305
Addition	—	305	116
Non-renewal	—	—	17
Net Increase	—	305	99
Closing Balance	—	305	404(1)

(1) Commercial production and sales of our milk powder products started in January 2013.

Specialty Channels

Our specialty channels include home delivery systems, e-commerce platforms, club memberships and other channels that are developed to meet the demand of special purchase habits. Currently, our home delivery system is available for fresh milk products in Liaoning Province only, while our other specialty channels can place our milk powder products throughout China. Going forward, we expect our specialty channel to be a strong growth driver for the sales of our milk powder products.

RAW MATERIALS AND SUPPLIERS

The principal raw materials that we use are alfalfa seeds, corn, soybean meals, cotton meals, heifers, frozen semen and whey powder, including D90 whey powder for the production of formula milk powder and sweet whey powder for the production of D90 whey powder. We source our alfalfa seeds from two suppliers who import from multiple sources in the United States and Canada. We source other major raw materials from multiple suppliers. Historically, we also sourced alfalfa from a domestic grain and grass trading and importing company, and concentrated feeds from a number of local producers before our production output of alfalfa and concentrated feeds could satisfy our internal demand.

The table below sets forth certain information of our raw materials and their respective external suppliers:

Raw Materials	Principal Sources
Alfalfa seeds	United States and Canada
Corn and soybean	Liaoning Province, China
Heifers	Australia, New Zealand and Uruguay
Frozen semen	United States and Canada
Sweet whey powder	United States and France
Packaging materials	China

We implement stringent quality standards and quality control procedures on the raw materials we procure. Crops that fail to meet our strict standards are rejected and returned. Our feeds procured from external suppliers are quarantined upon delivery while our quality control team performs the requisite inspection. Such feeds are accepted and stored in our warehouse only after being approved by our quality control department. Feeds that fail the inspection are rejected and immediately returned to the suppliers. Heifers imported from Australia, New Zealand and Uruguay will undergo disease inspections and quarantine before being housed in our dairy farms. Heifers we imported from Australia, New Zealand and Uruguay have never been found to be contaminated by any harmful substances. Inspection procedure for quality assurance performed on heifers we import include (i) examination of physical attributes and pedigree; (ii) quarantine of at least one month at the origin country and extensive medical examination; (iii) various inspections performed by PRC Government officials in the origin country; and (iv) 45-day quarantine and extensive medical examination upon entering China. We require the frozen semen imported from the United States and Canada to be accompanied by a quarantine report of each supplying bull before the frozen semen is accepted. Whey powders imported from United States and France are also inspected upon delivery, and will be rejected if they fail our quality inspection. See "— Product Safety and Quality Control" for further details. During the Track Record Period and up to the Latest Practicable Date, our raw materials have never been found to be contaminated by any harmful substances. In August 2013, certain batches of whey powder concentrates, or WPC, imported from New Zealand produced by Fonterra Co-operative Group Limited, or Fonterra, in May 2012 were reported to be contaminated by Clostridium botulinum and the producer subsequently initiated a precautionary recall of its products. The Ministry for Primary Industries of New Zealand subsequently confirmed that additional independent testing definitively established that there was no Clostridium botulinum presented in the whey powder concentrates. We imported 20 tonnes of WPC produced in November 2012 by Fonterra for approximately RMB1 million. We have performed our routine quality inspection on these WPCs upon their arrival and did not find any harmful substances. However, given Clostridium botulinum is not part of our routine inspection item and the current PRC laws and regulations do not require the inspection of Clostridium botulinum, we have stored 13 tonnes of the unused WPCs separately to assure our product safety. We are in the process of implementing a botox inspection procedure.

Other raw materials we imported from New Zealand and Australia include whole milk powder and WPCs. For the years ended March 31, 2011, 2012 and 2013, we purchased approximately 55 tonnes, 67 tonnes and 647 tonnes, respectively, of dairy ingredients from New Zealand and Australia for approximately RMB2.2 million, RMB2.4 million and RMB26.0 million, respectively. Such purchases represented approximately 11.2%, 0.5% and 1.8% of our total purchases for the years ended March 31, 2011, 2012 and 2013, respectively. The dairy ingredients we purchased were primarily whole milk powder. Considering the amount, volume and type of raw materials we imported from New Zealand and Australia, we believe that we can easily procure alternative suppliers in other countries such as FrieslandCampina from the Netherlands and Glanbia from North America at comparable prices and qualities.

Our procurement policy requires multiple suppliers for each of our major raw materials to minimize any potential disruption of our operations, maintain sourcing stability and secure competitive prices from suppliers. During the Track Record Period, all of our major raw materials were sourced from multiple suppliers. We typically do not enter into long-term agreement with our suppliers.

For the years ended March 31, 2011, 2012 and 2013, our largest supplier accounted for 31.4%, 26.4% and 18.3%, respectively, of our total purchase, and our five largest suppliers together accounted for 60.6%, 37.1% and 36.5%, respectively, of our total purchases. Shenyang Dairy was our second largest supplier for each of the years ended March 31, 2011 and 2012. For the year ended March 31, 2011, purchases from Shenyang Dairy represented approximately 10.6% of our total purchases for the year, primarily supplying feeds for dairy cows and other raw materials for the production of liquid milk products from its inventory. For the year ended March 31, 2012, purchases from Shenyang Dairy represented approximately 4.6% of our total purchases for the year, primarily contract manufacturing services for certain types of liquid milk products which complemented our product range as we did not have the packaging capabilities at that time for the products Shenyang Dairy processed for us. Our Directors confirmed that these purchases were made on normal commercial terms. Our Directors confirm that, as of the Latest Practicable Date, except as disclosed above, the rest of the five largest suppliers were Independent Third Parties and none of our Directors or their associates or our existing Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers.

RESEARCH AND DEVELOPMENT

We believe that research and development is critical in maintaining our competitive edge and advantages. In order to keep pace with the technological developments in the dairy industry and to continually enhance our competitive advantages, we place significant emphasis on research and development. Since our establishment, we have focused our research and development efforts in enhancing milk yield and offering new products. In particular, we have been focusing our research and development efforts on feeds formula, dairy cows breeding, herd management and disease control. We have also devoted substantial efforts in developing new products to address the evolving consumers preferences and also to improve profitability. Our research and development team consists of 25 members, eight of which have received master degrees and 11 of which hold senior professional titles in their respective fields.

INTELLECTUAL PROPERTY

We rely primarily on a combination of patents, copyrights, trademarks and trade secrets, as well as employee and third party confidentiality agreements to protect our intellectual property. As of the Latest Practicable Date, we had received a total of two patents in China.

With respect to, among other things, proprietary know-how that is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements to safeguard our interests. We believe that certain elements in our operations are not covered by patents or copyrights, and we have taken security measures to protect these elements. All of our research and development personnel have entered into confidentiality and proprietary information agreements with us. These agreements address intellectual property protection issues. Meanwhile, under the PRC legal system, all of the patentable inventions, utility models and designs developed by our employees in connection with their employment with us are automatically assigned to us. We also require our customers and business partners to enter into confidentiality agreements before we disclose any sensitive aspects of our operations, technology or business plans.

As of the Latest Practicable Date, we had 15 registered trademarks under various classes that we consider to be material to our business and had 11 trademark applications under various classes that we consider to be material to our business. Furthermore, we are licensed to use one trademark in the PRC that we consider to be material to our business. As our brand name is becoming more recognized, we are working to increase, maintain and enforce our rights in our trademark portfolio, the protection of which is important to our reputation and branding.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology or proprietary know-how. It is difficult to monitor unauthorized use of technology and know-how, particularly in foreign countries where the laws may not adequately protect our proprietary rights. In addition, our competitors may independently develop technology and/or know-how similar to ours. Our precautions may not prevent misappropriation or infringement of our intellectual property.

During the Track Record Period and as of the Latest Practicable Date, we had not been subject to any material intellectual property claims against us.

COMPETITION

The dairy industry in China is highly competitive. In particular, the latest policies issued by the PRC Government is expected to raise the entry barrier of the fragmented milk powder sector. Competitive landscapes differ from segments to segments along the dairy industry value chain. For the sales of raw milk, primarily due to the regional nature of raw milk sales and our premium quality, we do not face any competition in Liaoning. For our liquid milk products, we face direct competition with large-scale national dairy products producers, including Mengniu Group and Yili Group, as well as regional or local dairy products producers, including Bright and Wondersun. For our milk powder products, we compete with domestic manufacturers including Yili Group and Biostime, as well as foreign manufacturers including MeadJohnson, Wyeth, Abbot and Nestle. According to Frost & Sullivan, we had a market share of 13.7%, for our liquid milk products in Northeastern China in 2012, which accounted for approximately 10% of the total liquid milk products market in China in 2012.

EMPLOYEES AND STAFF

As of March 31, 2013, we had a total of 7,507 staff members, including 5,353 staff members employed by a state-owned service dispatching company, an Independent Third Party and qualified to provide staff dispatching services to a number of domestic and multinational corporations throughout China. For positions that have higher turnover rates, we typically increase the use of staff from a service dispatching company, as the replacement of a directly employed staff takes much longer than replacing staff from service dispatching company. The table below sets forth a breakdown of our staff members as of March 31, 2013.

Function	Direct Employees	Employee of Service Dispatching Company	Total	Percentage of Total Number of Staff
				(%)
Head Office	123	25	148	2.0
Feeds Plantation	17	74	91	1.2
Feeds Processing	53	118	171	2.3
Dairy Farming	585	3,448	4,033	53.7
Liquid Milk Production	257	239	496	6.6
Liquid Milk Sales and Distribution	694	1,095	1,789	23.8
Milk Powder Production	369	203	572	7.6
Milk Powder Sales — Retail Customers	46	150	196	2.6
Milk Powder Sales — Industrial Customer	10	1	11	0.1
Total	**2,154**	**5,353**	**7,507**	**100.0**

For the years ended March 31, 2011, 2012 and 2013, the staff costs we incurred, including salaries, bonuses and other benefits, amounted to RMB19.9 million, RMB63.6 million and RMB110.5 million, respectively.

We provide management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. We sign individual employment agreements with our directly employed staff, covering, among other things, salaries, benefits, training, workplace safety and hygiene, confidentiality obligations relating to trade secrets and grounds for termination. The remuneration package of our directly employed staff includes salary, bonuses and allowances. Our directly employed staff also receive welfare benefits including medical insurance, housing subsidies, pension insurance, unemployment insurance, maternity insurance and other miscellaneous benefits. On the other hand, staff members employed by the service dispatching companies receive salaries and all the welfare benefits as required by law from the service dispatching company, who is their direct employer. As advised by our PRC legal advisor, Jingtian & Gongcheng, in case of the service dispatching company's failure to pay any of the salary or other welfare benefits as required by law, we may be jointly and severally liable for such incidents. However, considering that (i) we are entitled to indemnification from the service dispatching company; (ii) the relevant government authority has confirmed that we have complied with all the applicable laws and regulations with regard to using staff dispatching services; and (iii) the service dispatching company has represented to us in various confirmation letters that it has complied with all the applicable laws and regulations with regard to using staff dispatching services and the dispatching agreements between it and us, we do not believe that the requirement of joint and several liability in case of the service dispatching company's failure to pay the remuneration would have any material adverse effect on our business, results of operations or financial condition.

We are required under PRC law to make contributions to our employee benefit plans including pension, work-related injury benefits, maternity insurance, medical and unemployment benefit plans in respect of our directly employed staff. Our PRC legal advisor, Jingtian & Gongcheng, has advised us that contributions to these employee benefit plans have been made in a timely manner as required by applicable PRC regulations during the Track Record Period, and we were not subject to penalties or sanctions. As advised by our PRC legal advisor, Jingtian & Gongcheng, except for nine of our subsidiaries, we have also made contributions to the housing funds for our directly employed staff timely, and we are not in violation of the PRC laws and local regulations with regard to the provision of employee housing subsidies and housing funds during the Track Record Period. The government authorities may impose a fine with an aggregate amount of up to RMB50,000 on each of these subsidiaries for such non-compliance. Nevertheless, in May and June 2013, we have opened the housing funds accounts and have made contributions to such housing funds retroactively since January 2013. Furthermore, according to our PRC legal advisor, as we have obtained exemption letters for each of these subsidiaries, the probability that such fines will be imposed on us is remote. Our staff are not covered by any collective bargaining agreement. During the Track Record Period, we have not experienced any major disputes with our staff and we believe that we maintain a good working relationship with our staff. For the years ended March 31, 2011, 2012 and 2013, we made contribution to pension plans and housing funds of approximately RMB1.8 million, RMB7.2 million and RMB18.0 million, respectively.

INSURANCE

In general, insurance companies in the PRC could provide insurance coverage for dairy cows and heifers that are aged over 15 months (and inclusive) and the amount of the insurance premiums would depend on factors such as the type, age and milk yield of the cows and heifers. We have taken out insurance policies for all our milkable cows against death caused by certain diseases, illnesses, accidents and natural disasters. For our imported heifers, we require our suppliers to provide insurance coverage over the heifers during transit until they are delivered to us at the designated ports in the PRC. The diseases covered by the insurance policies for our dairy cows and heifers, include foot-and-mouth disease, mad cow disease, bovine ephemeral fever, tuberculosis and brucellosis. Upon the occurrence of an insurable event, the maximum compensation under the insurance policies would generally cover our costs to import a replacement heifer. The insurance policies we purchased are renewable on an annual basis. As of the Latest Practicable Date, no significant claims have been made by us under these insurance policies.

We also maintain insurance coverage for our production facilities and equipment. As of the Latest Practicable Date, no incident has occurred as a result of which we would have to make any significant claims under these insurance policies. Meanwhile, we maintain mandatory social security insurance policies for our employees in China pursuant to PRC laws and we make contributions to mandatory social security funds for our employees.

PROPERTIES

We occupy certain properties in China in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our plantation fields, dairy farms, offices, stores, warehouses and employee dormitories.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as of March 31, 2013, none of the properties held or leased by us has a carrying amount of 15% or more of our consolidated total assets.

Owned Properties

As of the Latest Practicable Date, we owned 56 parcels of land with a total area of 2,808,509 square meters and 199 buildings with a GFA of approximately 332,515.6 square meters. We have obtained land use right certificates for all of the 56 parcels of land and building ownership certificates for all of our 199 buildings. As confirmed by our PRC legal advisor, Jingtian & Gongcheng, we are entitled to use all of our land and we legally own all of our buildings.

As of the Latest Practicable Date, we had properties under construction in two of our dairy farms. The projected total cost of construction was approximately RMB145.1 million, of which approximately RMB37.3 million had already been utilized as of March 31, 2013. We financed the construction primarily though cash flow from operations and loans from banks. Our PRC legal advisor, Jingtian & Gongcheng, has confirmed that, as of the Latest Practicable Date, we have obtained the relevant construction approvals and permits for all of these properties under construction.

The following table sets out a summary of the land owned by us which are considered material as they are used as our dairy products production plants and dairy farms.

Address and description of location	Use of property	Gross floor area (square meter)	Expiration of lease or land use rights
Qilihe Town, Yi County, Liaoning Province	Industrial	200,000	2057
Jiubing Town, Fushun County, Liaoning Province	Industrial	420,094	2060
Xiushuihezi Town, Faku County, Liaoning Province	Industrial	306,600	2059
Xiushuihezi Town, Faku County, Liaoning Province	Industrial	253,400	2060
Various locations, Liaoning Province	Agricultural/ Industrial	1,628,415	2059 to 2062

Leased Properties Used in Our Business

As of the Latest Practicable Date, we leased 257,857.92 mu (approximately 172 million square meters) for plantation and dairy farming, and 82 buildings with a GFA of approximately 88,315.51 square meters. the lessors are entitled to lease these spaces, except as disclosed below:

We have not obtained appropriate agricultural land use approvals in accordance with PRC laws and regulations for Tashan farm and Nongyeyuan farm for the land with a total area of 251.7 mu (approximately 168,000 square meters) where these two farms locate. We leased the Nongyeyuan farm from an individual who failed to obtain any approvals before starting the operation. We did not obtain any discount due to such deficiency. On the other hand, a state-owned land lease right certificate for livestock husbandry purposes had been granted under the name of Shenyang Dairy for the Tashan farm, which was subsequently voided by the government as the land has been re-zoned for non-agricultural uses. As the lands on which these two dairy farms are located have been re-zoned for non-agricultural uses, the local governments were not able to issue us the agricultural land use approvals. As advised by our PRC legal advisor, without proper agricultural land use approvals, we may be ordered by government authorities to return the land if it is determined that we are occupying the agricultural land illegally and without proper authorization. The government authorities may also fine us for up to approximately RMB5.0 million for these two farms. However, we have received an exemption letter dated June 4, 2013 for the Tashan farm and an exemption letter dated June 6, 2013 for the Nongyeyuan farm, each issued by the district government on which the farm is located, the competent government authority to issue such exemption letter as advised by our PRC legal advisor. Such exemption letters confirmed that (i) we are allowed to continue to occupy the lands for dairy farming activities in the transition period, which means the period before we relocate the dairy farms and commence operations at the new dairy farms; and (ii) we will not be subject to any sanctions or penalties for such occupation of lands. The confirmation letters did not set any restriction on duration of the transition period, and we currently plan to relocate these farms in 2015. As a result, our PRC legal advisor advised us that the probability that the abovementioned sanctions, fines and orders will be imposed on us is remote. The validity of these exemption letters is further confirmed by the municipal government of Shenyang through a confirmation letter dated August 1, 2013. As of March 31, 2013, there were an aggregate of approximately 400 milkable cows and 1,000 calves and heifers in these two dairy farms. Our turnover attributed to these two dairy farms amounted to approximately RMB12.5 million, RMB38.0 million and RMB44.9 million for the years ended March 31, 2011, 2012 and 2013, respectively, accounting for approximately 3.3%, 2.9% and 1.8% of our turnover for the respective periods. We plan to relocate these two dairy farms in 2015, and the expenses we expect to incur in connection with such relocation are approximately RMB20 million. As a result, we do not expect that the suspension of operations at or relocation of these dairy farms will have a material adverse impact on us. In order to assure that the dairy farms we lease are free of defective titles or land use rights, we have enhanced our risk management system to ensure (i) the lessor has obtained all the necessary permits or approvals to use and lease the land; and (ii) there is no legal impediment for us in obtaining the necessary permits or approval for the land to be leased. Our enhanced risk management system requires the managerial staff in charge to conduct a thorough review process, including (i) reviewing relevant zoning ordinances and zoning plans; (ii) conducting title search; and (iii) where appropriate, consulting with competent government authorities or legal advisor.

Our PRC legal advisor has confirmed that we are using these leased properties in accordance with the permitted usages under the relevant lease agreements.

The following table sets out a summary of the properties leased by us which are considered material as they are used as our alfalfa and feed crops plantation fields.

Address and description of location	Use of property	Gross floor area (mu)	Expiration of lease or land use rights
Linghai City, Liaoning Province	Agricultural	91,420	2028
Changtu City, Liaoning Province	Agricultural	30,565	2028
Shenbei New District, Shenyang, Liaoning Province	Agricultural	81,662	2026 to 2028
Faku County, Liaoning Province	Agricultural	38,294	2027

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

We are subject to extensive national and local environmental laws and regulations where we operate concerning, among other things, emissions to the air, discharges to land, surface water and subsurface water, the generation, handling, storage, transportation, treatment and disposal of waste and other materials, and the remediation of environmental pollution relating to our properties and operations. The PRC national and local environmental laws and regulations impose fees for the discharge of waste substances above prescribed levels, require payments of fines for serious violations and provide that the PRC national and local governments may at their own discretion close or suspend the operation of any facility that fails to comply with orders requiring it to cease or remedy operations causing environmental damage. See "Regulatory Overview" for additional information.

Biowaste and wastewater are the primary wastes from our operations. We believe the relatively economical size of our dairy farms enables us to efficiently handle biowaste at lower costs. Each of our farms produces approximately 80 tonnes of biowaste per day. Based on our historical herd size, we estimate that the aggregate amount of biowaste generated from our dairy farms was approximately 0.8 million, 1.1 million and 1.5 million tonnes for the years ended March 31, 2011, 2012 and 2013, respectively. We have historically cleaned and collected these biowaste from our dairy farms and stored them in a separate processing zone to allow the biowaste composting into fertilizer. Such biowaste storage facilities at each of our dairy farms were sufficient to contain all the biowaste produced at each farm. The fertilizers were either used at our own alfalfa fields or picked up by local farmers for free. In August 2013, Zhao Ji Investment, a connected party, became the first company to have established facilities in the vicinity of our dairy farms to process biowaste into condensed natural gas and/or electricity on a commercial scale. Believing it is a cost effective and more environmentally friendly alternative to our previous treatment of the biowaste, we entered into agreement with Zhao Ji Investment pursuant to which Zhao Ji Investment started cleaning and collecting biowaste from our dairy farms for processing into condensed natural gas and/or electricity in August 2013. Please see the section headed "Connected Transactions" in this prospectus for details.

A cow population usually has an organic growth rate of 15% to 20% each year. Assuming an organic growth rate for our herd of 20% each year and that the average biowaste generated by our dairy cows does not change, we estimate that the aggregate amount of biowaste to be generated from our dairy farms will be approximately 1.8 million, 2.2 million and 2.6 million tonnes for the years ending March 31, 2014, 2015 and 2016, respectively. We currently provide a majority of our biowaste to Zhao Ji Investment while the remaining biowaste is processed into fertilizer as we have done historically. As Zhao Ji Investment's facilities continue to ramp up their production capacities, we expect to provide an increasing percentage of our biowaste to Zhao Ji Investment. Because the costs we incur for collecting, storing and processing biowaste into fertilizer and transporting such fertilizer to our alfalfa fields will offset any economic benefits to us from using such fertilizer, even if we decide to provide all biowaste generated from our farms to Zhao Ji Investment in the future, we do not expect it to have any material adverse effect on our alfalfa output or operating costs or otherwise materially and adversely affect our financial condition or results of operations. Accordingly, when deciding whether we will retain part of our biowaste for processing into fertilizer, we will consider the costs and benefits involved as discussed above. Currently, we estimate that we will provide not less than 85% of our biowaste to Zhao Ji Investment in the next three financial years.

We have installed various types of anti-pollution equipment in all our facilities to reduce, treat, and where feasible, recycle the wastes generated in our manufacturing process. We have also built appropriate facilities to filter and treat waste water and recycle the water back into our manufacturing process, as well as treat gaseous waste to reduce contaminant levels to below the applicable environmental protection standard before emission. For the years ended March 31, 2011, 2012 and 2013, our annual cost of compliance with environmental protection rules and regulations was approximately RMB22.1 million, RMB23.7 million and RMB29.7 million, respectively. We expect our annual cost of compliance with environmental protection rules and regulations for the year ended March 31, 2014 to be RMB54.5 million.

We are also subject to the PRC laws and regulations regarding labor, safety and work related incidents. We provide our employees working in our manufacturing facilities with adequate safety equipment and precautionary measures. In addition, we provide safety-related education to our employees to increase awareness as to safety in the workplace. Relevant warning signs are always used at required locations. During the Track Record Period, we had complied with the relevant PRC workplace safety regulatory requirements in all material respects and have not had any incidents or complaints which had materially and adversely affected our financial condition or business operations, except as disclosed in "— Licenses, Regulatory Approvals and Compliance Record".

As advised by our PRC legal advisor, Jingtian & Gongcheng, we have obtained all of the environmental and work safety permits necessary to conduct our business and are currently in compliance with applicable environmental and work safety laws and regulations in all material respects except as disclosed in "— Licenses, Regulatory Approvals and Compliance Record". During the Track Record Period, no administrative sanctions or penalties that have a material and adverse effect on our financial condition or business operations have been imposed upon us for the violation of environmental protection or safety laws or regulations. We have also received ISO14001: 2004 certification for environment management and GB/ T28001-2001 certification for our occupational safety management system.

LEGAL PROCEEDINGS

We are currently not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceedings, which, in our opinion, is likely to have a material and adverse effect on our business, financial conditions or results of operations. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

LICENSES, REGULATORY APPROVALS AND COMPLIANCE RECORD

Our Directors, as advised by our PRC legal advisor, confirm that as of the Latest Practicable Date, we have complied with all relevant PRC laws and regulations in all material respects and have obtained all requisite licenses, approvals and permits from relevant regulatory authorities for our operations in China and new farms under construction, except as disclosed below. The Joint Sponsors discussed with their PRC legal advisor, Commerce & Finance Law Offices, with respect to the licenses, rights and permits required for us to carry out our agricultural activities. In addition, the Joint Sponsors and their PRC legal advisor reviewed and inspected all such licenses, rights and permits we obtained.

- *Nongyeyuan Farm.* We leased the Nongyeyuan dairy farm from an individual, who failed to obtain any approvals required by the PRC laws and regulations before starting the operation, namely (i) the agricultural land use approval, (ii) the project approval, (iii) the environmental approval for assessment study and finish inspection, (iv) the fire safety plan approval and finish inspection, and (v) the production safety plan approval and finish inspection. We were advised by the local district government that it is not able to issue the approvals or carry out the inspections retrospectively, as the land on which the farm is located has been re-zoned for non-agricultural uses.

- *Tashan Farm.* We have not obtained appropriate agricultural land use approvals in accordance with PRC laws and regulations for the Tashan farm. See "—Properties—Leased Properties Used in Our Business" for details of such non-compliance.

- We may be ordered by the government authorities to cease our dairy farming operations. The government authorities may also impose a fine of up to approximately RMB5.3 million for these two farms (including the fine of RMB5.0 million in connection with the lack of agricultural land use right certificate).

- Our turnover attributed to these two dairy farms amounted to approximately RMB12.5 million, RMB38.0 million and RMB44.9 million for the years ended March 31, 2011, 2012 and 2013, respectively, accounting for approximately 3.3%, 2.9% and 1.8% of our turnover for the respective periods.

- We have obtained exemption letters for the Tashan farm and the Nongyeyuan farm dated June 4, 2013 and June 6, 2013, respectively, each issued by a competent government authority, as advised by our PRC legal advisor. The exemption letters confirmed that (i) we are allowed to continue our dairy farming operation before the inspection is finished; and (ii) we will not be subject to any sanctions or penalties for such non-compliance. The validity of the exemption letter issued in connection with the Nongyeyuan farm was further confirmed by the municipal government of Shenyang through a confirmation letter dated August 1, 2013.

During the Track Record Period, we operated a number of our dairy farms without obtaining the necessary approvals or completing the finishing inspection. Set forth below summarizes our historical non-compliances. Except for the Nongyeyuan farm and the Tashan farm, we have cured all the non-compliances listed below.

	Agricultural Land Use Approval	Water Usage	Project Approval	Environmental Approval for		Water and Soil Conservation	Fire Safety		Production Safety	
				Approval for Assessment Study	Finish Inspection	Finish Inspection	Approval on Plan	Finish Inspection	Approval on Plan	Finish Inspection
Toudaohe Farm					Y					
Zhengjiatun Farm				Y	Y		Y	Y		
Sanguan Farm								Y		
Guanghui Farm		Y								
Liaoning Xiushui						Y				Y
Guoda Liquid Milk Plant						Y				Y
Fushun Liquid Milk Plant						Y				Y
Youpin Agriculture								Y		
Tashan Farm	X	Y								
Nongyeyuan Farm	X	Y	X	X	X		X	X	X	

Notes:

X We have not obtained the relevant approvals or completed the finish inspection.

Y Relevant approvals have been obtained and finish inspections have been completed in August 2013.

- We began operation at these farms or production plants prior to the approval or completion of the finish inspection primarily because either (i) the constraint of resources at the government authority in charge delayed such finish inspection; or (ii) the local government had not finished all the necessary fire safety facilities in the vicinity, which were necessary for completing the fire safety inspection, by the time we applied for such inspection. We leased the Nongyeyuan dairy farm from an individual, who failed to obtain any approvals before starting the operation. We were advised by the local district government that it is not able to issue the approvals or carry out the inspections retrospectively, as the land on which the farm is located has been re-zoned for non-agricultural uses.

- For economic development and policy reasons, the local government allowed us to commence operation without obtaining the approval or completing the inspection.

- For the years ended March 31, 2011, 2012 and 2013, turnover from these dairy farms and production plants amounted to RMB37.0 million, RMB602.8 million and RMB2,042.8 million, respectively, representing approximately 9.9%, 45.2% and 80.0% of our turnover for the respective periods. The asset value of these dairy farms and production plants accounted for 24%, 31% and 37% of our total assets as of March 31, 2011, 2012 and 2013, respectively.

- The government authorities may order us to cease our dairy farming or production activities and impose fines of up to RMB7.8 million in aggregate for these past and present non-compliances. However, save in respect of the Nongyeyuan farm and the Tashan farm, we have obtained all of the relevant outstanding permits and licenses for the other farms and production plants. Our PRC legal advisor advised us that in view that the outstanding permits and licenses have all been obtained, we should not be exposed to any further risk of fines being imposed by the relevant government authorities or further risk of being requested by the relevant government authorities to cease our dairy farming or production activities in respect of those relevant farms and production plants because the non-compliance incidences have been ratified.

- We have obtained exemption letters for the Tashan farm and the Nongyeyuan farm dated June 4, 2013 and June 6, 2013, respectively, each issued by a competent government authority, as advised by our PRC legal advisor. The exemption letters confirmed that (i) we are allowed to continue our dairy farming operation before the inspection is finished; and (ii) we will not be subject to any sanctions or penalties for such non-compliance. The validity of the exemption letter issued in connection with the Nongyeyuan farm was further confirmed by the municipal government of Shenyang through a confirmation letter dated August 1, 2013. However, as such confirmation letter by higher authority was issued at the relevant authority's sole discretion, we were not able to obtain such confirmation letter for our other dairy farms or plants.

- For the other dairy farms and production plants with historic non-compliance that was cured in 2013, we have also obtained various exemption letters, respectively, each issued by a competent government authority as advised by our PRC legal advisor in May and June 2013. These exemption letters confirmed that (i) we are allowed to continue our dairy farming operation before the inspection is finished; and (ii) we will not be subject to any sanctions or penalties for such non-compliance.

- Given that we have received the exemption letters, our PRC legal advisor advised us that the probability that the abovementioned sanctions, fines and orders in respect of the Nongyeyuan farm and Tashan farm will be imposed on us is remote.

- As advised by our PRC legal advisor, we will be entitled to compensation under the insurance policies we have for our milkable cows and production facilities and equipment if an accident occurs despite the deficiencies in licenses and approvals.

For information on the issues with our leased properties, please refer to the section headed "Business — Leased Properties Used in our Business" of this prospectus.

In view of the above issues in respect of the licenses of our dairy farms and production sites, we will implement the following internal control procedures to reduce our exposure to risk of penalties from the PRC regulatory authorities in respect of dairy farms and production plants that we operate in the future:

- we have maintained a list of licenses and permits that would be required in order for us to commence operation of a dairy farm and production plant and will update this list from time to time based on our experience with local authorities and also advice given by our PRC legal advisor(s);

- in determining the development plan and timetable for the development of a new dairy farm and production plant, we will prescribe specific timelines within which the various licenses and permits should be applied for and should be obtained so that our operation team will follow such timelines to make the necessary applications. A management personnel will be designated to review and monitor the progress of the license and permit applications;

- as an internal control measure, we will monitor the attainment of licenses against the list referred to above and ensure that either all relevant licenses are obtained prior to the formal operation of any dairy farm or production plant is commenced; and

- before the commencement of formal operation of any dairy farm and production plant, a designated management personnel will perform a stock-take on the licenses and permits and would ensure that all of the relevant licenses and permits are obtained and report the status to the farm manager or plant manager (as the case may be). The farm manager or plant manager (as the case may be) cannot approve the commencement of formal operation until all of the relevant licenses and permits have been obtained.

We intend to implement a policy that if there are material licences and permits that are outstanding in relation to the title or other regulatory requirements with respect to a particular dairy farm or production site, we will refrain from leasing or purchasing the particular dairy farmland or production site. Accordingly, we will conduct the necessary due diligence to understand the title and license status before we enter into any agreement to lease or purchase the dairy farmland or production site.

OVERVIEW

Immediately following the Exchangeable Bonds having been fully exchanged and the completion of the Global Offering (assuming at the mid-point of the Offer Price range), Champ Harvest and Talent Pool will directly own 44.54% and 5.19% of the total issued share capital of our Company respectively. Mr. Yang directly holds 70% of the total issued share capital of Champ Harvest and indirectly holds 20% of the total issued share capital of Champ Harvest through King Pavilion Limited, a company wholly-owned by Mr. Yang. Mr. Yang also indirectly holds the entire issued share capital of Talent Pool through Mighty Global Limited, a company wholly-owned by Mr. Yang. In addition, Ms. Ge, being the concert party of Mr. Yang, indirectly holds 10% of the total issued share capital of Champ Harvest through Gain Excellence Limited, a company wholly-owned by Ms. Ge. Ms. Ge is indirectly holding the economic interest in such shares in Champ Harvest on Mr. Yang's behalf. Accordingly, Mr. Yang, Ms. Ge, King Pavilion Limited, Gain Excellence Limited, Mighty Global Limited, Champ Harvest and Talent Pool, acting as a group, will be interested in 49.73% of the total issued share capital of our Company and are considered as the Controlling Shareholders of our Company.

INDEPENDENCE TO THE CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of the Controlling Shareholders and their associates after the Listing Date for the following reasons:

Operational Independence

Although the Controlling Shareholders will retain a controlling interest in our Company after Listing, the Company has full rights to make all decisions on, and to carry out, our own business operations independently. Our Company (through our subsidiaries) holds the licences necessary to carry on our business, and has sufficient capital, facilities and employees to operate the business independently from the Controlling Shareholders.

We have access to third parties independently from and not connected to the Controlling Shareholders for sources of suppliers and customers. We have also adopted a set of internal control procedures to maintain effective and independent operation of our business.

Save as disclosed in the section headed "Connected Transactions" in this prospectus, we do not have any other continuing connected transactions with the Controlling Shareholders.

As disclosed in the section headed "Connected Transactions" in this prospectus, we lease certain dairy farms from Shenyang Dairy, a company which is owned by Mr. Yang and Ms. Ge, our Controlling Shareholders and Directors. In view that the leased dairy farms from Shenyang Dairy are only nine out of the 60 dairy farms of our Group (of which 50 dairy farms are currently in operation and ten dairy farms are under construction or construction planning), these dairy farms only housed 14,418 cows out of the total number of 112,851 of cows owned by our Group as of March 31, 2013, and the percentage of contributions of revenue generated by these dairy farms to the overall revenue of our Group has been decreasing over the Track Record Period, our Directors are of the view that the leasing arrangements with Shenyang Dairy do not have any material negative impact on our operational independence from the Controlling Shareholders. We plan to fund the construction of five of these dairy farms in the amount of approximately HK$445 million by our existing working capital and the other five of these dairy farms in the amount of approximately HK$267 million through the proceeds from the Global Offering. We plan to finish two dairy farms in each of August, September and November to December 2013. The remaining four dairy farms are expected to be completed in 2014. As part of our expansion plan, we continue to look out for appropriate dairy farms for leasing and purchase from third parties and the fact that we already own most of the other dairy farms used and operated by us demonstrate that we are able to operate independently of the Controlling Shareholders.

In order to ensure the availability of these dairy farms for our use in the future, Shenyang Dairy has also granted a right of first offer to us over the dairy farms currently leased to us, so that in the event that Shenyang Dairy intends to sell any of such dairy farms, we will have a first right to acquire, at our discretion, such dairy farm from Shenyang Dairy at fair market price and on normal commercial terms.

Management Independence

The Company's management and operational decisions are made by the Board in a collective manner. The Board comprises five executive Directors, two non-executive Directors and four independent non-executive Director, of whom only two are the Controlling Shareholders.

In the event of a conflict of interest arising out of any transactions to be entered into by our Group, all Directors with a conflicting interest shall abstain from voting at the relevant Board meetings in respect of such transactions.

Our four independent non-executive Directors shall also review, enhance and implement measures to manage any conflict of interest in order to protect minority shareholders' interest and they must approve any resolution relating to the connected transactions.

Financial Independence

All loans, advances and balances due to and from any of the Controlling Shareholders and their respective associates have been fully settled before Listing and that all share pledges and guarantees provided by any of the Controlling Shareholders and their respective associates on our Group's borrowing have been fully released before Listing. We have adopted a set of internal control procedures for cash receipts and payment and have independent access to third-party financing.

RULE 8.10 OF THE LISTING RULES

The Controlling Shareholders and the Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Members of our Group have entered into certain transactions with parties who are connected persons of our Company and the transactions are expected to continue on a continuing or recurring basis after Listing, thereby constituting continuing connected transactions of our Company under the Listing Rules. We set out below a summary of certain continuing connected transactions that are expected to continue after Listing:

	Type of transaction	Parties	Term	Applicable Listing Rules	Waiver Sought
Non-exempt continuing connected transactions					
1	Nine Dairy Farm Leases with Shenyang Dairy	• Shenyang Dairy, as landlord • Four of our subsidiaries, as tenants	April 1, 2013 to March 31, 2016 for the leases entered into by Taiping Farming, Yushu Farming, Pengjia Farming and Liaoning Shiling Farming	Rule 14A.34(1)	Reporting and announcement requirements
Exempt continuing connected transactions					
2	Dairy Farm Lease with Dairy Technology	• Dairy Technology, as landlord • Xiahe Farming, as tenant	April 1, 2013 to March 31, 2016	Rule 14A.34(1)	N/A
3	Biowaste Cleaning Services Agreement	• Zhao Ji Investment, as service provider • Liaoning Huishan Dairy, as service recipient	September 5, 2013 to March 31, 2016	Rule 14A.33(3)	N/A
4	Trademark Licensing Agreement in relation to 3 trademarks with Liaoning Holdings	• Liaoning Holdings, as licensor Liaoning Huishan Dairy, as licensee	September 5, 2013 to the date of the effective transfer of the relevant trademark applications	Rule 14A.33(3)	N/A

CONNECTED PERSONS

As at the Latest Practicable Date, Mr. Yang and Ms. Ge, our Controlling Shareholders and Directors, in aggregate hold the entire interest in Shenyang Dairy indirectly, respectively. As such Shenyang Dairy is an associate of Mr. Yang and Ms. Ge and a connected person of our Company for the purpose of the Listing Rules.

As at the Latest Practicable Date, Mr. Xu Guangyi, our Director, holds the entire interest in Dairy Technology Centre., Ltd.* (瀋陽輝山奶業技術中心有限公司) ("**Dairy Technology**") indirectly. As such Dairy Technology is an associate of Mr. Xu Guangyi and a connected person of our Company for the purpose of the Listing Rules.

As at the Latest Practicable Date, Mr. Yang, our Controlling Shareholder and Director, and his son 楊佳寧 (Mr. Yang Jianing) hold 32% and 38% of the issued share capital in Shenyang Zhao Ji Investment Management Co., Ltd.* (瀋陽兆基投資管理有限公司) ("**Zhao Ji Investment**"), respectively. As such Zhao Ji Investment is an associate of Mr. Yang and a connected person of our Company for the purpose of the Listing Rules.

As at the Latest Practicable Date, Mr. Yang, our Controlling Shareholder and Director, and Ms. Ge, our Director, holds 60.67% and 39.33% of the interest in Liaoning Holdings indirectly, respectively. As such Liaoning Holdings is an associate of Mr. Yang and Ms. Ge and a connected person of our Company for the purpose of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Set out below in this section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — Dairy Farm Leases with Shenyang Dairy" are terms of the continuing connected transactions which are subject to the reporting and announcement requirements under Rule 14A.45 to 14A.47 of the Listing Rules.

Dairy Farm Leases with Shenyang Dairy

Shenyang Dairy, as landlord, respectively entered into the following dairy farm leases (as amended) (the "**Dairy Farm Leases with Shenyang Dairy**") with certain subsidiaries of our Company listed below, as tenants, under which Shenyang Dairy agreed to lease to us the dairy farms, premises, machinery and facilities for dairy livestock farming. In relation to the leases entered into by Taiping Farming, Yushu Farming, Pengjia Farming and Liaoning Shiling Farming, the parties thereto have amended the term of the leases on September 5, 2013 for a term of three years commencing from April 1, 2013 and ending on March 31, 2016. Pursuant to the Dairy Farm Leases with Shenyang Dairy, the tenants have options (i) to renew the terms of the Dairy Farm Leases with Shenyang Dairy every three years with the following rents and similar terms and (ii) to terminate the Dairy Farm Leases with

Shenyang Dairy if required under regulatory requirements. Other major terms of the Dairy Farm Leases with Shenyang Dairy are listed below:

	Date of Agreement	Tenant	Location	Size (mu)	Payment Schedule	Rent per annum (RMB)
(i)	November 1, 2010, as amended on September 5, 2013	Taiping Farming	Xinmin City	242	monthly in advance	840,000
(ii)	November 1, 2010, as amended on September 5, 2013	Taiping Farming	Xinmin City	290	monthly in advance	840,000
(iii)	November 1, 2010, as amended on September 5, 2013	Taiping Farming	Sujiatun District, Shenyang City	188.5	monthly in advance	360,000
(iv)	November 1, 2010, as amended on September 5, 2013	Yushu Farming	Sujiatun District, Shenyang City	208	monthly in advance	420,000
(v)	November 1, 2010, as amended on September 5, 2013	Pengjia Farming	Zhangwu County, Fuxin City	630	monthly in advance	1,680,000
(vi)	November 1, 2010, as amended on September 5, 2013	Pengjia Farming	Zhangwu County, Fuxin City	405	monthly in advance	840,000
(vii)	November 1, 2010, as amended on September 5, 2013	Pengjia Farming	Zhangwu County, Fuxin City	340	monthly in advance	840,000
(viii)	November 1, 2010, as amended on September 5, 2013	Pengjia Farming	Zhangwu County, Fuxin City	340	monthly in advance	840,000
(ix)	January 1, 2013, as amended on September 5, 2013	Liaoning Shiling Farming	Xinchengzi District, Shenyang City	152.4	monthly in advance	840,000
					Total:	**7,500,000**

The annual rent under the Dairy Farm Leases with Shenyang Dairy is in aggregate amount of RMB 7,500,000. The proposed annual caps for leasing arrangements under the Dairy Farm Leases with Shenyang Dairy for each of the years ending March 31, 2014, 2015 and 2016 will be RMB 7,500,000, RMB 7,500,000 and RMB 7,500,000, respectively. For each of the years ended March 31, 2011, 2012 and 2013, the total annual rent paid by us to Shenyang Dairy for leasing the above farmlands amounted to RMB3,125,000, RMB7,500,000 and RMB7,500,000, respectively. The Directors confirm that the annual rent payable is determined on normal commercial terms and with reference to the rental payable by us to third party landlord of dairy farms.

Historically, the dairy farms that are subject to the Dairy Farm Leases with Shenyang Dairy had represented a key portion of all of the dairy farms operated by us. The table below sets forth certain information regarding the contributions of these dairy farms during the Track Record Period, and the information demonstrates that the importance of these dairy farms has been reducing during the Track Record Period and the Directors believe that such importance will continue to reduce:

		Year ended March 31,		
		2011	**2012**	**2013**
(1)	Number of dairy farms leased from Shenyang Dairy	9	9	9
(2)	Number of dairy farms operated by our Group (excluding those construction or construction planning)	29	47	50
(3)	Percentage of (1) over (2) (%)	31.0	19.1	18.0(Note)
(4)	Revenue generated by the dairy farms leased from Shenyang Dairy (RMB million)	119	322	329
(5)	Total revenue of our Group (RMB million)	374	1,333	2,552
(6)	Percentage of (4) over (5) (%)	31.8	24.2	12.9
(7)	Number of cows housed in the dairy farms leased from Shenyang Dairy	15,712	14,703	14,418
(8)	Total number of cows of our Group	55,552	90,254	112,851
(9)	Percentage of (7) over (8) (%)	28.3	16.3	12.8

Note: This percentage will reduce to 15% if the 10 dairy farms which are under construction or construction planning become operational.

Shenyang Dairy has not obtained all of the consents and approvals for some of the dairy farms leased from Shenyang Dairy, the details of which are included in the section headed "Business — Leased Properties Used in our Business" of this prospectus. Furthermore, acquisition of the state land use right from Shenyang Dairy would incur large amount of taxes to both transferor and transferee of the land, if we were to acquire such farmlands from Shenyang Dairy, the tax payable by us would be approximately RMB41.5 million, while the revenue contribution from the dairy farms has been decreasing. Due to the above reasons, we consider that it is not appropriate from a commercial perspective to acquire such dairy farms from Shenyang Dairy. In addition, in view that these dairy farms do not constitute a significant portion of the total dairy farms operated by us and that Shenyang Dairy has granted us a right of first offer to acquire such dairy farms should it decide to sell any of such dairy farms, we do not believe the continuing leasing arrangements with Shenyang Dairy would have any material negative impact on our operations.

Applicable Listing Rules

Shenyang Dairy is an associate of Mr. Yang and Ms. Ge and will therefore become a connected person of our Company. The leasing arrangements under the Dairy Farm Leases with Shenyang Dairy will therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules upon Listing.

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules is on an annual basis more than 0.1% but less than 5%, the transactions under the Dairy Farm Leases with Shenyang Dairy will be exempted from the independent Shareholders' approval requirement but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Application for waiver

The transactions under the Dairy Farm Leases with Shenyang Dairy constitute our non-exempt continuing connected transactions and would normally require reporting and announcement but are exempt from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules. As these transactions are expected to continue on a continuing or recurring basis after Listing and details of which have been disclosed in this prospectus, our Directors consider that strict compliance with the announcement requirements under the Listing Rules would be unduly burdensome and impractical. Accordingly, the Joint Sponsors have applied on our behalf to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 14A.42(3) of the Listing Rules from strict compliance with the announcement requirement as may otherwise be required of the Company under Chapter 14A of the Listing Rules in connection with the Dairy Farm Leases with Shenyang Dairy and all transactions contemplated under each of the Dairy Farm Leases with Shenyang Dairy.

In respect of Rule 14A.35(2), the maximum aggregate annual cap for the transactions under the Dairy Farm Leases with Shenyang Dairy for each of the years ending March 31, 2014, 2015 and 2016 should not exceed RMB 7,500,000, RMB 7,500,000 and RMB 7,500,000, respectively.

We will comply with the applicable requirements set out in Rules 14A.35(1), 14A.35(2) and 14A.36 to 14A.40 of the Listing Rules from time to time governing such transactions.

Directors' and Joint Sponsors' view

The Directors (including the independent non-executive Directors) and the Joint Sponsors are of the view that: (i) the Dairy Farm Leases with Shenyang Dairy were entered into in the ordinary and usual course of business of our Group and are on normal commercial terms; (ii) the terms of the Dairy Farm Leases with Shenyang Dairy are fair and reasonable and in the interest of the Shareholders as a whole; and (iii) the proposed annual caps for the transactions under the Dairy Farm Leases with Shenyang Dairy as set out above are fair and reasonable and in the interest of the Shareholders as a whole.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Dairy Farm Lease with Dairy Technology

On November 1, 2010 Dairy Technology, as landlord, entered into a dairy farm lease (as amended) (the "**Dairy Farm Lease with Dairy Technology**") with Xiahe Farming, as tenant, under which Dairy Technology agreed to lease to us the dairy farm located at Xinchengzi District, Shenyang City with a size of 63 mu, premises, machinery and facilities for dairy livestock farming. Dairy

Technology and Xiahe Farming have amended the term of the Dairy Farm Lease with Dairy Technology on September 5, 2013 for a term of three years commencing from April 1, 2013 and ending on March 31, 2016. Pursuant to the Dairy Farm Lease with Dairy Technology, the tenant has options (i) to renew the terms of the Dairy Farm Lease with Dairy Technology every three years with the following rents and similar terms and (ii) to terminate the Dairy Farm Lease with Dairy Technology if required under regulatory requirements. For each of the years ended March 31, 2011, 2012 and 2013, the total annual rent paid by us to Dairy Technology amounted to RMB 41,667, RMB 100,000 and RMB 100,000, respectively.

Applicable Listing Rules

Dairy Technology is an associate of Mr. Xu Guangyi and will therefore become a connected person of our Company. The arrangements under the Dairy Farm Leases with Dairy Technology will therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules upon Listing. Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules is on an annual basis less than 0.1%, the transactions under the Dairy Farm Lease with Dairy Technology will be exempted from the reporting, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Biowaste Cleaning Services Agreement

On September 5, 2013, Zhao Ji Investment, as service provider, entered into a biowaste cleaning services agreement with Liaoning Huishan Dairy, our subsidiary, as service recipient, in relation to the provision of biowaste cleaning services by its subsidiaries to our subsidiaries (the "**Biowaste Cleaning Services Agreement**"). Zhao Ji Investment agreed to provide biowaste cleaning services to cattle farms located in Liaoning Province, the PRC which are owned or operated by our subsidiaries for a term commencing from September 5, 2013 and ending on March 31, 2016, subject to renewal. The services involve the subsidiaries of Zhao Ji Investment cleaning unprocessed biowaste from cattle farms designated by Liaoning Huishan Dairy for free.

Applicable Listing Rules

Zhao Ji Investment is an associate of Mr. Yang and will therefore become a connected person of our Company. The arrangements under the Biowaste Cleaning Services Agreement will therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules upon Listing.

Zhao Ji Investment's subsidiaries are primarily engaged in the processing of biowaste into condensed natural gas ("**CNG**") and electricity. With reference to market practice, Zhao Ji Investment provides free of charge services to Liaoning Huishan Dairy in consideration for collection of free unprocessed biowaste from the cattle farms designed by Liaoning Huishan Dairy which is the material needed for biogas production.

In Liaoning Province, companies that purely clean and remove biowaste are rare, and the established market practice is therefore to engage companies which would further process the biowaste for other by-products such as CNG and electricity. The collection/removal services provided by these companies are normally free of charge when the scale is sufficiently large and it is economically viable to undertake such services. On the other hand, there is no readily available market for the biowaste produced by dairy cows to form a market price, and the biowaste has extremely low value without further processing. As a result, the established market practice is for the dairy farms to allow a company with capacity to process the biowaste to remove the biowaste for free. Under the arrangement, the dairy farms save the cost for biowaste cleaning, while the processing companies acquire raw materials for free.

According to general industry knowledge from Frost & Sullivan, the costs of removing and transporting the biowaste range from RMB10 to RMB60 per tonne and if a third party further processes the biowaste into fuel for electricity, it will incur costs of around RMB25 to RMB70 per tonne and may be able to generate profit of around RMB10 to RMB15 per tonne. We chose not to use the biowaste from our dairy farms to produce electricity and CNG primarily because: (i) we prefer and consider it more appropriate to concentrate our resources and management attention on the dairy business; (ii) engaging in the production of electricity and CNG using biowaste requires substantial investment and capital expenditure, and subject us to an entirely different risk profile. As a business decision, we determine that it is not appropriate at this stage of our development to devote such resources and bear such additional risks.

Based on our historical herd size, we estimate that the aggregate amount of biowaste generated from our dairy farms was approximately 0.8 million, 1.1 million and 1.5 million tonnes for the years ended March 31, 2011, 2012 and 2013, respectively. If we had further processed such biowaste into fuel for electricity, based on the general industry knowledge from Frost & Sullivan as described above, we would have incurred (i) removal and transportation costs of around RMB8.1 million to RMB 48.7 million, RMB10.6 million to RMB63.9 million, and RMB14.8 million to RMB89.0 million for the years ended March 31, 2011, 2012 and 2013, respectively, and (ii) processing costs of around RMB20.3 million to RMB56.8 million, RMB26.6 million to RMB74.5 million, and RMB37.1 million to RMB103.8 million for the years ended March 31, 2011, 2012 and 2013, respectively; and, had we already invested in and possessed the relevant technical facilities and other required resources, we might have been able to generate profit of around RMB8.1 million to RMB12.2 million, RMB10.6 million to RMB16.0 million, and RMB14.8 million to RMB22.2 million from such business for the years ended March 31, 2011, 2012 and 2013, respectively.

A cow population usually has an organic growth rate of 15% to 20% each year. Assuming an organic growth rate for our herd of 20% each year and that the average biowaste generated by our dairy cows does not change, we estimate that the aggregate amount of biowaste to be generated from our dairy farms will be approximately 1.8 million, 2.2 million and 2.6 million tonnes for the years ending March 31, 2014, 2015 and 2016, respectively. If we were to process such biowaste into fuel for electricity, based on the general industry knowledge from Frost & Sullivan as described above and assuming the relevant estimated costs and profit ranges do not change, we would expect to incur (i) removal and transportation costs of around RMB18.1 million to RMB108.7 million, RMB21.7 million to RMB130.5 million, and RMB26.1 million to RMB156.6 million for the years ending March 31, 2014, 2015 and 2016, respectively, and (ii) processing costs of around RMB45.3 million to RMB126.9 million, RMB54.4 million to RMB152.2 million, and RMB65.2 million to RMB182.7 million for the years ending March 31, 2014, 2015 and 2016, respectively; and if we would be willing to incur substantial capital expenditure to acquire all relevant technical facilities and other required resources, we might be able to generate profit of around RMB18.1 million to RMB27.2 million, RMB21.7 million to RMB32.6 million, and RMB26.1 million to RMB39.1 million from such business for the years ending March 31, 2014, 2015 and 2016, respectively. However, the above discussion is purely hypothetical and for illustrative purpose only. We do not plan to process biowaste generated from our dairy farms into fuel for electricity or for any other use in the foreseeable future.

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules is on an annual basis less than 0.1%, the transactions under the Biowaste Cleaning Services Agreement will be exempted from the reporting, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Trademark Licensing Agreement

On September 5, 2013, Liaoning Holdings, as licensor, entered into a trademark license and transfer agreement (the "**Trademark Licensing Agreement**") with Liaoning Huishan Dairy, our subsidiary, as licensee, in respect of 3 trademarks applied to be registered under the name of Liaoning Holdings in the PRC, pursuant to which Liaoning Holdings agreed to license and transfer certain trademarks to Liaoning Huishan Dairy for our use in connection with our operations on an exclusive and royalty-free basis for a term commencing from September 5, 2013 to the date of the effective transfer of such trademarks. These trademark licensing arrangements are interim measures that have been put in place by us and Liaoning Holdings to enable our continuing use of the relevant trademarks until the procedures for the transfer of the trademark registration applications from Liaoning Holdings are properly completed. For further details of these licensed trademarks which we consider to be or may be material to our business, please refer to the section headed "2. Intellectual Property Rights of our Group - Trademarks licensed to us for our use in connection with our operations" in Appendix V to this prospectus. Jingtian & Gongcheng, the legal advisor to the Company as to PRC laws, advised that there is no material legal impediment for the relevant trademark registration applications (provided that such registration applications are not rejected by Trademark Office of the SAIC) to be transferred by Liaoning Holdings to Liaoning Huishan Dairy.

Applicable Listing Rules

Liaoning Holdings is an associates of Mr. Yang and Ms. Ge and will therefore become connected persons of our Company. The transactions under the Trademark Licensing Agreement will therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules upon Listing.

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules is on an annual basis less than 0.1%, the transactions under the Trademark Licensing Agreement will be exempted from the reporting, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS

The Board is responsible and has general powers for the management and conduct of the Group's business. The Board consists of 11 Directors, comprising 5 executive Directors, 2 non-executive Directors and 4 independent non-executive Directors. The following table sets out the information in respect of members of the Board of the Company:

Name	Age	Position
Mr. YANG Kai (楊凱)	55	Chairman, Chief Executive Officer and Executive Director
Ms. GE Kun (葛坤)	38	Executive Director
Mr. SO Wing Hoi (蘇永海)	44	Executive Director and Chief Financial Officer
Mr. XU Guangyi (徐廣義)	36	Executive Director
Mr. KWOK Hok Yin (郭學研)	48	Executive Director
Mr. CHENG Chi Heng (鄭志恒)	35	Non-executive Director
Mr. LI Kar Cheung (李家祥)	54	Non-executive Director
Mr. Francis SIU Wai Keung (蕭偉強)	59	Independent Non-executive Director
Mr. SONG Kungang (宋昆岡)	64	Independent Non-executive Director
Mr. GU Ruixia (顧瑞霞)	50	Independent Non-executive Director
Mr. TSUI Kei Pang (徐奇鵬)	53	Independent Non-executive Director

Executive Directors

Mr. YANG Kai (楊凱), aged 55, was appointed as Director on May 23, 2011 and re-designated as executive Director on September 5, 2013, and he is the Chairman of the Board and the Chief Executive Officer, who is principally responsible for the overall strategic planning and business development of our Group. In November 2002, Mr. Yang established Shenyang Longdi Foods Co., Ltd.* (瀋陽隆迪食品有限公司), the name of which was changed to Liaoning Huishan Dairy on September 14, 2012, and he was a chairman and president of Shenyang Longdi Foods Co., Ltd. between 2002 and 2006. Mr. Yang has approximately 20 years of experience in the food and dairy industry. He worked as a vice chairman, director and general manager of Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司) (formerly known as Shenyang Zhongcheng Food Supplies and Products Limited*(瀋陽中成糧食製品有限公司)) between July 1992 and November 2002. Between June 2002 and January 2009, Mr. Yang served as a director and general manager of Shenyang Dairy. Between January 2009 to February 2011, Mr. Yang served as the president of Liaoning Holdings. Mr. Yang received several awards and honorary titles since 1998, including the Certificate of the 6th session Outstanding Leading Cadre of Shenyang (第六屆瀋陽市優秀領導幹部證書), 2010 Headquarters Economy Sun Prize — Person of the Year Prize (2010年總部經濟太陽獎—年度人物獎), 2009 Top Ten People of Economy of Liaoning Province (2009年度遼寧十大經濟人物), the 1st session Outstanding Entrepreneur of Shenyang (瀋陽市第一屆傑出企業家), the 2nd session Pioneering Entrepreneur of Liaoning Province (遼寧省第二屆創業企業家), the National Advanced Worker in Quality Management of Township Enterprise (全國鄉鎮企業質量管理先進工作者), Model Worker of Shenyang (瀋陽市勞動模範), etc. Mr. Yang also held important positions in various organizations during such period, including vice chairman of the fifth session of China Dairy Industry

Association (中國乳製品工業協會), vice chairman of Northeast Asia Economy and Culture Promotion Committee of Liaoning (遼寧東北亞經濟文化促進會), member of the Chinese National Committee of IDF (International Dairy Federation) (IDF中國國家委員會), executive member of the third session of executive committee of Shenyang People's Association for Friendship with Foreign Countries (瀋陽市人民對外友好協會), representative of the 14th and 15th session of People's Congress of Shenyang (瀋陽市第十四屆及第十五屆人民代表大會), member of the Economy Committee and Technology Committee of the 12th Committee of Shenyang's Political Consultative Conference (政協瀋陽市第十二屆委員會經濟委及科技委), etc. Mr. Yang was awarded the qualification of the Chinese Senior Management of Chinese-foreign Equity Joint Ventures and Chinese-Foreign Contractual Joint Ventures (中外合資合作企業中方高級管理人員業務) from Shenyang Economy and Trading Committee (瀋陽市經濟貿易委員會) in March 2000, and served as a member of the 2nd session of Court of Shandong University and visiting professor of Shenyang University respectively in 2010.

Ms. GE Kun (葛坤), aged 38, was appointed as Director on June 28, 2011 and re-designated as executive Director on September 5, 2013. Ms. Ge joined our Group in February 2011 as a vice president and was promoted to senior vice president in December 2012, she is principally responsible for the Group's sales and branding, human resources and government affairs. Ms. Ge has over 15 years of experience in the food and dairy industry. She joined Liaoning Holdings as vice president in January 2009. Prior to 2009, Ms. Ge served as secretary to general manager, deputy general manager and general manager in Shenyang L&D Cereals & Foods Co., Ltd (瀋陽隆迪糧食製品有限公司) between November 1996 and October 2002. In November 2002, Ms. Ge joined Shenyang Longdi Foods Co., Ltd.* (瀋陽隆迪食品有限公司) as general manager and also served as a director. Ms. Ge was recognized as Pioneer Individual of Spark Scheme of Liaoning Province (遼寧省星火計劃先進個人) in 2003. In April 2012, Ms. Ge was awarded the honorary title of Model Worker of Shenyang (瀋陽市勞動模範). In January 2013, Ms. Ge was a representative of the 3rd session of People's Congress of Shenbei District, Shenyang (瀋陽市瀋北新區第三屆人民代表大會). Ms. Ge obtained a diploma of practical secretary in foreign affairs from Shenyang Television and Broadcasting University in July 1996 and a graduate certificate of self-study examination of Chinese language and literature from Liaoning University in December 1997.

Mr. SO Wing Hoi (蘇永海), aged 44, was appointed as Director and chief financial officer on July 12, 2012 and re-designated as executive Director on September 5, 2013, who is principally responsible for the financial reporting, investment and financing, and internal control of the Group. Mr. So has approximately 20 years of experience in accounting and finance. He joined our Group in July 2012 and served as director of several subsidiaries of our Group. Mr. So joined KPMG, one of the four largest international accounting firms, in August 1993, and he worked in its Hong Kong, Beijing and Shenyang offices during his time at KPMG. He was a senior partner of Shenyang office, KPMG (China) since November 2007, until his early retirement in June 2012. Mr. So became a member of Association of Chartered Certified Accountants (ACCA) and Hong Kong Institute of Certified Public Accountants in November 1996 and January 1997 respectively, and became a fellow member of Association of Chartered Certified Accountants (ACCA) in November 2001. Mr. So was employed as foreign economic and trade consultant by Shenyang Foreign Economic Co-operation Advisory Committee between April 2008 and April 2010, and he was a member of Shenyang Political Consultative Conference from December 2007 to December 2012. Mr. So obtained a bachelor of accounting degree from City University of Hong Kong in November 1993.

Mr. XU Guangyi (徐廣義), aged 36, was appointed as Director on June 28, 2011 and re-designated as executive Director on September 5, 2013. Mr. Xu joined our Group in February 2011 as a vice president and was promoted to senior vice president in December 2012 principally responsible for the dairy farming business, feeds plantation, feeds processing and project infrastructure management of our Group. Mr. Xu has approximately 15 years of experience in the food and dairy industry. He joined Liaoning Holdings in January 2009 as vice president, Prior to that, Mr. Xu served as the chief quality officer and vice general manager of Shenyang Dairy from April 2003 to January 2009. He also served as head of quality control department and assistant to vice general manager of Shenyang Longdi High-Tech Foodstuff Production Co., Ltd.* (瀋陽隆迪高科技糧食製品股份有限公司) between October 1998 and October 2002, and served as inspector of Liaoning Huishan Dairy for six months since November 2002. Mr. Xu also held prominent positions in various organizations, including vice chairman of Liaoning Dairy Association (遼寧省奶業協會), vice chairman of the 8th executive committee of Animal Infectious Diseases Branch of Liaoning Livestock veterinary Society (遼寧省畜牧獸醫學會畜禽傳染病學分會) and chairman of Dairy Products Branch of Shenyang Agricultural Industry Leading Enterprises Association (瀋陽市農業產業化龍頭企業協會乳品分會). Mr. Xu also received various awards including 2nd Prize for Science and Technology in Liaoning Province (遼寧省科學技術獎勵二等獎), 2nd Prize for Excellent New Product in Liaoning Province (遼寧省優秀新產品獎勵二等獎) and "Technology Tackling Prize" of Tacking the Important Technology Difficulties Activity in Shenyang (瀋陽市重大技術難題攻關活動「技術攻關優勝獎」). Mr. Xu was a representative of the 16th and 17th session of People's Congress of Faku county, Shenyang city, Liaoning Province. Mr. Xu graduated from Nantong Medical College (南通醫學院) in July 1998 and obtained diploma of health inspection, and he obtained a master's degree in business administration from Liaoning University in December 2011.

Mr. KWOK Hok Yin (郭學研), aged 48, was appointed as executive Director on September 5, 2013. Mr. Kwok joined our Group in January 2013 as a vice president principally responsible for the dairy ingredient business of our Group. Mr. Kwok has over 20 years of experience in the dairy product business and marketing of Chinese dairy products, and over 17 years of experience in multinational corporate management. Prior to joining the Group, Mr. Kwok held various positions at the Fonterra Co-operative Group between 1990 and 2011, including sales manager of Eastern China and Northern China, country marketing manager and general manager of PRC, general manager of business development department and board representative of Fonterra invested joint ventures in China, Shijiazhuang San Lu Group Co. Ltd., and in Taiwan, Fonterra (Ing) Ltd — Taiwan Branch. Between May 2011 and December 2012, Mr. Kwok served as chief business development officer of Asia-Pacific and vice president of Greater China Region at Barry Callebaut AG. Mr. Kwok obtained a diploma in economics with honours from Hong Kong Baptist College in December 1988, and a bachelor's degree of business administration in applied economics with honours in December 1992. Mr. Kwok completed the course of accountancy training at Nanyang Technological University in May 1995 and attended the industry marketing strategy programme in INSEAD business school in October 2002. He obtained the master's degree in international marketing from the University of Strathclyde, Scotland, in July 2000.

Non-executive Directors

Mr. CHENG Chi Heng (鄭志恒), aged 35, was appointed as Director on September 30, 2011 and re-designated as non-executive Director on September 5, 2013. Mr. Cheng has been appointed as Director of the Company and several subsidiaries of our Group since September 2011. Mr. Cheng has been an executive director of Chow Tai Fook Jewellery Group Limited (stock code: 1929) since July 2011 and an executive director of New World Development Company Limited (stock code: 17) since June 2010, both listed on the Stock Exchange. He also holds director positions at Well Ease (our Substantial Shareholder upon Listing), Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited. He worked in Yu Ming Investment Management Limited from 1999 to 2000 as a corporate finance executive. Mr. Cheng obtained his Bachelor of Arts degree in Economics from The University of Western Ontario in June 1999.

Mr. LI Kar Cheung (李家祥), aged 54, was appointed as Director on November 22, 2012 and re-designated as non-executive Director on September 5, 2013. Mr. Li has been appointed as Director of the Company since November 22, 2012. From October 2004 to date, Mr. Li has been a group director of Jebsen & Co., Ltd. and the managing director of Jebsen & Co (China) Ltd., principally responsible for overseeing the Consumer Products Business Unit and Jebsen's strategic development of the Greater China market. He had been employed by Jardine Matheson & Co. Ltd. from May 1985 to October 2004, and his last position was Group Director of Jardine OneSolution. From 1995 to date, Mr. Li has held significant positions in various organisations, including vice president of China Foreign Trade Council (中國對外貿易理事會), consultant of the 6th Committee of the Overseas Chinese Federation in Hunan Province (湖南省僑聯第六屆委員會), director of the 4th session of the board of the Guangzhou Association of Enterprises with Foreign Investment (廣州外商投資企業協會第四屆理事會), director of the board of the Jebsen Education Fund of Nankai University ("南開大學捷成教育基金"理事會), special adviser appointed for Hong Kong at the Advisory Office of the People's Government of Guangdong Province (廣東省人民政府參事室香港特聘參事), member of the 10th session of Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政協會議第十屆廣東省委員會) and member of the 9th session of the Zhaoxing City Standing Committee of the Chinese People's Political Consultative Conference* (中國人民政協會議 肇慶市第九屆委員會). Mr. Li obtained his Bachelor of Arts degree from the University of Hong Kong in November 1982 and his Master of Business Administration degree from the Chinese University of Hong Kong in October 1990.

Independent non-executive Directors

Mr. Francis SIU Wai Keung (蕭偉強), aged 59, was appointed as independent non-executive Director on September 5, 2013. Mr. Siu served for KPMG for approximately 30 years, where he provided professional service to clients with various sectors. Mr. Siu joined KPMG Manchester in the UK in 1979 and was transferred to Hong Kong in 1986 and became a partner of KPMG Hong Kong in 1993. From 2000 to 2002, he was a Senior Partner of KPMG Shanghai Office. Prior to his retirement in March 2010, he was a Senior Partner of KPMG Beijing Office, and a Senior Partner of Northern Region, KPMG China. He has extensive experience in providing audit service for PRC and overseas companies, and has a sound knowledge of advising on foreign direct investment in the PRC. Mr. Siu held independent non-executive director positions at various listed companies, including Hua Xia Bank Co., Limited (stock code 600015) and Beijing Hualian Hypermarket Co., Ltd (stock code

600361), listed on Shanghai Stock Exchange; Shunfeng Photovoltaic International Limited (Stock code 1165), CITIC Pacific Limited (stock code 267) and China Communications Services Corporation Limited (stock code 0552), both listed on the Stock Exchange; GuocoLand Limited, a company listed on the Singapore Exchange. Mr. Siu is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He obtained a Bachelor of Arts degree in Accounting and Economics from the University of Sheffield in July 1979.

Mr. SONG Kungang (宋昆岡), aged 64, was appointed as independent non-executive Director on September 5, 2013. He worked in the dairy industry for nearly 30 years and has extensive experience in drafting and formulating plans, projects, policies and regulations, standards and direction of the development of PRC dairy industry. Between August 1982 and October 1998, Mr. Song was a senior engineer of the former Food Industry Bureau of State Light Industry Ministry (原國家輕工業部食品工業局), the former PRC Light Industry Association (中國輕工總會) and Food and Paper Manufacturing Department of State Light Industry Bureau (國家輕工業局食品造紙部), where he was mainly involved in production planning of the dairy products industry at the central government level. Since June 1995, he served as chairman of executive committee of China Dairy Industry Association (中國乳製品工業協會) from the first session to the fourth session consecutively, honorary chairman of the fifth session of executive committee, and vice president and president of the Chinese National Committee of International Dairy Federation (IDF). Since August 2011, Mr. Song has been serving as independent non-executive director of Henan Kedi Milk Industry Co., Ltd.* (河南科迪乳業股份有限 公司). Mr. Song was awarded the qualification of senior engineer from PRC Light Industry Association (中國輕工總會) in December 1993. He obtained a degree in livestock and agronomy from Beijing Agricultural University (now known as China Agricultural University) in July 1982.

Mr. GU Ruixia (顧瑞霞), aged 50, was appointed as independent non-executive Director on September 5, 2013. Mr. Gu has been engaged in the dairy products industry for approximately 20 years, where he has extensive experience. He served as head of factory of Jiangnong Biology Products Factory of Yangzhou University (揚州大學江儂生物製品廠) since October 1994, and head of factory of Medicines and Health Products Factory of Yangzhou University (揚州大學醫藥保健品廠) between September 1995 and September 1996. Mr. Gu served as director of Dairy Products Research Institute of Yangzhou University (揚州大學乳品研究所) since September 2001. Since August 2003, Mr. Gu served as professor and PhD supervisor of School of Food Science and Engineering of Yangzhou University (揚州大學食品科學與工程學院), director of Yangzhou Modern Dairy Processing Service Centre of Jiangsu (江蘇揚州現代乳業加工服務中心) and director of Jiangsu Province Dairy Products Biology Technology and Safety Control Key Laboratory (江蘇省乳品生物技術與安全控制重點實驗室). Mr. Gu obtained a bachelor's degree from the Jiangsu Agricultural School (江蘇農學院) in June 1987, and doctorate degree of science in food science from Northeast Agricultural University in January 2001.

Mr. TSUI Kei Pang (徐奇鵬), aged 53, was appointed as independent non-executive Director on September 5, 2013. Mr. Tsui is currently a partner of Messrs. Gallant Y.T. Ho & Co. and specialises in China business practices. Mr. Tsui has been an independent non-executive director of CIMC Enric Holdings Limited (stock code: 3899), a company listed on the Hong Kong Stock Exchange, since November 2009. He is also the vice chairman of the Greater China Legal Affairs Committee of The Law Society of Hong Kong, an honorary legal adviser of The Hong Kong Real Property Federation

Limited and a member of China Committee of Hong Kong General Chamber of Commerce. He is a solicitor of Hong Kong, a solicitor of England and Wales (non-practising), a China Appointed Attesting Officer and a Civil Celebrant of Marriages. Mr. Tsui obtained a bachelor degree in law (Honours) and a master degree in law from The University of Hong Kong in December 1990 and December 1997 respectively.

Save as in our Group's business, none of the Directors have any interests in any business which competes or is likely to compete, either directly or indirectly, with our Group's business.

Save as disclosed herein, there are no other matters in respect of each of our directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there are no other material matters relating to our directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Name	Age	Position
Mr. YIN Dongli (尹東利)	37	Vice President
Mr. WANG Jinpeng (王金鵬)	37	Vice President
Ms. WANG Xinyu (王欣宇)	39	Vice President
Mr. CHOU, Michael	31	Company Secretary and Head of Corporate Finance

Mr. YIN Dongli (尹東利), aged 37, joined our Group in February 2011 as vice president of responsible for marketing of liquid milk business of the Group. Mr. Yin has approximately 15 years of experience in management. He joined Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司) in July 1997 where he remained until November 2002, and held various positions as workshop foreman, head of production department and deputy general manager of purchases and sales from November 2002 to November 2006 in Shenyang Longdi Foods Co., Ltd.* (瀋陽隆迪食品有限公司). Mr. Yin served as general manger of the marketing centre of Shenyang Dairy from December 2006 to January 2009, and served as vice president of Liaoning Holdings from January 2009 to February 2011, responsible for the sales of liquid milk and milk powder, research and development of liquid milk products as well as logistics management. Mr. Yin has previously supported various dairy projects for their award nominations. From 2007 to date, he received a number of awards, including the Second Prize for Excellent New Products in Liaoning Province (遼寧省優秀新產品獎二等獎), the Third Prize of the Shenyang Village Technology Promotion Awards (瀋陽市農村科技推廣獎三等獎) and another Third Prize of the Shenyang Village Technology Promotion Awards (瀋陽市農村科技推廣獎三等獎). Mr. Yin is currently enrolled in the course of business administration at the university level of professional studies at the Online Education Institute of Renmin University of China* (中國人民大學網絡教育學院專科起點本科層次工商管理本科課程), he is expected to complete the course in September 2014.

Mr. WANG Jinpeng (王金鵬), aged 37, joined our Group in February 2011 as a vice president mainly responsible for the operation of the Group's liquid milk and milk powder production. Prior to joining our Group, Mr. Wang served as a vice president at Liaoning Holdings mainly responsible for liquid milk production from January 2009 to February 2011. Mr. Wang also served as workshop foreman, head of factory and deputy general manager at Shenyang Dairy from August 1999 to December 2008. The products of probiotic yogurt and milk drinks of tropical juice series researched and developed by Mr. Wang had won the Third Prize of the Shenyang Rural Area Technology Promotion Awards (瀋陽市農村科技推廣獎三等獎), Gold Prize of the Shenyang Excellent New Product Awards (瀋陽市優秀新產品金獎) and Third Prize of the Shenyang Technology Breakthrough Activities Awards (瀋陽市技術攻關活動三等獎) from 2005 to 2007, and the products of the active colostrum milk series researched and developed by him also won the Gold Prize of Shenyang Excellent New Product Awards (瀋陽市優秀新產品金獎) and the Third Prize of Liaoning Province Excellent New Product Awards (遼寧省優秀新產品三等獎) in 2007. Mr. Wang was awarded the honorary title of "Innovator of Professional Skills in Shenyang" (瀋陽市職工技術創新能手稱號) and the Meritorious Service Medals for the Young in Shenyang (瀋陽市五四榮譽獎章) in 2009 and 2010 respectively. Mr. Wang obtained the bachelor's degree in computer and applications from the Liaoning Shihua University (遼寧石油化工大學) in July 1999.

Ms. WANG Xinyu (王欣宇), aged 39, joined our Group in February 2011 as a vice president mainly responsible for the Group's information technology, media relations, brand management and marketing of the milk powder business. Ms. Wang has over 10 years of experience in the food and dairy industry. Ms. Wang worked in Dalian Jialing Logistics Co., Ltd* (大連佳菱物流有限公司) from May 1999 to May 2001, and served as head of sales department of Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司) from June 2001 to July 2002. From August 2002 to January 2009, Ms. Wang served as deputy general manager of Shenyang Dairy, mainly responsible for sales. She worked in Liaoning Holdings from January 2009 to February 2011, mainly responsible for branding, public relations, legal affairs and information technology. Her article "The road to the birth of a cup of quality milk" was published in the May 2010 issue of the "Food Industry Management and Computerisation" magazine. Ms. Wang obtained a bachelor's degree in economics from the Dongbei University of Finance and Economics (東北財經大學) in July 1997.

Mr. CHOU, Michael, aged 31, was appointed as the Company Secretary of the Company on June 1, 2013. Mr. Chou joined KPMG in Melbourne Australia in February 2005, and worked in the corporate finance department of KPMG Australia providing consultancy services on mergers and acquisitions matters. Subsequently, he was deployed to the corporate finance department of KPMG China from October 2008 to November 2011. Mr. Chou obtained the qualifications of Institute of Chartered Accountants Australia in April 2008. In December 2004, Mr. Chou obtained a bachelor's degree with honours in commerce from the University of Melbourne. Since December 2011, Mr. Chou has been appointed as the Group's Head of Corporate Finance.

BOARD COMMITTEES

We have established the following committees under the Board: an audit committee, a nomination committee, a remuneration committee and a food quality and safety advisory committee. The committees operate in accordance with terms of reference established by the Board.

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The audit committee consists of three independent non-executive Directors, being Mr. Francis Siu Wai Keung, Mr. Song Kungang and Mr. Tsui Kei Pang. The chairman of the audit committee is Mr. Francis Siu Wai Keung, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the audit committee include, but are not limited to, the following: (i) to propose the appointment or removal of the external auditor of the Company and to review and supervise the independence and objectivity of the external auditors and the effectiveness of the audit process; (ii) to discuss with the external auditor on the nature and scope of the audit work prior to the commencement of the audit work; (iii) to review the Group's financial and accounting policies and practices; (iv) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness; (v) to review the Company's financial information and disclosure thereof, and to consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts; (vi) to oversee the Company's financial controls, internal control and risk management systems and their implementation; and (vii) to review the arrangements for employees to raise concerns about financial reporting improprieties.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with paragraphs B1 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The remuneration committee consists of two executive Directors, being Ms. Ge and Mr. So Wing Hoi, and three independent non-executive Directors, being Mr. Francis Siu Wai Keung, Mr. Gu Ruixia and Mr. Tsui Kei Pang. The chairman of the remuneration committee is Mr. Francis Siu Wai Keung. The primary duties of the remuneration committee include, but are not limited to, the following: (i) to make recommendations to the Board on our policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve senior management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management; (iv) to assess, review and make recommendations once a year or as and when required, to the Board in respect of the remuneration packages and overall benefits for the directors of the Company; and (v) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment; to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with paragraphs A5 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The nomination committee consists of three executive Directors, being Mr. Yang, Mr. So Wing Hoi and Ms. Ge, and four independent non-executive Directors, being Mr. Song Kungang, Mr. Francis Siu Wai Keung, Mr. Gu Ruixia and Mr. Tsui Kei Pang. The chairman of the nomination committee is Mr. Song Kungang. The primary duties of the nomination committee include, but are not limited to, the following: (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our corporate strategy; (ii) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) to assess the independence of independent non-executive Directors; and (iv) to make recommendations to the Board on the re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

Food Quality and Safety Advisory Committee

We have established a food quality and safety advisory committee with written terms of reference. The food quality and safety advisory committee consists of five executive Directors, being Mr. Yang, Mr. So Wing Hoi, Ms. Ge, Mr. Xu Guangyi and Mr. Kwok Hok Yin, and four independent non-executive Directors, being Mr. Francis Siu Wai Keung, Mr. Gu Ruixia, Mr. Song Kungang and Mr. Tsui Kei Pang. The chairman of the food quality and safety advisory committee is Mr. Yang. The primary duties of the food quality and safety advisory committee include, but are not limited to, the following: (i) to establish a comprehensive and effective quality control system; to review and assess the overall hygienic condition of our food products at least twice a year or as and when required; (ii) to monitor the internal safety measures of the Group towards food production, storage and transportation and to check whether such measures are appropriately in place and compliant with regulations; (iii) to check whether our products have achieved all quality inspection standards and/or quality system certification; and (iv) to report any food safety hazard to the Board once identified and to explore any solution to it so as to address such potential safety issue, and to supervise for the effective implementation of such solution throughout production, storage and transportation.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

We offer our executive Directors and senior management members, who are also employees of our Company, various compensation in the form of fees, salaries, contributions to pension scheme, discretionary bonuses, housing and other benefits in kind. Our independent non-executive Directors receive compensation based on their responsibilities (including being members or chairman of Board committees).

The aggregate amount of remuneration which was paid to our Directors for the three financial years ended March 31, 2011, 2012 and 2013 were approximately RMB461,000, RMB453,000, and RMB3,003,000, respectively.

The aggregate amount of remuneration which was paid by the Company to our five highest paid individuals for the three financial years ended March 31, 2011, 2012 and 2013 were approximately RMB631,000, RMB602,000, and RMB5,285,000, respectively.

It is estimated that remuneration equivalent to approximately RMB3,900,000 in aggregate will be paid and granted to our Directors by us in respect of the financial year ending March 31, 2014 under arrangements in force at the date of this prospectus.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or is receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three financial years ended March 31, 2011, 2012 and 2013, by us or any of our subsidiaries to our Directors.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, the purpose of which is to motivate the relevant participants to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. The principal terms of this scheme are summarized in the paragraph headed "Appendix V — Statutory and General Information — D. Share Option Scheme" of this prospectus.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the Shares in issue as on the date of Listing; and Mr. Yang, Ms. Ge and Mr. So Wing Hoi (acting together) have been authorised to determine the grant of options under, and pursuant to the terms of, the Share Option Scheme shortly after Listing representing up to 5% of the Shares in issue as on the date of Listing and to determine the guarantees, number of options to be granted to each grantee and the terms and conditions of such grants pursuant to the terms of the Share Option Scheme.

COMPLIANCE ADVISOR

We have appointed Halcyon Capital Ltd as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

So far as our Directors are aware, immediately following the Exchangeable Bonds having been exchanged in full and the completion of the Global Offering (assuming at the mid-point of the Offer Price range), the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Nature of interest	Shares held immediately prior to the Global Offering		Shares held immediately following the completion of the Global Offering[5]	
		Number	**Percentage**	**Number**	**Percentage**
Mr. Yang[1][2]	Interested in controlled corporation	7,747,128,000	67.40%	7,164,421,000	49.73%
Ms. Ge[3]............	Interested in controlled corporation	7,747,128,000	67.40%	7,164,421,000	49.73%
Champ Harvest....	Beneficial owner	7,000,001,000	60.90%	6,417,294,000	44.54%
Well Ease[4].........	Beneficial owner	1,807,377,049	15.72%	1,668,771,049	11.58%

Notes:

(1) Champ Harvest will directly hold 6,417,294,000 Shares. Mr. Yang directly holds 70% of the total issued share capital of Champ Harvest and indirectly holds 20% of the total issued share capital of Champ Harvest through King Pavilion Limited, a company wholly-owned by Mr. Yang. Accordingly, Mr. Yang is deemed to have interest in the 6,417,294,000 Shares to be held by Champ Harvest which is a substantial shareholder of our Company.

(2) Talent Pool will directly hold 747,127,000 Shares. Mr. Yang indirectly holds the entire issued share capital of Talent Pool through Mighty Global Limited, a company wholly-owned by Mr. Yang. Accordingly, Mr. Yang is deemed to have interest in the 747,127,000 Shares to be held by Talent Pool.

(3) Ms. Ge indirectly holds 10% of the total issued share capital of Champ Harvest through Gain Excellence Limited, a company wholly-owned by Ms. Ge. Ms. Ge is holding the economic interest in such shares in Champ Harvest on Mr. Yang's behalf. Ms. Ge, being the concert party of Mr. Yang, is deemed to have interest in 7,164,421,000 Shares which Mr. Yang is deemed to have interest in.

(4) Well Ease is 80% owned by Chow Tai Fook Nominee Limited which is wholly-owned by Dato' Dr. Cheng Yu Tung, and 20% owned by Crown Castle Investment Holdings Limited which is held under trust for the benefit of Ms. Law Mei Ling Katherine, the daughter of Mr. Law Siu Wah Eddie.

(5) Assuming the Over-allotment Option is not exercised.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

THE CORPORATE PLACING

We have entered into cornerstone investment agreements with the following cornerstone investors, who agreed to (subject to certain conditions) subscribe at the Offer Price for such number of Shares with certain investment amount. Assuming an Offer Price of HK$2.48, the mid-point of the Offer Price range set forth in this prospectus, the total number of Shares to be subscribed for by such cornerstone investors would be 641,444,000 Shares, representing approximately 4.5% of our total issued share capital after the Global Offering (after Capitalization Issue and assuming that no Shares have been issued for any options that may be granted under the Share Option Scheme). The cornerstone placing forms part of the International Offering and none of such cornerstone investors will subscribe for any Offer Share under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). The Shares to be subscribed for by such cornerstone investors will not be affected by any reallocation of the Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section entitled "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus. Details of the allocations to such cornerstone investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or about September 26, 2013.

The subscription obligation of each of the below cornerstone investors is subject to, among other things, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become unconditional and not having been terminated by no later than the time and date as specified in those underwriting agreements in accordance with their respective original terms, or as subsequently varied by agreement of the parties thereto or waived by the relevant parties;

(2) the Listing Committee of the Hong Kong Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares and that such approval or permission having not been revoked;

(3) the respective representations, warranties, undertakings and acknowledgements of the respective cornerstone investor and our Company are accurate and true in all material respects and not misleading and there being no material breach of this Agreement by the relevant parties; and

(4) no laws shall have been enacted or promulgated by any governmental authority which prohibit the consummation of the subscription or transactions contemplated in the Hong Kong Public Offering or the International Offering and no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

OUR CORNERSTONE INVESTORS

Norges Bank

Norges Bank (the Central Bank of Norway) ("**Norges Bank**") has agreed to subscribe for 360,194,000 Shares in the International Offering at the Offer Price, which would represent 2.5% of the total issued Shares of our Company immediately upon completion of the Global Offering (after Capitalization Issue and assuming that no Shares have been issued for any options that may be granted under the Share Option Scheme). Assuming an Offer Price of HK$2.48, being the mid-point of the Offer Price range set forth in this prospectus, Norges Bank's subscription will amount to approximately HK$893.3 million (exclusive of brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee). The number of Shares to be subscribed by Norges Bank should not exceed 10% of the total number of the Offer Shares (not taking into account Shares to be offered under the Over-allotment Option). Under the cornerstone investment agreement with Norges Bank dated September 7, 2013, it has a right to terminate the agreement if (i) in the reasonable opinion of Norges Bank, there are any differences between the draft prospectus provided to it prior to the signing of the agreement and this prospectus which, individually or in the aggregate, have a material adverse effect on our Company or the value of the Shares, or (ii) a supplemental prospectus is issued by us to supplement the information in this prospectus. The termination right set out in paragraph (i) above has lapsed as of the date of this prospectus. The termination right set out in paragraph (ii) above is exercisable anytime before the Listing Date.

Norges Bank manages the Norwegian Government Pension Fund Global. In its management of the fund, Norges Bank works to safeguard and build financial wealth for Norway's future generations. The Fund is invested globally in equity, fixed-income and real estate. It held assets worth 4,397 billion kroner (approximately US$730 billion) at the end of June 2013.

Yili

內蒙古伊利實業集團股份有限公司 (Inner Mongolia Yili Industrial Group Co., Ltd.*) ("**Yili**") has approved to subscribe, through its wholly-owned subsidiary Yili International Development Co., Limited ("**Yili International**") which is incorporated in Hong Kong, for such number of Shares which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) at the Offer Price. Assuming an Offer Price of HK$2.48, being the mid-point of the Offer Price range set forth in this prospectus, Yili International will subscribe for 156,250,000 Shares, representing approximately 1.1% of the total issued Shares of our Company immediately upon completion of the Global Offering (after Capitalization Issue and assuming that no Shares have been issued for any options that may be granted under the Share Option Scheme).

Yili is a leading dairy products company in the PRC with its shares listed on the Shanghai Stock Exchange. Yili is one of the two major raw milk industrial customers of our Group and with whom our Group has entered into a framework agreement regarding the supply of raw milk in September

2012. The investment by Yili in our Company is part of the continuing development of our strategic partnership with Yili Group. As part of the long term partnership, we also renewed our framework agreement to supply raw milk to Yili, extending it to March 31, 2024.

Bao Hua Investments

Bao Hua Investments Limited ("**Bao Hua Investments**") has agreed to subscribe for such number of Shares which may be purchased with an aggregate amount of US$40 million (inclusive of brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and other related expenses) at the Offer Price. Assuming an Offer Price of HK$2.48, being the mid-point of the Offer Price range set forth in this prospectus, Bao Hua Investments will subscribe for approximately 125,000,000 Shares, representing approximately 0.9% of the total issued Shares of our Company immediately upon completion of the Global Offering (after Capitalization Issue and assuming that no Shares have been issued for any options that may be granted under the Share Option Scheme).

Bao Hua Investments is a company incorporated in the BVI. It is a company wholly owned by COFCO (Beijing) Agricultural Industrial Equity Investment Fund (A Limited Partnership). COFCO (Beijing) Agricultural Industrial Equity Investment Fund (A Limited Partnership) is jointly established in the PRC by COFCO Corporation, China Jianyin Investment Limited, Louis Dreyfus Commodities Asia Pte Ltd, Sumitomo Mitsui Banking Corporation, Horley Investments Limited and COFCO Agricultural Industrial Investment Fund Management Co., Ltd., and principally engaged in investment of private enterprises in agriculture and food industries and related management and consulting services.

To the best knowledge of our Company, each of the above cornerstone investors is an independent third party of our Company, independent of each of other, not our connected person, and not an existing shareholder of our Company. Accordingly, the shareholdings of such cornerstone investors in our Company will be counted towards the public float of our Shares. Immediately following completion of the Global Offering, none of the above cornerstone investors will have any board representation in our Company, nor will any of them become a substantial shareholder of our Company.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the above cornerstone investors has agreed that, without the prior written consent of our Company and the Joint Bookrunners, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreements) any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement (save in some cases, some investors could transfer the Shares that they subscribed in the International Offering to their respective wholly-owned subsidiary(ies) during such six months lock-up period).

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Global Offering:

		HK$
Authorised share capital:		
20,000,000,000	Shares	2,000,000,000
Issued and to be issued, fully paid or credited as fully paid:		
11,494,254,000	Shares in issue after the Capitalization Issue	1,149,425,400
2,913,534,000	Shares to be issued pursuant to the Global Offering	291,353,400
14,407,788,000	Total	1,440,778,800

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

(a) a rights issue;

(b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Bye-laws;

(c) a specific authority granted by the Shareholders in general meeting;

(d) any option scheme or similar arrangement for the time being adopted for the granting or issuance of Shares or rights or options to acquire Shares (including the Share Option Scheme),

shall not exceed the aggregate of:

(i) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering; and

(ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the section headed "— General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will expire:

(1) at the conclusion of our next annual general meeting; or

(2) at the end of the period within which we are required by any applicable law or our Bye-laws to hold our next annual general meeting; or

(3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — Further Information About Our Company And Our Subsidiaries — Resolutions in Writing of the Shareholders of Our Company" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — Conditions of the Global Offering", our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering.

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — Further Information About Our Company And Our Subsidiaries — Repurchases by Our Company of Our Own Securities" in Appendix V to this prospectus.

This general mandate to repurchase Shares will expire:

(i) at the conclusion of our next annual general meeting; or

(ii) at the end of the period within which we are required by any applicable law or our Bye-laws to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — Further Information About Our Company and Our Subsidiaries — Resolutions in Writing of the Shareholders of Our Company" in Appendix V to this prospectus.

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements as of and for each of the years ended March 31, 2011, 2012 and 2013 and the accompanying notes included in the accountants' report set out in Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS. Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a leading and the most vertically integrated dairy company in China, and we currently own the largest upstream resources and one of the largest herd of dairy cows in the country, each according to Frost & Sullivan. We pioneered and operate a unique fully integrated business model with the aim to establish the most trusted national dairy brand with a leading scale that inspires consumers' confidence in product safety and quality. Our unique business model covers the entire dairy industry value chain, which includes growing and processing of alfalfa and supplementary feeds, processing of concentrated feeds, dairy farming, and manufacturing and sales of dairy products. We believe this "grass to glass" business model represents the best solution to address the lack of accountability in China's dairy industry arising from the competing economic interests among participants across critical segments of the value chain. Currently, we are the only company capable of satisfying 100% of our raw milk requirements for the production of liquid milk and milk powder products with internally-sourced raw milk. Meanwhile, our brands and products have never been associated with any food safety incidents as of the Latest Practicable Date.

We have experienced rapid growth during the Track Record Period, primarily attributable to the strong demand for our premium dairy products together with our continuous expansion. Our turnover grew from RMB374.0 million for the year ended March 31, 2011 to RMB2,552.4 million for the year ended March 31, 2013, representing a CAGR of 161.2%, while our profit for the year before biological assets fair value adjustments grew from RMB32.7 million for the year ended March 31, 2011 to RMB1,013.9 million for the year ended March 31, 2013, representing a CAGR of 457.1%. Leveraging our unique business model and strong management capability, we believe we enjoy industry leading profitability across all our key operating segments. Gross margin of our dairy farming business (after elimination of internal supplies of raw milk) amounted to 42.7%, 48.5% and 58.7%, for the years ended March 31, 2011, 2012 and 2013, respectively, while gross margin of our liquid milk business (after elimination of internal uses of raw milk) amounted to 6.1%, 38.4% and 54.0% for the years ended March 31, 2011, 2012 and 2013, respectively. With the ability to offer a wide range of safe and high-quality dairy products, we believe that we are well positioned to replicate our success in Northeastern China in the fast-growing premium dairy products market throughout the country. According to Frost & Sullivan, China's dairy industry is expected to continue to experience robust growth, driven by strong economic growth, rising health awareness and increasing demand for high-end products.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We believe the most significant factors that directly or indirectly affect our financial performance and results of operations include:

- Size and expansion of our herd of dairy cows;
- Milk yield;
- Average selling price of our products;
- Growth of our liquid milk and milk powder businesses;
- Our cost structure; and
- Biological assets and agricultural produce.

Size and expansion of our herd of dairy cows

During the Track Record Period, our results of operations have been significantly affected by the expansion of our herd of dairy cows. Our herd size increased from 55,552 dairy cows as of March 31, 2011 to 90,254 dairy cows as of March 31, 2012 and further increased to 112,851 dairy cows as of March 31, 2013. During the Track Record Period, the increase in the number of milkable cows has resulted in an increase in our annual raw milk output. The expansion of our herd size was the result of the acquisition of heifers and the birth of female calves. We expect our results to be positively affected when these calves and heifers become milkable cows. The table below sets forth our total number of calves and heifers and milkable cows as of the dates indicated.

	As of March 31,		
	2011	2012	2013
		(heads)	
Dairy cows:			
Calves and heifers	36,968	59,033	62,962
Milkable cows	18,584	31,221	49,889
Total	**55,552**	**90,254**	**112,851**

We plan to expand our herd size prudently based on our estimate of the market demand of our dairy products. We currently target to procure approximately 25,000 dairy cows per year in the next three years. Meanwhile, self-bred calves will continue to increase as part of the expansion of our dairy farming operations.

Milk yield

Our results are directly affected by our average milk yield per milkable cow. In addition to affecting the profitability of our dairy farming business, average milk yield per milkable cow also affects the profitability of our liquid milk business and milk powder business, as raw milk is the most important raw material. Milk yield is affected by a number of factors, including a cow's stage of lactation, breed, genetics, feeds and health, as well as the geographic and climate conditions of the location, and management efficiency of the dairy farms. All of our dairy farms are located in Liaoning Province, which sits in the most ideal latitude zone for dairy farming, known as the Golden Raw Milk Belt in China, and enjoy favorable geographic and climatic conditions. In addition, we have taken a number of steps to improve our average milk yield per milkable cow, including:

- Improving our herd genetically, using frozen semen imported from North America to breed our cows.
- Selecting quality heifers based on physical attributes and pedigree.
- Feeding dairy cows with self-produced alfalfa silage that has higher protein content as compared with alfalfa hays.
- Optimizing the combination of feeds with different feeds formula developed in-house for calves, heifers and milkable cows based on the total mixed ration concept.
- Employing free stall dairy farming that provides dairy cows with better living and resting environments.
- Regular and systematic culling or selling of milkable cows with low yields.
- Maintaining reasonable milking intervals, usually three times a day.
- Implementing strict disease control measures.

As a result of the foregoing factors, we have achieved an industry leading milk yield. For the years ended March 31, 2011, 2012 and 2013, our average milk yield per milkable cow was 8.7 tonnes, 8.6 tonnes and 9.1 tonnes per annum, respectively, as compared with the industry average of 5.8 tonnes per annum in 2012, as reported by Frost & Sullivan. We expect to further improve our milk yield per milkable cow as we continue to optimize our operations.

Average selling price of our products

Average selling prices of our products have driven the growth in, and are expected to continue to affect, our turnover and profitability.

- *Raw milk.* Selling prices of raw milk are primarily determined by quality. In particular, raw milk producers are rewarded for high protein and fat content in the raw milk. Average selling price of our raw milk during the Track Record Period was substantially higher than the industry average, mainly due to the premium quality of our raw milk. Given the industry wide shortage of premium raw milk, our average selling price continued to increase throughout the Track Record Period. Such increase was also in line with the industry trend in China. We further adjusted the selling price of our raw milk upwards to RMB4,800 per tonne since May 2013. We expect the average selling price of our raw milk to continue to increase in the foreseeable future as the premium raw milk supply shortage is expected to continue, according to Frost & Sullivan.

- *Liquid milk products.* Average selling price of our liquid milk products is primarily determined by product mix, market demand, product quality and brand recognition. We plan to further promote our high-end liquid milk products throughout China and expect the average selling price of our liquid milk products to continue to increase in the foreseeable future.

- *Milk powder products and dairy ingredients.* Average selling price of our milk powder products and dairy ingredients is primarily determined by product mix, market demand, product quality and brand recognition. In particular, the products we sell or provide to our industrial customers and the products we sell to our retail customers carry significantly different selling prices. Going forward, we expect the average selling price of individual types of milk powder products and dairy ingredients to increase in the future.

Growth of our liquid milk and milk powder businesses

Going forward, we expect the turnover from our liquid milk and milk powder businesses to contribute an increasingly larger portion of our consolidated turnover. The growth of these two operating segments will continue to be driven by market demand for high quality dairy products in China. We believe our ability to offer a wide range of safe and high-quality dairy products will position us well to replicate our success in the fast-growing premium dairy products market throughout the country.

We rely on our distribution network to place our liquid milk products and consumer milk powder products through retail outlets to end consumers. The effectiveness and geographic reach of our distribution network and sales force directly impact our sales. We have established a retail distribution network comprising various sales channels with primary coverage in Liaoning Province, Jilin Province and selected major cities in Heilongjiang Province, as well as Shandong Province and Beijing. To further promote our branded liquid milk products and milk powder products across the nation, we aim to enhance our distribution network targeting different geographical areas and products. See "Business—Our Strategies— Enhance our distribution network and penetrate additional geographical end-markets beyond Northeastern China and expand our industrial customer base" for further details about our plan to expand our distribution network. We expect our sales to increase as we expand our geographical reach and distribution channels.

Our cost structure

Our unique business model, large scale operations and efficient management systems optimize our cost structure in the following aspects:

- *Feed costs.* Typically, feeds for dairy cows account for the substantial majority of costs for dairy farming. By growing and processing alfalfa and concentrated feeds for our internal consumption, we are able to control such costs. For example, under our large scale and efficient upstream operations, our cost of growing alfalfa amounts to approximately US$70 per tonne, as compared with an industry average price of US$400 per tonne for imported alfalfa, as reported by Frost & Sullivan.

- *Operating costs.* Our large scale production facilities, standardized dairy farms and highly efficient operations all help to reduce our operating costs. The production capacity of our dairy farms also enables us to enjoy economies of scale without incurring excessive costs for biowaste management and disease control.

- *Raw milk and other raw materials costs.* Typically, costs to purchase raw milk account for a substantial portion of production costs for liquid milk business and milk powder business. Our costs for producing raw milk internally are substantially lower than procuring raw milk of comparable quality from external suppliers. Under our vertically integrated business model, we continued to increase the use of internally-sourced raw milk to produce liquid milk products throughout the Track Record Period. We have also discontinued the purchase of raw milk from external suppliers since May 1, 2013 and started to use exclusively our internal supplies of raw milk to produce our liquid milk products. We also rely solely on our internal supplies of raw milk to satisfy requirements for the production of our milk powder products. In addition, by producing D90 whey powder in-house, we are able to reduce the raw material costs for our infant milk formula powder products.

- *Internal transportation and handling costs.* In general, high costs are incurred for long distance transportation and handling of alfalfa and raw milk to prevent substantive loss of nutrition value or spoilage. The close proximity of our plantation fields, dairy farms and various processing facilities enables us to enjoy low transportation and handling costs.

- *Land costs.* As our business model is in line with the government policies that encourage the consolidation of dairy farming companies and upstream feeds planting companies as well as the industrialization of agricultural activities, we have been able to secure long-term leases with an average term of 15 years to be used as plantation fields at fixed rents. As a result, the annual rent payments are not subject to increases before the leases expire between 2026 and 2028.

Biological assets and agricultural produce

Our results of operations are affected by changes in fair value less cost to sell of biological assets in respect of our dairy cows and alfalfa roots. We are required under IFRS to recognize such changes under "gain arising from changes in fair value less cost to sell of biological assets". Net gains or losses arising from changes in fair value less costs to sell of biological assets represents fair value changes on the biological assets, due to the breeding and growing costs and changes in market prices of and discounted future cash flow to be generated by those assets. During the Track Record Period, the biological assets were revalued at each reporting date. We recorded a gain of RMB295.2 million and RMB63.8 million arising from such changes for the years ended March 31, 2011 and 2012, and a loss of RMB86.8 million for the year ended March 31, 2013.

Our results of operations are also affected by fair value of raw milk and alfalfa recognized at milking or harvesting, and subsequently charged as cost of sales at the time of sale or consuming. As required by the IFRS, agricultural produce (including raw milk and alfalfa for us) are recognized as inventories at their fair value less costs to sell at the point of harvest. The fair value is determined based on the market price quoted in the local area, and cost to sell is the incremental costs directly attributable to the disposal of an asset, mainly transportation cost but excluding finance costs and income taxes. The resulting gain or loss of recognition of such fair value, being the difference between the fair value less costs to sell of such raw milk or alfalfa, and the breeding or plantation costs incurred, is recognized in profit or loss for that period. Meanwhile, the gain or loss recognized is charged as cost of sales upon subsequent sales or internal consumption of such raw milk or alfalfa as part of the cost of inventories sold and recorded as biological fair value adjustments — gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest. Any agricultural produce that are not sold or consumed during the period in which it was harvested will remain as inventory. During the Track Record Period, as we have always sold or consumed our raw milk at the day of milking, the gain from initial recognition of raw milk has always been the same as the fair value adjustments on our cost of sales. For example, RMB105.2 million is recorded under "gain arising on initial recognition of agricultural produce at fair value less cost to sell at the point of harvest", and included under "biological fair value adjustment" of cost of sales, for the year ended March 31, 2011. However, as we do not always consume all the alfalfa we harvested during the period in which it was harvested, the value of the unused alfalfa would result in a net gain. For example, alfalfa with fair value of RMB22.6 million remained unused and was booked as our inventory as of March 31, 2013, and we recognized a gain from such initial recognition of RMB18.3 million (the difference of RMB4.3 million being the plantation costs incurred). Going forward, as we plan to sell or consume substantially all of the raw milk and alfalfa during the period in which it was produced, we do not expect any net gain recognized will have a substantial impact on our profits from operation or operating margin.

The fair value of our biological assets, including dairy cows and alfalfa roots, at the end of each reporting period was determined by independent professional valuers. For more information about the valuation methods applied in valuing the biological assets, see the paragraph headed "Principal Income Statement Components — Changes in fair values less costs to sell of biological assets". In applying these valuation methods, the independent professional valuers have relied on a number of assumptions, related to, among other things, future trends in the dairy industry and the projected operating performance of the biological assets. The fair value of the biological assets could be affected by, among other things, the accuracy of those assumptions, as well as the quality of our herd, raw milk prices and changes in the dairy industry. Upward adjustments do not generate any cash inflow for our operations. We expect that our results will continue to be affected by the changes in the fair value of the biological assets.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations are set forth in detail in Note 1 to the Accountant's Report included in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. The fair value is remeasured at the end date of each reporting period. The gain or loss on remeasurement to fair value is recognized immediately in the income statement.

Goodwill

Goodwill is stated at cost, which equals:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the entity acquired by us; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interests in the entity acquired by us; plus
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. See "— Impairments".

Biological assets

Biological assets comprise dairy cows which are divided into three groups of calves, heifers and milkable cows, and alfalfa grass, which are raised or grown by us for the purposes of producing raw milk and feeding dairy cows.

Biological assets are measured on initial recognition and at the end of each reporting period at their fair values less costs to sell. Any resultant gain or loss arising on initial recognition and from changes in fair value less costs to sell is charged to the income statement for the period in which the gain or loss arises.

The feeding costs and other related costs such as staff costs, depreciation and amortization expenses and utilities cost incurred for raising calves and heifers are capitalized until they begin to produce milk and transfer to the group of milkable cows. Such costs incurred for milkable cows are also capitalized while upon milking, the costs incurred to bring the raw milk are transferred to inventories.

The sowing and plantation costs and other related costs such as staff costs, depreciation and amortisation expenses and utilities cost incurred for growing alfalfa grass are capitalized and upon harvest, the costs incurred to bring the grass to harvest are transferred to inventories.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories is calculated using the weighted average method. In addition to the purchasing cost of raw materials, semi-finished goods and finished goods include direct labor costs and an appropriate allocation of production overheads. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Agricultural produce harvested from our biological assets are raw milk and alfalfa grass. Upon harvest, agricultural produce are initially recognized as inventories at their fair values less costs to sell at the point of harvest, which are determined based on their market prices quoted in the local area. Any resultant gain or loss arising on initial recognition of such fair values (i.e. the difference between the fair values less costs to sell of the agricultural produce at the point of harvest and the breeding costs and/(or) the plantation costs incurred to bring such agricultural produce to harvest) is recognized in the income statement in the period of harvest. Upon subsequent sales, such amount of the inventories initially recognized is charged to the cost of sales in the income statement.

Impairment of assets

Impairment of receivables

Receivables that are stated at cost or amortized cost are reviewed at each reporting period end date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to our attention about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganization; and

— significant changes in the market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is determined and recognized as the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the receivable's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables), where the effect of discounting is material. This assessment is made collectively where receivables carried at amortized cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for receivables with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the receivable's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of receivables whose recoveries are considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When we are satisfied that recovery is remote, the amount considered irrecoverable is written off against the receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in the income statement.

Impairment of other assets

Internal and external sources of information are reviewed at each reporting period end date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

— property, plant and equipment;

— goodwill; and

— lease prepayments.

If such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognized in the income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognized.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and residual values are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

PRINCIPAL INCOME STATEMENT COMPONENTS

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year Ended March 31,								
	2011			2012			2013		
	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total
	(RMB in thousands, except for percentages)								
Consolidated Income Statements									
Turnover	**374,045**	**—**	**374,045**	**1,332,794**	**—**	**1,332,794**	**2,552,438**	**—**	**2,552,438**
Cost of sales	(254,166)	(105,208)	(359,374)	(783,155)	(457,633)	(1,240,788)	(1,174,268)	(935,927)	(2,110,195)
Gross profit	**119,879**	**(105,208)**	**14,671**	**549,639**	**(457,633)**	**92,006**	**1,378,170**	**(935,927)**	**442,243**
Gross margin	***32.0%***	**—**	***3.9%***	***41.2%***	**—**	***6.9%***	***54.0%***	**—**	***17.3%***
Gain arising on initial recognition of agricultural produce at fair value	—	105,208	105,208	—	457,633	457,633	—	954,187	954,187
Gain/(loss) arising from the changes in fair value less costs to sell of biological assets	—	295,241	295,241	—	63,817	63,817	—	(86,779)	(86,779)
Other net income	2,581	—	2,581	4,810	—	4,810	41,528	—	41,528
Distribution costs	(9,328)	—	(9,328)	(10,156)	—	(10,156)	(105,688)	—	(105,688)
Administrative expenses	(23,722)	—	(23,722)	(44,332)	—	(44,332)	(91,462)	—	(91,462)
Profit from operations	**89,410**	**295,241**	**384,651**	**499,961**	**63,817**	**563,778**	**1,222,548**	**(68,519)**	**1,154,029**
Operating margin	***23.9%***	**—**	***102.8%***	***37.5%***	**—**	***42.3%***	***47.9%***	**—**	***45.2%***
Net Finance costs	(56,738)	—	(56,738)	(103,307)	—	(103,307)	(141,614)	—	(141,614)
Profit before taxation	**32,672**	**295,241**	**327,913**	**396,654**	**63,817**	**460,471**	**1,080,934**	**(68,519)**	**1,012,415**
Income tax	—	—	—	(10,751)	—	(10,751)	(67,045)	—	(67,045)
Profit for the year	**32,672**	**295,241**	**327,913**	**385,903**	**63,817**	**449,720**	**1,013,889**	**(68,519)**	**945,370**
Net margin	***8.7%***	**—**	***87.7%***	***29.0%***	**—**	***33.7%***	***39.7%***	**—**	***37.0%***
Other comprehensive income for the year:									
Exchange differences on translation into presentation currency			1,818			60,657			(488)
Total comprehensive income for the year			**329,731**			**510,377**			**944,882**

Turnover

During the Track Record Period, we generated turnover from four operating segments: (i) dairy farming business, under which we produce and sell raw milk; (ii) liquid milk business, under which we produce and sell liquid milk products; (iii) milk powder business, under which we produce and sell milk powder products and dairy ingredients; and (iv) grain processing and trading, under which we process, sell and trade various grain products. We discontinued our grain processing business on January 25, 2011 and our grain trading business on March 28, 2013.

The following table sets out the breakdown of our consolidated turnover by our four operating segments for the periods indicated:

	Year Ended March 31,								
	2011			2012			2013		
	External Sales	Internal Supplies[(1)]	Subtotal	External Sales	Internal Supplies[(1)]	Subtotal	External Sales	Internal Supplies[(1)]	Subtotal
	(RMB in thousands)								
Dairy farming business	244,022	2,574	246,596	671,943	280,707	952,650	680,608	910,387	1,590,995
Liquid milk business	15,388	—	15,388	564,310	—	564,310	1,707,132	—	1,707,132
Milk powder business	—	—	—	—	—	—	88,052	—	88,052
Grain processing and trading[(2)]	114,635[(3)]	—	114,635[(3)]	96,541	—	96,541	76,646	—	76,646
Consolidated Turnover	**374,045**			**1,332,794**			**2,552,438**		

(1) Represents the product of the quantity of raw milk provided for our internal uses and the internal supply price, which is the average price of raw milk sold to our external customers in this period.

(2) We discontinued our grain processing business on January 25, 2011 and our grain trading business on March 28, 2013.

(3) Consists primarily of turnover generated by Liaoning Huishan Dairy's operations prior to our acquisition of this subsidiary.

Dairy farming business

Turnover from our dairy farming business (before elimination of internal supplies of raw milk) amounted to RMB246.6 million, RMB952.7 million and RMB1,591.0 million for the years ended March 31, 2011, 2012 and 2013, respectively. Meanwhile, turnover from our dairy farming business after elimination of internal supplies of raw milk amounted to RMB244.0 million, RMB671.9 million and RMB680.6 million for the years ended March 31, 2011, 2012 and 2013, respectively. Throughout the Track Record Period, turnover from sales of raw milk increased substantially primarily due to strong growth in demand from our customers, which was met by our expansion of herd size and increase in milk yield. China's dairy industry is experiencing a shortage of premium raw milk. In response to such supply-demand gap, we have expanded our herd of dairy cows throughout the Track Record Period to capitalize on the growth opportunity.

Such shortage in supply of premium raw milk also resulted in increases in average selling price of our raw milk, which also contributed to the strong growth of our dairy farming business. The following table sets out the sales amount, sales volume and average selling price per tonne of our raw milk for the periods indicated:

	Year Ended March 31,								
	2011			2012			2013		
	Sales Amount	Sales Volume	Average Selling Price	Sales Amount	Sales Volume	Average Selling Price	Sales Amount	Sales Volume	Average Selling Price
	RMB	Tonnes	RMB/Tonne	RMB	Tonnes	RMB/Tonne	RMB	Tonnes	RMB/Tonne
	(in thousands)			(in thousands)			(in thousands)		
Raw Milk									
External sales	244,022	56,776	4,298	671,943	151,083	4,448	680,608	151,431	4,495
Internal supplies	2,574	605	4,255	280,707	62,837	4,467	910,387	200,980	4,530
Total	**246,596**	**57,381**	**4,298**	**952,650**	**213,920**	**4,453**	**1,590,995**	**352,411**	**4,515**

Note: For the years ended March 31, 2011, 2012 and 2013, we used 3,360 tonnes, 9,177 tonnes and 12,655 tonnes of our raw milk to feed our calves, in addition to the raw milk sold externally or consumed internally for the production of dairy products.

As part of our vertical integrated business model, we use a portion of our raw milk to produce our liquid milk products and milk powder products. The value of raw milk used internally as discussed in this Prospectus represents the product of the quantity of raw milk provided for internal uses and the average price of raw milk sold to our external customers in the same period.

Going forward, we plan to expand our herd size prudently based on our estimate of the market demand of our raw milk, liquid milk products and milk powder products. As our liquid milk and milk powder businesses continue to grow, we expect to use an increasingly larger portion of our raw milk internally. As a result, we expect sales of raw milk to external customers to remain stable in absolute terms but decrease as a percentage of our consolidated turnover in the foreseeable future.

Liquid milk business

Turnover from our liquid milk business amounted to RMB15.4 million, RMB564.3 million and RMB1,707.1 million for the years ended March 31, 2011, 2012 and 2013, respectively, which accounted for 4.1%, 42.3% and 66.9% of our consolidated turnover for the respective fiscal years.

During the Track Record Period, the strong growth of our liquid milk business resulted from significant increases in sales volume of our liquid milk products. The following table sets out breakdown of sales amount, sales volume and average selling price per tonne of our liquid milk products for the periods indicated:

	Year Ended March 31,									Throughout the Track Record Period		
	2011			2012			2013					
	Sales Amount	Sales Volume	Average Selling Price	Sales Amount	Sales Volume	Average Selling Price	Sales Amount	Sales Volume	Average Selling Price	Aggregate Sales Amount	Aggregate Sales Volume	Average Selling Price
	RMB	Tonnes	RMB/ Tonne	RMB	Tonnes	RMB/ Tonne	RMB	Tonnes	RMB/ Tonne	RMB	Tonnes	RMB/ Tonne
	(in thousands)			(in thousands)			(in thousands)			(in thousands)		
Sales to Independent Third Parties..........	—	—	—	446,129	66,481	6,711	1,706,914	246,124	6,935	2,153,043	312,605	6,887
Sales to Shenyang Dairy.....................	15,388	1,563	9,844[(1)]	118,181	18,626	6,345[(2)]	218	38	5,737[(2)]	133,787	20,227	6,614
Total...........................	**15,388**	**1,563**	**9,844**	**564,310**	**85,107**	**6,631**	**1,707,132**	**246,162**	**6,935**	**2,286,830**	**332,832**	**6,870**

(1) We sold our liquid milk products to Shenyang Dairy at costs, which were RMB9,844 per tonne (before elimination of related cost of sales for internal uses of raw milk), during our trial production from November 2010 to March 2011.

(2) Representing costs plus a 3% margin.

Throughout the Track Record Period, we sold an aggregate of 20,227 tonnes of liquid milk products to Shenyang Dairy at an average selling price of RMB6,614 per tonne, while we sold an aggregate of 312,605 tonnes of liquid milk products to Independent Third Parties at an average selling price of RMB6,887 per tonne. Our Directors confirm that all of the sales of liquid milk products to Shenyang Dairy were conducted on an arm's-length basis. The approximately 4.1% lower average selling price for our liquid milk products sold to Shenyang Dairy than to Independent Third Parties was primarily attributable to a different mix of liquid milk products sold to Independent Third Parties throughout the Track Record Period. The high average selling price of our liquid milk products for the year ended March 31, 2011 was due to the fact that our liquid milk products were sold to Shenyang Dairy at costs, which were RMB9,844 per tonne (before elimination of related cost of sales for internal uses of raw milk). The per unit costs were high due to operational inefficiencies and low production volume during our trial-production period. For the year ended March 31, 2012, the average selling price of our liquid milk products to Shenyang Dairy decreased significantly as we ramped up our production capacity and improved our operational efficiencies. The average selling price of our liquid milk products to Shenyang Dairy for the year ended March 31, 2012 was lower than the average selling price to Independent Third Parties primarily due to differences in product mix. In particular, as compared with the sales to Independent Third Parties, sales to Shenyang Dairy comprised more milk beverage products that had lower average selling prices and fewer yogurt products that had higher average selling prices. For the year ended March 31, 2013, as Shenyang Dairy purchased only 38 tonnes of liquid milk products from us, most of which were milk beverage products that had lower average selling prices, the average selling price further decreased and continued to be lower than the average selling price of our liquid milk products sold to Independent Third Parties who purchased a much broader range of our liquid milk products.

Going forward, we plan to expand our liquid milk business significantly through more product offerings and broader geographic coverage, and expect the sales of our liquid milk products to increase both in absolute terms and decrease as a percentage of our consolidated turnover.

Milk powder business

We began commercial production of our milk powder products and dairy ingredients in January 2013. Turnover from our milk powder business amounted to RMB88.1 million for the year ended March 31, 2013, which accounted for 3.4% of our total turnover for that fiscal year. Going forward, as we plan to grow our milk powder business as part of our strategy to continue our downstream expansion, we expect sales of our milk powder products and dairy ingredients to increase both in absolute terms and as a percentage of our consolidated turnover.

Grain processing and trading

Turnover from our grain processing and trading business amounted to RMB114.6 million, RMB96.5 million and RMB76.6 million for the years ended March 31, 2011, 2012 and 2013, respectively. We discontinued our grain processing business on January 25, 2011 and our grain trading business on March 28, 2013.

Cost of Sales, Gross Profit and Gross Margin

Our costs of sales comprise (i) plantation and breeding costs to produce raw milk, (ii) production costs incurred for dairy and grain products, including our liquid milk products, milk powder products and dairy ingredients, and (iii) gain arising on initial recognition of agricultural produce at fair value less cost to sell at the point of harvest. As discussed in "Factors Affecting Our Financial Condition and Results of Operations — Biological assets and agricultural produce", we are required by the IFRS to (i) recognize agricultural produce (including raw milk and alfalfa for us) as inventories at their fair value less costs to sell at the point of harvest, (ii) record the difference between the fair value less costs to sell of such raw milk or alfalfa and the breeding or plantation costs incurred as gain or loss, and (iii) upon subsequent sales or internal consumption of such raw milk or alfalfa, record the fair value less cost to sell of such raw milk or alfalfa as cost of sales as the cost of the inventories sold. During the Track Record Period, we have always sold or consumed our raw milk at the day of milking. For example, RMB105.2 million is recorded under "gain arising on initial recognition of agricultural produce at fair value less cost to sell at the point of harvest", and included under "biological fair value adjustment" of cost of sales, for the year ended March 31, 2011. However, as we do not always consume all the alfalfa we harvested during the period in which it was harvested, the value of the unused alfalfa will result in a net gain. For example, alfalfa with fair value of RMB22.6 million remained unused and was booked as our inventory as of March 31, 2013, and we recognized a gain from such initial recognition of RMB18.3 million (the difference of RMB4.3 million being the plantation costs incurred). Going forward, as we plan to sell or consume substantially all of the raw milk and alfalfa during the period in which it was produced, we do not expect any net gain so recognized will have a substantial impact on our profits from operation or operating margin.

Set forth below is a summary of our cost of sales before and after we take into account biological fair value adjustments for the periods indicated:

	Year Ended March 31,		
	2011	2012	2013
	(RMB in thousands, except for percentages)		
Turnover	374,045	1,332,794	2,552,438
Cost of sales before biological fair value adjustments	254,166	783,155	1,174,268
Gross margin before biological fair value adjustments	32.0%	41.2%	54.0%
Cost of sales after biological fair value adjustments	359,374	1,240,788	2,110,195
Gross margin after biological fair value adjustments	3.9%	6.9%	17.3%

The following table sets forth the major components of our cost of sales and services both in absolute terms and as a percentage of our cost of sales for the periods indicated:

	Year Ended March 31,					
	2011		2012		2013	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Plantation and breeding costs to produce raw milk[(1)]	141,388	39.3	494,985	39.9	639,000	30.2
Production costs incurred for dairy and grain products[(2)]	112,778	31.4	288,170	23.2	535,268	25.4
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	105,208	29.3	457,633	36.9	935,927	44.4
Total cost of sales	**359,374**	**100.0**	**1,240,788**	**100.0**	**2,110,195**	**100.0**

(1) Including cost for procurement and production of feeds, labor costs, including salaries and benefits for staff directly involved in producing activities, and overhead, including depreciation of manufacturing equipment and facilities, water and electricity, consumables, amortization of land and other costs. The plantation costs incurred to bring the alfalfa grass to harvest such as labor costs, depreciation and amortization expenses and utilities costs are capitalised by area upon occurrence and transferred to inventories upon harvest and upon subsequent sales or internal consumption are charged to cost of sales as part of the cost of inventories sold.

(2) Including costs of packaging materials, raw materials for grain products and auxiliary materials (including D90 whey powder for our milk powder products), labor costs, including salaries and benefits for staff directly involved in the manufacturing activities, spare parts and consumable costs, depreciation and amortization of fixed assets and other costs.

The following table sets forth the breakdown of our cost of sales and gross profit by our four operating segments, as well as their respective gross margin, for the periods indicated. As permitted by IFRS, all the segment costs of sales and gross profits are presented without the biological fair value adjustments for initial recognition of raw milk and alfalfa. We use a portion of our raw milk to produce our liquid milk products and milk powder products and dairy ingredients. Such internal supply of raw milk is recorded as turnover under our dairy farming business and cost of sales under our liquid milk business and milk powder business based on the average price of raw milk sold to our external customers in this period. These inter-segment sales and purchases were eliminated during consolidation of our results of operations. The table below includes the cost of sales, gross profit and gross margin for each of our operating segments both before and after the elimination of inter-segment sales and purchases.

	Year Ended March 31,								
	2011			2012			2013		
	Cost of Sales	Gross Profit	Gross Margin	Cost of Sales	Gross Profit	Gross Margin	Cost of Sales	Gross Profit	Gross Margin
	RMB		%	RMB		%	RMB		%
	(in thousands, except for percentages)								
Dairy farming									
Before elimination	141,388	105,208	42.7	494,985	457,665	48.0	639,000	951,995	59.8
After elimination[(1)(2)]	139,757	104,265	42.7	346,043	325,900	48.5	281,162	399,446	58.7
Liquid milk business									
Before elimination	15,388	—	—	479,322	84,988	15.1	1,329,854	377,278	22.1
After elimination[(3)(4)]	14,445	943	6.1	347,557	216,753	38.4	785,019	922,113	54.0
Milk powder business									
Before elimination	—	—	—	—	—	—	42,410	45,642	51.8
After elimination[(3)(4)]	—	—	—	—	—	—	34,696	53,356	60.6
Grain processing and trading	99,964	14,671	12.8	89,555	6,986	7.2	73,391	3,255	4.2

(1) Cost of sales after elimination of production costs of raw milk consumed by our liquid milk business and milk powder business. Such production cost is calculated as the product of total cost of sales and the volume of raw milk used in our liquid milk business and milk powder business as a percentage of total volume of raw milk sales.

(2) Gross profit after elimination of gross profit attributable to uses of raw milk by our liquid milk business and milk powder business. Such gross profit is calculated as the difference of the amount of raw milk used in our liquid milk business and milk powder business and the production costs for such raw milk calculated using the formula in note (1).

(3) Cost of sales after elimination of costs of internal raw milk supplies, which is calculated as the product of the quantity of raw milk used by this segment of business and the average price of raw milk sold to our external customers in this period.

(4) Gross profit after adding back the gross profit attributable to uses of raw milk by this segment of business. Such gross profit is calculated as the difference of the amount of raw milk used in this segment of business and the production costs for such raw milk calculated using the formula in note (1).

Dairy farming business

The cost of sales for our dairy farming business consists primarily of the cost for procurement and production of feeds, labor costs, including salaries and benefits for staff directly involved in producing activities, and overhead, including depreciation of manufacturing equipment and facilities, water and electricity, consumables, rents for land, amortization of land and other costs.

Feeds for milkable cows account for the majority of costs for our dairy farming business. For the years ended March 31, 2011, 2012 and 2013, feed costs accounted for 76.2%, 76.4% and 78.7%, respectively, of the cost of sales of our dairy farming business (before elimination of internal supply of raw milk). Primary feeds we use include forage (primarily alfalfa), concentrated feeds and supplementary feeds. Throughout the Track Record Period, our average feed costs per tonne of raw milk continued to decrease as we continued to increase the use of self-grown alfalfa. In particular, our cost of growing alfalfa amounts to approximately US$70 per tonne, as compared with an average price of US$400 per tonne for imported alfalfa of a similar grades as reported by Frost & Sullivan. Going forward, we target to achieve and maintain full self-sufficiency of our alfalfa and supplementary feeds for dairy cows.

Gross margin for our dairy farming business is primarily affected by the milk yield, selling prices of our raw milk, feed costs, depreciation and amortization and lease payments for plantation fields. The continued improvement in the profitability of our dairy farming business was primarily attributable to our vertically integrated business model, under which we began and continued to increase the use of self-grown alfalfa to feed our dairy cows, as well as the economies of scale achieved from the growth of our dairy farming operation. Going forward, as we continue our vertically integrated business model and the scale of our operations continue to grow, we expect our profitability to continue to improve. In addition, we expect the average selling price of our raw milk to continue to increase in the foreseeable future, which will also further improve our profitability.

Please refer to "—Results of Operations" for analyses for the growth in profitability of our dairy farming business.

Liquid milk business

The cost of sales of our liquid milk products consists primarily of costs related to raw milk, costs of packaging and auxiliary materials, labor costs, including salaries and benefits for staff directly involved in the manufacturing activities, spare parts and consumable costs, depreciation and amortization of fixed assets and other costs.

Costs for raw milk account for a substantial portion of production costs for our liquid milk products. During the Track Record Period, costs of producing raw milk internally was substantially lower than the costs for procuring raw milk of comparable quality externally at market price. As part of our unique business model, we continued to increase the use of internally produced raw milk to produce our liquid milk products throughout the Track Record Period. As a result, the unit cost of our liquid milk products has decreased significantly.

Gross margin of our liquid milk products is primarily affected by the average selling prices of our liquid milk products, our product mix, cost for the internal supplies of raw milk and cost of packaging materials. As we plan to rely solely on our internal supplies of raw milk going forward and have discontinued the purchase of raw milk from external suppliers since May 1, 2013, we expect the unit cost of our liquid milk products to further decrease and the gross margin to further increase. In addition, we believe that our strategy to promote our high-end products throughout China will result in an increase in our average selling price and contribute to further improvement in the profitability of our liquid milk business.

Please refer to "—Results of Operations" for analyses for the growth in profitability of our liquid milk business.

Milk powder business

The cost of sales of our milk powder products and dairy ingredients consists primarily of cost related to raw materials, including costs to produce raw milk and D90 whey powder and costs of other raw materials, costs of packaging and auxiliary materials, labor costs, including salaries and benefits for staff directly involved in the manufacturing activities, spare parts and consumable costs, depreciation and amortization of fixed assets and other costs.

Costs for raw milk account for a substantial portion of production costs for our milk powder business. Under our vertically integrated business model, we use exclusively internally produced raw milk to produce our milk powder products and dairy ingredients. As a result, we were able to record a relatively low cost of sales for our milk powder business. The use of D90 whey powder produced in-house also reduced our costs.

Gross margin of our milk powder business is primarily affected by average selling prices, the cost for internal supplies of raw milk and cost of packaging materials. We believe that the use of internally produced raw milk to produce our milk powder products enables us to achieve an industry-leading profitability.

Please refer to "—Results of Operations" for analyses for the profitability of our milk powder business.

Grain processing and trading

The cost of sales for our grain processing and trading business consists primarily of the costs related to corn and other grains, processing costs, labor costs, including salaries and benefits for staff directly involved in the manufacturing activities, depreciation and amortization of fixed assets and other costs. We discontinued our grain processing business on January 25, 2011 and our grain trading business on March 28, 2013.

Initial Recognition of Agricultural Produce at Fair Value Less Costs to Sell at the Point of Harvest

As required by the IFRS, agricultural produce (including raw milk and alfalfa for us) are recognized as inventories at their fair value less costs to sell at the point of harvest. The fair value is determined based on the market price quoted in the local area. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation cost but excluding finance costs and income taxes. The resulting gain or loss of recognition of such fair value, being the difference between the fair value less costs to sell of such raw milk or alfalfa, and the breeding or plantation costs incurred, is recognized in profit or loss for that period. Meanwhile, the gain or loss so recognized is charged as cost of sales upon subsequent sales or internal consumption of such raw milk or alfalfa as part of the cost of inventories sold and recorded as biological fair value adjustments — gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest. Any agricultural produce not sold or consumed during the period in which it was harvested will remain as inventory. During the Track Record Period, as we always sold or consumed our raw milk at the day of milking, the gain from initial recognition of raw milk has always been the same as the fair value adjustments on our cost of sales. However, as we do not always consume all the alfalfa we harvested during the same period, the value of the unused alfalfa would result in net gain. For example, alfalfa with fair value of RMB22.6 million remained unused and was booked as our inventory as of March 31, 2013, and we recognized a gain from such initial recognition of RMB18.3 million (the difference of RMB4.3 million being the plantation costs incurred). Going forward, as we plan to sell or consume substantially all of the raw milk and alfalfa during the period in which it was produced, we do not expect any net gain so recognized will have a substantial impact on our profits from operation or operating margin.

Our net gain arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest amounted to RMB105.2 million, RMB457.6 million and RMB954.2 million for the years ended March 31, 2011, 2012 and 2013, respectively.

Changes in Fair Value Less Costs to Sell of Biological Assets

Net gains or losses arising from changes in fair value less costs to sell of biological assets represents fair value changes on the biological assets, including our dairy cows and alfalfa roots, due to the changes in physical attributes and market prices of and discounted future cash flow to be generated by those assets. In general, when a heifer becomes a milkable cow, its value increases as the discounted cash flow from milking is higher than the selling price of heifer. Further, when a milkable cow is culled and sold, its value decreases. During the Track Record Period, the biological assets were revalued at each reporting date.

During the Track Record Period, the respective valuer for dairy cows and alfalfa roots has adopted the following principal valuation assumptions:

- Calves and heifers: the fair value of 14 months old heifers is determined by referring to the market price of the heifers of the age. The fair values of the heifers older than 14 months are determined by adding the breeding costs required to raise the heifers from 14 months old to the respective specific ages plus the margins required by raisers. The fair values of the calves and heifers younger than 14 months old and the fair values of the calves are determined by subtracting the breeding costs required to raise the animals from the respective specific ages to 14 months old and the margins required by raisers.

- Milkable cows: the fair values of milkable cows are determined using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows. The forecast future cash flows were developed by the independent professional valuer and the expert consultants.

- Alfalfa roots: the fair values of alfalfa roots are determined based on their escalated average costs, using appropriate inflation-related indices, of each year of planting adjusted for the remaining expected life. Expected useful lives are currently seven years.

We recorded net gains arising from changes in fair value less costs to sell of biological assets amounted to RMB295.2 million and RMB63.8 million for the years ended March 31, 2011 and 2012, respectively, and we recorded a net loss arising from such changes in fair value of RMB86.8 million for the year ended March 31, 2013. Please refer to "—Results of Operations" for analyses on the fluctuation of the gains and loss arising changes in fair value less costs to sell of biological assets.

When disposing of our dairy cows, we write off the carrying amount of the dairy cows from our biological assets, and the difference between the carrying amount of the dairy cows disposed and the proceeds from the disposal is recorded as change in fair value less cost to sell of our biological assets. The difference between the carrying amount of the dairy cows disposed and the proceeds from the disposal for a period is immaterial as compared with the total fair value of our biological assets as of the end of that period. The cash proceeds are recorded under investment cash inflow. The cash proceeds from disposal of biological assets amounted to RMB26.2 million, RMB24.7 million and RMB56.6 million for the years ended March 31, 2011, 2012 and 2013, respectively.

Other net income

Other revenue includes government grants and other income. Government grants are generally provided in relation to our agricultural activities. Government grants we recognized for the years ended March 31, 2011, 2012 and 2013 amounted to RMB2.8 million, RMB4.8 million and RMB6.8 million, respectively. Going forward, we expect to continue to receive these government grants. For the year ended March 31, 2013, we also recorded income in connection with the modification of facilities for the production of non-dairy creamers in the amount of RMB8.5 million.

As of March 31, 2013, we recorded conditional government grants received but not yet recognized of RMB143.3 million under our accrued expenses and other payables. Such conditional government grants are for certain infrastructure investment in connection with our dairy products production facilities in Liaoning Province. In particular, we are required to make investments of RMB1.0 billion by November 30, 2013, and to recognize RMB56.7 million of the conditional government grants. As of June 30, 2013, we had made more than RMB1.0 billion of investments in this regard, and we expect to recognize the RMB56.7 million as our deferred income. The remaining amount of RMB86.6 million was granted to us at the time of awarding the land use right certificate with no clear guidance on the conditions to be fulfilled. As a result, we are not able to estimate when we can recognize such amount as our deferred revenue.

Operating Expenses

The following table sets forth our operating expenses and each expressed as a percentage of our turnover for the periods indicated:

	Year Ended March 31,					
	2011		2012		2013	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Operating expenses:						
Distribution costs	9,328	2.5	10,156	0.8	105,688	4.1
Administrative expenses.................	23,722	6.3	44,332	3.3	91,462	3.6
Total operating expenses....................	**33,050**	**8.8**	**54,488**	**4.1**	**197,150**	**7.7**

Distribution costs. Distribution costs primarily consist of staff costs, including salaries and benefits for staff directly involved in selling and distribution activities, transportation costs of products, travel and promotion expenses and other expenses attributable to our distribution activities. As we continue to increase the sales of our liquid milk and milk powder products and dairy ingredients, we expect distribution costs to increase in absolute terms while remaining stable as a percentage of our consolidated turnover as compared with the year ended March 31, 2013.

Administrative expenses. Administrative expenses consist primarily of staff costs, including salaries and benefits for staff directly involved in administrative activities, depreciation and amortization of equipment and facilities for our administrative uses, consultancy expense, taxation and surcharges in connection with our administrative activities and other expenses. Going forward, we aim to continue to improve our managerial efficiency and control our administrative expenses as a percentage of our consolidated turnover.

Net Finance Costs

Our net finance costs represent finance income, consisting primarily of interest income on bank deposits, net of interest expenses on bank borrowings less interest expenses capitalized into biological assets and during construction in progress. Our net finance costs also include our net foreign exchange gain or loss. Our net finance costs are primarily affected by the outstanding amount of borrowings and applicable interest rates.

TAXATION

Under the current laws of the Cayman Islands and the British Virgin Islands, we are not subject to income tax or capital gains tax in the Cayman Islands and the British Virgin Islands. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands and the British Virgin Islands.

No provision has been made for Hong Kong Profits Tax as we did not earn income subject to Hong Kong Profits Tax in 2010, 2011, 2012 and 2013. There is no withholding tax on the dividends distributed from our Hong Kong subsidiary.

Our PRC subsidiaries conduct their businesses in China and are subject to taxation in China. Under the EIT Law, which became effective on January 1, 2008, both domestically owned enterprises and foreign-invested enterprises are subject to a uniform tax rate of 25%. However, our income arising from agricultural activities such as dairy farming and grass growing is exempt from income tax. Under the PRC tax laws and regulations, there is no statutory time limit for us to enjoy such tax exemption so far as our relevant PRC subsidiaries complete filings with the relevant competent tax authorities as required.

RESULTS OF OPERATIONS

Year Ended March 31, 2012 Compared to Year Ended March 31, 2013

Turnover. Our turnover increased by 91.5% from RMB1,332.8 million for the year ended March 31, 2012 to RMB2,552.4 million for the year ended March 31, 2013 primarily due to significant increases in our sales of raw milk and liquid milk products. We also began to generate sales from our milk powder products and dairy ingredients for the year ended March 31, 2013 and recorded turnover of RMB88.1 million in that period.

- *Dairy farming business*. Turnover from our dairy farming business (before elimination of internal supplies of raw milk) increased by 67.0% from RMB952.7 million for the year ended March 31, 2012 to RMB1,591.0 million for the year ended March 31, 2013 as our sales volume increased from 213,920 tonnes for the year ended March 31, 2012 to 352,411 tonnes for the year ended March 31, 2013. Turnover attributable to sales of raw milk externally increased by 1.3% from RMB671.9 million for the year ended March 31, 2012 to RMB680.6 million for the year ended March 31, 2013. Turnover attributable to the internal use of raw milk by our liquid milk and milk powder businesses increased by 224.3% from RMB280.7 million for the year ended March 31, 2012 to RMB910.4 million for the year ended March 31, 2013 as the volume of raw milk used to produce our liquid milk products increased substantially, which is driven by the strong growth of our liquid milk business, and we began to commercial production of milk powder products for the year ended March 31, 2013. As we prioritize satisfying our internal demand for raw milk, we did not actively seek to expand our raw milk customer base, which resulted in a much slower growth rate of turnover attributable to sales of raw milk externally.

- *Liquid milk business*. Turnover from sales of our liquid milk products increased by 202.5% from RMB564.3 million for the year ended March 31, 2012 to RMB1,707.1 million for the year ended March 31, 2013. The substantial increase is primarily driven by an increase in our sales volume from 85,107 tonnes for the year ended March 31, 2012 to 246,162 tonnes for the year ended March 31, 2013. The substantial increase is due to stronger market demand for our liquid milk products, and our ability to capture a significant portion of the market share lost by Shenyang Dairy caused by the termination of its distribution contracts when its production capability was reduced due to the preparation of relocation of its production facilities after Shenyang Dairy consented to the government request for such relocation in June 2011. See "— Our History and Corporate Structure — History and Development — Development of our Business" for further details. In addition, the average selling price of our liquid milk products increased by 4.6% from RMB6,631 per tonne for the year ended March 31, 2012 to RMB6,935 per tonne for the year ended March 31, 2013 primarily due to changes in our product mix.

- *Milk powder business*. We began to sell our milk powder products and dairy ingredients in January 2013 and we recorded turnover from sales of our milk powder products and dairy ingredients of RMB88.1 million for the year ended March 31, 2013.

- *Grain processing and trading*. Turnover from our grain processing and trading business decreased by 20.6% from RMB96.5 million for the year ended March 31, 2012 to RMB76.6 million for the year ended March 31, 2013. We discontinued our grain processing business on January 25, 2011 and our grain trading business on March 28, 2013.

Cost of sales. Our cost of sales increased by 70.1% from 1,240.8 million for the year ended March 31, 2012 to RMB2,110.2 million for the year ended March 31, 2013, primarily as a result of a substantial increase in the production and sales volume of our raw milk and liquid milk products, as well as a substantial increase in biological fair value adjustment due to the substantial increase in the volume of raw milk we produce. Before biological fair value adjustments, our cost of sales increased by 49.9% from RMB783.2 million for the year ended March 31, 2012 to RMB1,174.3 million for the year ended March 31, 2013.

- *Dairy farming business*. Cost of sales of our dairy farming business increased by 29.1% from RMB495.0 million for the year ended March 31, 2012 to RMB639.0 million for the year ended March 31, 2013. Cost of sales of our dairy farming business (after elimination of internal supplies of raw milk) decreased by 18.7% from RMB346.0 million for the year ended March 31, 2012 to RMB281.2 million for the year ended March 31, 2013. The decrease was primarily due to a decrease in our feed costs, as our production volume of alfalfa continued to increase and we were able to satisfy substantially all of our internal demand for the year ended March 31, 2013. Feed costs for our milkable cows remain the major component for the costs of sales of our raw milk.

- *Liquid milk business*. Cost of sales of our liquid milk products increased by 177.5% from RMB479.3 million for the year ended March 31, 2012 to RMB1,329.9 million for the year ended March 31, 2013. Cost of sales of our liquid milk products (after elimination of related cost of sales for internal uses of raw milk) increased by 126.0% from RMB347.6 million for the year ended March 31, 2012 to RMB785.0 million for the year ended March 31, 2013, primarily as a result of a significant increase in our sales volume. Meanwhile, the per unit production cost of our liquid milk products (after elimination of related cost of sales for internal uses of raw milk) decreased by 21.9% from RMB4,084 per tonne for the year ended March 31, 2012 to RMB3,189 per tonne for the year ended March 31, 2013, primarily as we continued to increase the use of the internally sourced raw milk under our vertically integrated business model. Raw milk costs remain the major component for the costs of sales of our liquid milk products.

- *Milk powder business*. Cost of sales of our milk powder products and dairy ingredients amounted to RMB42.4 million for the year ended March 31, 2013. Cost of sales of our milk powder products and dairy ingredients (after elimination of related cost of sales for internal uses of raw milk) amounted to RMB34.7 million for the year ended March 31, 2013. Raw milk costs were the major component for the cost of sales of our milk powder products and dairy ingredients.

- *Grain processing and trading*. Cost of sales of our grain processing and trading business decreased by 18.1% from RMB89.6 million for the year ended March 31, 2012 to RMB73.4 million for the year ended March 31, 2013, primarily due to a decrease in the sales volume as we have determined not to carry on the sales of our grain products.

Gross profit. As a result of the foregoing, our gross profit increased by 380.7% from RMB92.0 million for the year ended March 31, 2012 to RMB442.2 million for the year ended March 31, 2013. Before biological assets fair value adjustments, our gross profit increased by 150.7% from RMB549.6 million for the year ended March 31, 2012 to RMB1,378.2 million for the year ended March 31, 2013, and our gross margin increased from 41.2% for the year ended March 31, 2012 to 54.0% for the year ended March 31, 2013.

- *Dairy farming business.* Gross margin of our dairy farming business increased from 48.0% for the year ended March 31, 2012 to 59.8% for the year ended March 31, 2013. By comparison, gross margin of our dairy farming business (after elimination of related cost of sales for internal supplies of raw milk) increased from 48.5% for the year ended March 31, 2011 to 58.7% for the year ended March 31, 2012. The increase was due primarily to a decrease in the feed costs per tonne of raw milk as we further increased the use of self-produced alfalfa.

- *Liquid milk business*. Gross margin of our liquid milk business increased from 15.1% for the year ended March 31, 2012 to 22.1% for the year ended March 31, 2013. By comparison, gross margin of our liquid milk business (after elimination of related cost of sales for internal uses of raw milk) increased from 38.4% for the year ended March 31, 2012 to 54.0% for the year ended March 31, 2013, primarily because we continued to increase the use of the internally-sourced raw milk under our vertically-integrated business model. The average selling price of our liquid milk products increased by 4.6% from RMB6,631 per tonne for the year ended March 31, 2012 to RMB6,935 per tonne for the year ended March 31, 2013, while the per unit production cost of our liquid milk products (after elimination of related cost of sales for internal uses of raw milk) decreased by 21.9% from RMB4,084 per tonne for the year ended March 31, 2012 to RMB3,189 per tonne for the year ended March 31, 2013.

- *Milk powder business.* Gross margin of our milk powder business was 51.8% for the year ended March 31, 2013. On the other hand, gross margin of our milk powder business (after elimination of related costs of sales for internal uses of raw milk) was 60.6% for the year ended March 31, 2013.

- *Grain processing and trading*. Gross margin of our grain processing and trading business decreased from 7.2% for the year ended March 31, 2012 to 4.2% for the year ended March 31, 2013.

Gain arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest. Our net gain arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest increased by 108.5% from RMB457.6 million for the year ended March 31, 2012 to RMB954.2 million for the year ended March 31, 2013, primarily due to the substantial increase in production volume of our raw milk.

Net gains/(losses) arising from the changes in fair value less costs to sell of biological assets. We recorded net gain arising from changes in fair value less costs to sell of biological assets of RMB63.8 million for the year ended March 31, 2012, and we recorded net loss arising from changes in fair value less costs to sell of biological assets of RMB86.8 million for the year ended March 31, 2013, primarily because the daily aggregated breeding costs for calves and heifers increased by approximately 2.8% for the year ended March 31, 2013 as compared with the year ended March 31, 2012, and the number of milkable cows with low milk yields we sold increased from 7,946 heads as of March 31, 2012 to 12,362 heads as of March 31, 2013.

Other net income. Our other net income by 764.6% from RMB4.8 million for the year ended March 31, 2012 to RMB41.5 million for the year ended March 31, 2013, primarily due to the service fee in connection with the modification of facilities for the production of non-dairy creamers in the amount of RMB8.5 million.

Distribution costs. Our distribution costs increased significantly from RMB10.2 million for the year ended March 31, 2012 to RMB105.7 million for the year ended March 31, 2013, primarily due to a substantial increase in the promotion and marketing costs as we continue to expand the sales of our liquid milk products and began the sales of our milk powder products and dairy ingredients.

Administrative expenses. Our administrative expenses increased by 106.5% from RMB44.3 million for the year ended March 31, 2012 to RMB91.5 million for the year ended March 31, 2013 as our operations continued to expand.

Profit from operations. As a result of the foregoing, our profit from operations increased by 104.7% from RMB563.8 million for the year ended March 31, 2012 to RMB1,154.0 million for the year ended March 31, 2013. Before biological assets fair value adjustments, our profit from operations increased by 144.5% from RMB500.0 million for the year ended March 31, 2012 to RMB1,222.5 million for the year ended March 31, 2013, and our operating margin increased from 37.5% for the year ended March 31, 2012 to 47.9% for the year ended March 31, 2013.

Net finance costs. Our net finance costs increased by 37.1% from RMB103.3 million for the year ended March 31, 2012 to RMB141.6 million for the year ended March 31, 2013 as a result of an increase in our interest expenses on bank loans, which was the result of an increase in the outstanding balance of our bank loans.

Income tax. Our income tax expenses increased significantly from RMB10.8 million for the year ended March 31, 2012 to RMB67.0 million for the year ended March 31, 2013, respectively, primarily as a result of the substantial increase in taxable income for our liquid milk products.

Profit for the year. As a result of the cumulative effect of the above factors, our profit of the year increased by 110.2% from RMB449.7 million, for the year ended March 31, 2012 to RMB945.4 million, for the year ended March 31, 2013. Before biological assets fair value adjustments, our profit for the year increased by 162.7% from RMB385.9 million for the year ended March 31, 2012 to RMB1,013.9 million for the year ended March 31, 2013, and our net margin increased from 29.0% for the year ended March 31, 2012 to 39.7% for the year ended March 31, 2013.

Year Ended March 31, 2011 Compared to Year Ended March 31, 2012

Turnover. Our turnover increased by 256.4% from RMB374.0 million for the year ended March 31, 2011 to RMB1,332.8 million for the year ended March 31, 2012 primarily due to significant increases in our sales of raw milk and liquid milk products.

- *Dairy farming business*. Turnover from our dairy farming business (before elimination of internal supplies of raw milk) increased significantly from RMB246.6 million for the year ended March 31, 2011 to RMB952.7 million for the year ended March 31, 2012 as our sales volume increased from 57,381 tonnes for the year ended March 31, 2011 to 213,920 tonnes for the year ended March 31, 2012. Turnover attributable to sales of raw milk externally increased by 175.4% from RMB244.0 million for the year ended March 31, 2011 to RMB671.9 million for the year ended March 31, 2012. Due to an industry wide shortage of premium raw milk, market demand for our raw milk continued to be strong, and we expanded our herd of dairy cows in response of such trend. The expansion of our herd of dairy cows coupled with our initiative to improve milk yield resulted in a significant increase in the output of raw milk. Turnover attributable to the internal use of raw milk by our liquid milk business increased from RMB2.6 million for the year ended March 31, 2011 to RMB280.7 million for the year ended March 31, 2012 as the volume of raw milk consumed in our liquid milk business increased, which is driven by the strong growth of our liquid milk business.

- *Liquid milk business*. Turnover from sales of our liquid milk products increased significantly from RMB15.4 million for the year ended March 31, 2011 to RMB564.3 million for the year ended March 31, 2012 as our sales volume increased from 1,563 tonnes for the year ended March 31, 2011 to 85,107 tonnes for the year ended March 31, 2012. We began the trial production of our liquid milk processing plants in November 2010 and sold a small quantity of 1,563 tonnes of our products during this trial-production phase at costs to Shenyang Dairy for the remainder of the fiscal year ended March 31, 2011. We continued to sell liquid milk products to Shenyang Dairy between April 2011 and October 2012. While Shenyang Dairy began to reduce its capacity to produce liquid milk products due to its preparation for relocation, in order to continue to meet its customers' demands under the remaining term of the distribution contracts, Shenyang Dairy purchased liquid milk products from us at our production costs plus a 3% margin. We began to sell liquid milk products through our own sales channels in October 2011 after we started to build up such channels. Since then, we ramped up our production capacity for liquid milk products in response to the strong demand for high-quality liquid milk products in Northeastern China, and began to sell our liquid milk products to third party distributors.

- *Grain processing and trading*. Turnover from our grain processing and trading business decreased by 15.8% from RMB114.6 million for the year ended March 31, 2011 to RMB96.5 million for the year ended March 31, 2012, primarily due to a decrease in the sales volume as we decided to gradually discontinue our grain processing and trading business.

Cost of sales. Our cost of sales increased by 245.2% from RMB359.4 million for the year ended March 31, 2011 to RMB1,240.8 million for the year ended March 31, 2012, primarily as a result of a substantial increase in the production and sales volume of our raw milk and liquid milk products, as well as a substantial increase in biological fair value adjustment due to the substantial increase in the volume of raw milk we produced. Before biological assets fair value adjustments, our cost of sales increased by 208.1% from RMB254.2 million for the year ended March 31, 2011 to RMB783.2 million for the year ended March 31, 2012.

- *Dairy farming business*. Cost of sales of our dairy farming business increased significantly from RMB141.4 million for the year ended March 31, 2011 to RMB495.0 million for the year ended March 31, 2012. Cost of sales of our dairy farming business (after elimination of internal supplies of raw milk) increased by 147.5% from RMB139.8 million for the year ended March 31, 2011 to RMB346.0 million for the year ended March 31, 2012. The increase was primarily due to increases in our sales volume due to stronger market demand, which was met by the expansion of our herd of dairy cows. Feed costs for our milkable cows remained the major component for the costs of sales of our raw milk.

- *Liquid milk business*. Cost of sales of our liquid milk products increased significantly from RMB15.4 million for the year ended March 31, 2011 to RMB479.3 million for the year ended March 31, 2012. Cost of sales of our liquid milk products (after elimination of related cost of sales for internal uses of raw milk) increased significantly from RMB14.4 million for the year ended March 31, 2011 to RMB347.6 million for the year ended March 31, 2012, primarily as a result of a significant increase in our sales volume due to stronger market demand, which was met by the increase in our production capacity. Raw milk costs remained the major component for the costs of sales of our liquid milk products.

- *Grain processing and trading*. Cost of sales of our grain processing and trading business decreased by 10.4% from RMB100.0 million for the year ended March 31, 2011 to RMB89.6 million for the year ended March 31, 2012, primarily due to a decrease in the sales volume as we determined not to carry on the sales of our grain products.

Gross profit. As a result of the foregoing, our gross profit increased significantly from RMB14.7 million for the year ended March 31, 2011 to RMB92.0 million for the year ended March 31, 2012. Before biological assets fair value adjustments, our gross profit increased by 358.4% from RMB119.9 million for the year ended March 31, 2011 to RMB549.6 million for the year ended March 31, 2012, and our gross margin increased from 32.0% for the year ended March 31, 2011 to 41.2% for the year ended March 31, 2012.

- *Dairy farming business.* Gross margin of our dairy farming business increased from 42.7% for the year ended March 31, 2011 to 48.0% for the year ended March 31, 2012. By comparison, gross margin of our dairy farming business (after elimination of internal uses of raw milk) increased from 42.7% for the year ended March 31, 2011 to 48.5% for the year ended March 31, 2012. The increase was due primarily to the use of alfalfa we grew to feed our dairy cows beginning in June 2011.

- *Liquid milk business.* We did not record any gross profit for our liquid milk business for the year ended March 31, 2011, and gross margin of our liquid milk business was 15.1% for the year ended March 31, 2012. By comparison, gross margin of our liquid milk business (after elimination of related cost of sales for internal uses of raw milk) increased from 6.1% for the year ended March 31, 2011 to 38.4% for the year ended March 31, 2012. This is primarily because our liquid milk processing plant was in the trial production phase for the year ended March 31, 2011. The trial production was completed in March 2011 and we ramped up our production capacity in response to strong market demand. The increase in profitability for the year ended March 31, 2012 was also attributable to the increase in use of the raw milk we produced during that period.

- *Grain processing and trading*. Gross margin of our grain processing and trading business decreased from 12.8% for the year ended March 31, 2011 to 7.2% for the year ended March 31, 2012.

Gain arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest. Our net gain arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest increased by 335.0% from RMB105.2 million for the year ended March 31, 2011 to RMB457.6 million for the year ended March 31, 2012, primarily due to the substantial increase in production volume of our raw milk.

Net gains arising from the changes in fair value less costs to sell of biological assets. Our net gain arising from changes in fair value less costs to sell of biological assets decreased significantly from RMB295.2 million for the year ended March 31, 2011 to RMB63.8 million for the year ended March 31, 2012, as the expansion of our herd of dairy cows was significantly faster for the year ended March 31, 2011, when our herd of dairy cows was much smaller, and the number of milkable cows with low yields we sold increased from 2,161 heads for the year ended March 31, 2011 to 7,946 heads for the year ended March 31, 2012.

Other net income. Our other net income increased by 84.6% from RMB2.6 million for the year ended March 31, 2011 to RMB4.8 million for the year ended March 31, 2012, primarily due to an increase in the government grants we received in connection with our agricultural activities.

Distribution costs. Our distribution costs increased by 9.7% from RMB9.3 million for the year ended March 31, 2011 to RMB10.2 million for the year ended March 31, 2012, primarily due to an increase in the promotion and marketing costs.

Administrative expenses. Our administrative expenses increased by 86.9% from RMB23.7 million for the year ended March 31, 2011 to RMB44.3 million for the year ended March 31, 2012. This increase was primarily due to costs related to consultation and property and biological assets valuation, staff costs and taxation and surcharge.

Profit from operations. As a result of the foregoing, our profit from operations increased by 46.6% from RMB384.7 million for the year ended March 31, 2011 to RMB563.8 million for the year ended March 31, 2012. Before biological assets fair value adjustments, our profit from operations increased by 459.3% from RMB89.4 million for the year ended March 31, 2011 to RMB500.0 million for the year ended March 31, 2012, and our operating margin increased from 23.9% for the year ended March 31, 2012 to 37.5% for the year ended March 31, 2013.

Net finance costs. Our net finance costs increased by 82.2% from RMB56.7 million for the year ended March 31, 2011 to RMB103.3 million for the year ended March 31, 2012 as a result of an increase in our interest expenses on bank loans, which was the result of an increase in the outstanding balance of our bank loans.

Income tax. Our income tax expenses were nil and RMB10.8 million for the year ended March 31, 2011 and 2012, respectively. For the year ended March 31, 2011, profits from our dairy farming business and grain processing and trading business were considered income arising from agricultural activities and were therefore not subject to income taxation. Meanwhile, our liquid milk products business did not have any taxable income for the year ended March 31, 2011.

Profit for the year. As a result of the cumulative effect of the above factors, our profit of the year increased by 37.1% from RMB327.9 million, for the year ended March 31, 2011 to RMB449.7 million, for the year ended March 31, 2012. Before biological assets fair value adjustments, our profit for the year increased significantly from RMB32.7 million for the year ended March 31, 2011 to RMB385.9 million for the year ended March 31, 2012, and our net margin increased from 8.7% for the year ended March 31, 2011 to 29.0% for the year ended March 31, 2012.

LIQUIDITY AND CAPITAL RESOURCES

Overview

To date, we have financed our operations primarily through cash from our operations, investments from equity investors, proceeds from bank loans and advances from related parties. As of March 31, 2013, we had RMB825.7 million in cash and cash equivalents, substantially all of which were denominated in Renminbi. Our cash and cash equivalents primarily consist of cash on hand and demand deposits.

The following table sets forth a summary of our cash flows for the periods indicated:

	Year Ended March 31,		
	2011	2012	2013
	RMB	RMB	RMB
	(in thousands)		
Net cash generated from operating activities	45,332	752,277	1,442,434
Net cash used in investing activities	(1,826,641)	(1,685,110)	(1,367,493)
Net cash generated from financing activities	1,669,461	1,411,394	249,937
Net (decrease)/increase in cash and cash equivalents	(111,848)	478,561	324,878
Cash and cash equivalents at the beginning of the year	162,347	47,748	512,865
Effect of foreign exchange rate changes	(2,751)	(13,444)	(12,070)
Cash and cash equivalents at the end of the year	47,748	512,865	825,673

Operating Activities

Net cash generated from operating activities for the year ended March 31, 2013 was RMB1,442.4 million, which was primarily attributable to our profit before taxation of RMB1,012.4 million, adjusted to add back (i) non-cash net losses arising from the changes in fair value less costs to sell of biological assets of RMB86.8 million; and (ii) depreciation and amortization of RMB68.9 million and the interest expenses of RMB144.2 million that is accounted for as cash outflow from financing activities. The amount was partially offset by (i) an increase in deposits, prepayments and other receivables of RMB49.6 million; and (ii) a decrease in receipts in advance of RMB97.5 million and then add back an increase in trade and bills payables of RMB381.7 million.

Net cash generated from operating activities for the year ended March 31, 2012 was RMB752.3 million, which was primarily attributable to our profit before taxation of RMB460.5 million, adjusted to deduct non-cash net gains arising from the changes in fair value less costs to sell of biological assets of RMB63.8 million; and add back (i) depreciation and amortization of RMB36.8 million; and (ii) the interest expense of RMB108.6 million that is accounted for as cash outflow from financing activities. The amount was partially offset by an increase in inventories of RMB210.0 million; and then add back (i) an increase in trade and bills payables of RMB313.7 million; and (ii) an increase in receipts in advance of RMB110.3 million.

Net cash generated from operating activities for the year ended March 31, 2011 was RMB45.3 million, which was primarily attributable to our profit before taxation of RMB327.9 million, adjusted to deduct the non-cash net gains arising from the changes in fair value less costs to sell of biological assets of RMB295.2 million; and add back (i) depreciation and amortization of RMB23.9 million; and (ii) the interest expense of RMB65.0 million that is accounted for as cash outflow from financing activities. The amount was offset by (i) an increase in trade receivables of RMB115.3 million and (ii) an increase in inventories of RMB103.3 million, and then add back an increase in trade and bills payables of RMB138.9 million.

Investing Activities

Net cash used in investing activities for the year ended March 31, 2013 was RMB1,367.5 million, which was attributable to (i) breeding costs of calves and heifers capitalized other than depreciation and amortization of RMB805.8 million; (ii) payment for the purchase of property, plant and equipment of RMB488.4 million in connection with additional dairy farms and alfalfa fields; and (iii) payment for the purchase of heifers of RMB197.5 million. The amount was partially offset by proceeds from government grants of RMB77.1 million.

Net cash used in investing activities for the year ended March 31, 2012 was RMB1,685.1 million, which was attributable to (i) payment for the purchase of property, plant and equipment of RMB841.3 million in connection with additional dairy farms and alfalfa fields; (ii) breeding costs of calves and heifers capitalized other than depreciation and amortization of RMB435.5 million; and (iii) payment for the purchase of heifers of RMB383.0 million.

Net cash used in investing activities for the year ended March 31, 2011 was RMB1,826.6 million, which was attributable to (i) payment for the purchase of property, plant and equipment of RMB942.8 million in connection with the addition of dairy farms and alfalfa fields; (ii) payment for the purchase of heifers of RMB589.9 million; (iii) breeding costs of calves and heifers capitalized other than depreciation and amortization of RMB237.6 million.

Financing Activities

Net cash generated from financing activities for the year ended March 31, 2013 was RMB249.9 million, which was primarily attributable to (i) proceeds from new bank loans of RMB1,241.9 million; (ii) contribution made by Talent Pool of RMB907.4 million. The amount was partially offset by (i) net decrease in advances from Mr. Yang and his affiliates of RMB769.3 million; and (ii) repayment of bank loans of RMB856.0 million.

Net cash generated from financing activities for the year ended March 31, 2012 was RMB1,411.4 million, which was primarily attributable to (i) net increase in advances from Mr. Yang and his affiliates of RMB1,993.5 million; and (ii) proceeds from new bank loans of RMB461.7 million. The amount was partially offset by repayment of bank loans of RMB313.2 million.

Net cash generated from financing activities for the year ended March 31, 2011 was RMB1,669.5 million, which was primarily attributable to (i) proceeds from new bank loans of RMB1,329.9 million; (ii) net increase in advances from related parties of RMB447.4 million.

COMMITMENTS

As of March 31, 2013, our operating commitments consisted of (i) acquisition of property, plant and equipment that has been contracted for of RMB276.6 million; and (ii) operating lease commitments for our alfalfa fields of RMB1.9 million, which were payable within one year.

Other than the contractual obligations set forth above, we do not have any other long-term debt obligations, operating lease commitments, capital commitments or other long-term liabilities.

CAPITAL EXPENDITURES

We made capital expenditures of RMB1,696.8 million, RMB1,309.0 million and RMB761.6 million for the years ended March 31, 2011, 2012 and 2013, respectively. In the past, our capital expenditures were used primarily to purchase fixed and intangible assets and heifers. We plan to fund our capital expenditures for the year ending March 31, 2014 with our existing cash and cash equivalents, cash flow generated from operating activities, bank loans and proceeds from the Global Offering.

WORKING CAPITAL

The table below sets forth the details of our current assets and liabilities as of the respective dates:

	As of March 31,			As of July 31,
	2011	2012	2013	2013
	RMB	RMB	RMB	RMB
	(in thousands)			
Current Assets				
Inventories	202,679	412,677	446,618	489,680
Trade receivables	138,370	147,556	172,583	157,328
Deposits, prepayments and other receivables	1,176,641	581,591	696,238	1,313,020
Amounts due from Mr. Yang and his affiliates	408,619	—	—	—
Cash and cash equivalents	47,748	512,865	825,673	602,714
Total current assets	**1,974,057**	**1,654,689**	**2,141,112**	**2,562,742**
Current Liabilities				
Trade and bills payables	469,637	523,857	910,465	795,668
Receipts in advance	795	111,362	13,685	5,934
Accrued expenses and other payables	1,037,328	367,489	434,558	476,441
Amounts due to Mr. Yang and his affiliates	1,275,344	2,799,556	14,702	—
Bank loans	181,750	362,361	908,534	1,301,757
Income tax payable	—	1,583	10,147	8,655
Total current liabilities	**2,964,854**	**4,166,208**	**2,292,091**	**2,588,455**
Net Current Liabilities	**990,797**	**2,511,519**	**150,979**	**25,713**

Our net current liabilities decreased from RMB151.0 million to RMB25.7 million, primarily due to a significant increase in our deposits, prepayments and other receivables primarily for the purchase of additional dairy cows, prepayment for acquisition of property, plant and equipment, and operating leases, partially offset by an increase in our short term bank loans that we used to fund such purchases. Our net current liabilities decreased from RMB2,511.5 million as of March 31, 2012 to RMB151.0 million as of March 31, 2013, primarily as we repaid RMB802.9 million and capitalized RMB1,996.6 million due to Mr. Yang and his affiliates. Our net current liabilities increased from RMB990.8 million as of March 31, 2011 to RMB2,511.5 million as of March 31, 2012, due primarily to an increase in the amount due to Mr. Yang and his affiliates and a decrease in our deposits, prepayments and other receivables, which consisted primarily of restricted deposits to secure short-term financing for the purchase of heifers overseas, as well as prepayment for the purchase of fixed assets. As compared with the year ended March 31, 2012, we purchased significantly more heifers and fixed assets for the year ended March 31, 2011, and therefore our deposits, prepayments and other receivables as of March 31, 2011 were significantly higher than the amount as of March 31, 2012. In addition, the amount due to Mr. Yang and his affiliates increased as we continue to finance our operation with advances from our related parties.

Our directors confirm that our current cash and cash equivalents, anticipated cash flow from operations and proceeds from the Global Offering will be sufficient to meet our anticipated cash needs, including our working capital and capital expenditures requirements for at least the next 12 months from the date of this prospectus. Our future cash requirements will depend on many factors, including our operating income, costs to establish additional service centers, market acceptance of our products and services or other changing business conditions and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash to repay existing debt obligations or to re-finance our existing debts due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from lending institutions. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our Shareholders' interests in our Company. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our Shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer.

INDEBTEDNESS

As of March 31, 2013, our outstanding short-term bank loans, including the current portion of long-term loans and borrowings, amounted to RMB908.5 million. The interest rate on our short-term bank loans ranged from 6.12% to 8.53%. As of March 31, 2013, our outstanding long-term bank loans (net of amount due within one year) amounted to RMB2,102.8 million. The interest rate on our long-term bank loans ranged from 3.76% to 9.98%. The following table is a summary of our borrowings as of the respective dates:

	As of March 31,			As of July 31,
	2011	2012	2013	2013
	RMB	RMB	RMB	RMB
	(in thousands)			
Current				
Guaranteed short-term bank loans	93,000	146,964	234,023	584,019
Secured short-term bank loans	12,000	63,048	211,849	278,404
Unsecured short-term bank loans	33,000	40,850	100,000	230,000
Current portion of long-term bank loans	43,750	111,499	362,662	209,334
Total	**181,750**	**362,361**	**908,534**	**1,301,757**
Non-current				
Long-term bank loans	2,004,500	2,028,458	2,465,433	2,566,263
Less: current portion of long-term bank loans	(43,750)	(111,499)	(362,662)	(209,334)
Total	**1,960,750**	**1,916,959**	**2,102,771**	**2,356,929**

As of March 31, 2013, all of our long-term bank loans were secured and/or guaranteed. The aggregate net book value of our land use rights and property, plant and equipment that were used to secure our long-term bank loans was RMB235.4 million, RMB278.2 million and RMB311.3 million, as of March 31, 2011, 2012 and 2013, respectively. Land use rights and property, plant and equipment of our related parties and other third parties also secured our long-term bank loans. In addition, certain of our long-term bank loans were guaranteed by our related parties and/or other third parties. As of March 31, 2013, we have unused banking facilities of RMB106 million. As of July 31, 2013, our available and unused credit facilities amounted to RMB2,149.9 million.

The following table sets forth the payment due date of our long-term loans as of the respective dates:

	As of March 31,			As of July 31,
	2011	2012	2013	2013
	RMB	RMB	RMB	RMB
	(in thousands)			
Within 1 year	43,750	111,499	362,662	209,334
After 1 year but within 2 years	129,240	388,489	575,662	609,803
After 2 years but within 5 years	910,970	784,790	1,296,286	1,680,591
After 5 years but within 8 years	920,540	743,680	230,823	66,535
Total	**2,004,500**	**2,028,458**	**2,465,433**	**2,566,263**

During the Track Record Period and up to the Latest Practicable Date, we have never defaulted in repaying our bank borrowings or trade and other payables.

MAJOR LIQUIDITY RATIOS

The following table sets forth the major liquidity ratios as at the end of each of the reporting period:

	Year Ended March 31,		
	2011	2012	2013
		(%)	
Debt ratio(1)	84.7	72.1	33.9
Current ratio(2)	66.6	39.7	93.4
Quick ratio(3)	59.7	29.8	73.9

(1) Debt ratio is calculated by dividing total borrowings by total capitalization, which is the sum of total borrowings and shareholder's equity.

(2) Current ratio is calculated by dividing current assets by current liabilities.

(3) Quick ratio is calculated by dividing current assets less inventory by current liabilities.

Debt Ratio

Our debt ratio decreased from 84.7% as of March 31, 2011 to 72.1% as of March 31, 2012, primarily due to an increase in our assets due to the expansion of our dairy cows herd, dairy farms and alfalfa fields, which resulted in significant increases in our biological assets and property, plant and equipment. Our debt ratio further decreased to 33.9% as of March 31, 2013, primarily because we repaid RMB802.9 million and capitalized RMB1,996.6 million due to Mr. Yang and his affiliates, which result in a significant decrease of our current liabilities and an increase in our equity. The increase in equity is partially offset by an increase in the balance of our bank loans.

Current Ratio

Our current ratio decreased from 66.6% as of March 31, 2011 to 39.7% as of March 31, 2012, primarily due to an increase in the amount due to Mr. Yang and his affiliates and a decrease in our deposits, prepayments and other receivables, which consisted primarily of restricted deposits to secure short-term financing for the purchase of heifers overseas, as well as prepayment for the purchase of fixed assets. Our current ratio increased to 93.4% as of March 31, 2013, primarily because we repaid the amount due to Mr. Yang and his affiliates.

Quick Ratio

Our quick ratio decreased from 59.7% as of March 31, 2011 to 29.8% as of March 31, 2012, primarily due to an increase in the amount due to Mr. Yang and his affiliates and an increase in our inventories, as well as a decrease in our deposits, prepayments and other receivables. Our quick ratio increased to 73.9% as of March 31, 2013, primarily because we repaid the amount due to our Controlling Shareholder and his affiliates.

ANALYSIS OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Goodwill

Our goodwill represents the excess of (a) the cost of the acquisition over (b) the Group's interest in the net fair value of the identifiable assets and liabilities acquired from the acquiree, China Huishan Dairy Investments International Limited and its subsidiaries, China Huishan Dairy Investments (Hong Kong) Limited, Liaoning Cheungrui Trading Company Limited and Liaoning Xiushui, on August 30, 2012. As required by IFRS, our goodwill was initially recognized at the acquisition date as the fair value of the consideration transferred, i.e., the fair value of the shares issued by us as the consideration for this acquisition, less the net fair value of the identifiable assets and liabilities acquired from the acquiree.

In connection with the acquisition mentioned above, the consideration was determined based on the future cash flows from the target, taking into account the present value of the estimated future growth of the milk powder production business to be acquired. However, the identifiable assets, consisting primarily of the production plants and equipment, acquired in such acquisition were valued and booked based on their individual present market price determined on the acquisition date. The difference of RMB932 million between the total consideration and the present market prices of these identifiable net assets, being the significant future economic benefits arising from such acquisition other than those assets and liabilities individually identified from the acquiree, was recorded as goodwill. Please refer to Section B Note 30(b) in the Accountants' Report included in Appendix I of this prospectus for further details.

The fair value of the shares issued by us as the consideration for this acquisition was valued by an independent valuer by its assessment on the acquisition date of the fair value of the acquiree's equity interests based on discounting the future cash flows to be generated by the acquiree as per the requirement of IFRS as disclosed in Section B Note 1(e)(ii) of the Accountants' Report. The net fair value of the identifiable assets and liabilities acquired from the acquiree was also concluded by the independent valuer by summing up its valuation assessment on the fair values of the acquiree's individual assets and liabilities as at the acquisition-date, based on the replacement cost method or direct market comparison method.

As required by IFRS, goodwill is stated at cost less accumulated impairment losses which are annually tested for by evaluating the recoverable amount of the cash-generating unit ("**CGU**") to which the goodwill is allocated. The CGU to which our goodwill is allocated is China Huishan Dairy Investments International Limited and its subsidiaries, China Huishan Dairy Investments (Hong Kong) Limited, Liaoning Cheungrui Trading Company Limited and Liaoning Xiushui.

The recoverable amount of CGU is determined based on value-in-use calculations according to IFRS, i.e. discounting the estimated future cash flows to be generated by the CGU. By following the IFRS applicable for impairment testing, we performed testing procedures for impairment of goodwill at March 31, 2013. When performing the value-in-use calculations, as required by the IFRS, we used the cash flow projections for the following five years of CGU and the cash flows beyond the forecast period of the CGU as extrapolated perpetually with an estimated general long-term continuous annual growth rate, which is estimated by taking into account the latest estimated long-term inflation rate of 3% per annum. Meanwhile, the discount rate used to discount the above projected and estimated future cash flows to be generated by CGU was estimated by taking into account the rate of CGU's weighted average cost of capital determined by using the technique prescribed by the IFRS, of Capital Asset Pricing Model, which takes into consideration CGU's costs of equity, costs of borrowings as well as debt to equity ratios with reference of other dairy companies. The pre-tax discount rate used for the impairment testing was 11.11%.

Biological Assets

During the Track Record Period, our biological assets comprised of dairy cows and alfalfa roots. Dairy cows are further categorized into calves, heifers and milkable cows. The following table sets out the value of the biological assets at the end of each of the reporting periods:

	As of March 31,		
	2011	**2012**	**2013**
	RMB	**RMB**	**RMB**
	(in thousands)		
Dairy cows:			
Calves and heifers	755,789	1,359,600	1,545,744
Milkable cows	549,087	914,141	1,690,524
Subtotal	**1,304,876**	**2,273,741**	**3,236,268**
Alfalfa roots	—	4,137	5,604
Total	**1,304,876**	**2,277,878**	**3,241,872**

The numbers of biological assets are summarized as follows:

	As of March 31,		
	2011	2012	2013
		(heads)	
Dairy cows:			
Calves and heifers	36,968	59,033	62,962
Milkable cows	18,584	31,221	49,889
Total	**55,552**	**90,254**	**112,851**

Our biological assets increased by 74.6%, from RMB1,304.9 million as of March 31, 2011 to RMB2,277.9 million as of March 31, 2012. Our biological assets further increased by 42.3% to RMB3,241.9 million as of March 31, 2013. The value of our biological assets continued to increase throughout the Track Record Period as we continued to expand our herd of dairy cows and more heifers grew to milkable cows, which is part of our growth and expansion strategy.

Our dairy cows and alfalfa roots in the PRC were independently valued by JLL and CBRE Limited, both of which are independent professional valuers not connected with us, and have appropriate extensive experience in valuation of biological assets. See "—Valuation of Biological Assets".

Valuation of the Dairy Cows

Our dairy cows were independently valued by JLL, an independent professional valuer not connected with us, and with appropriate extensive experience in valuation of biological assets.

Set forth below is the fair value of our dairy cow herd at the end of each of the reporting periods:

	As of March 31,								
	2011			2012			2013		
	Herd Value	Herd Size	Average Value	Herd Value	Herd Size	Average Value	Herd Value	Herd Size	Average Value
	Thousands RMB	Head	RMB	Thousands RMB	Head	RMB	Thousands RMB	Head	RMB
Dairy cows:									
Calves	83,704	7,016	11,930	97,689	7,346	13,298	176,254	12,998	13,560
Heifers	672,085	29,952	22,439	1,261,911	51,687	24,414	1,369,490	49,964	27,410
Milkable cows	549,087	18,584	29,546	914,141	31,221	29,280	1,690,524	49,889	33,886
Total	**1,304,876**	**55,552**		**2,273,741**	**90,254**		**3,236,268**	**112,851**	

Set forth below are the key assumptions and inputs adopted in the valuation process of our dairy cows as well as the actual historical results:

		As of March 31,		
		2011	2012	2013
Milkable Cows				
Valuation Approach(1)		Income approach		
Raw milk price(2) (RMB/kilogram)	Assumption used	4.14	4.09	4.58
	Actual	4.30	4.45	4.51
Feed costs(3) (RMB/kilogram of raw milk)	Assumption used	2.20	2.29	2.19
	Actual	2.20	2.29	2.19
Culling rate(4) (%)	Assumption used	19%	18%	20%
	Actual	10%	20%	20%
Projected lactation periods(5)	Assumption used	5-6	5-6	5-6
Milk Yield per head per lactation period(6) (Tonnes)	Assumption used	7.3-8.6	7.3-8.7	8.5-10.6
	Actual	8.7	8.6	9.1
Discount rate(7) (%)		13.80%	13.70%	12.70%
Calves and Heifers				
Per head market price of 14 month-old heifers(8) (RMB)	Assumption used	20,384	21,070	22,109
	Actual	20,014	20,863	21,663
Per head breeding costs required to raise the calves from (9) (RMB):				
0 month to 6 months	Assumption used	5,867	4,672	6,518
	Actual	5,523	4,223	5,907
7 months to 14 months	Assumption used	5,732	5,729	6,319
	Actual	5,392	5,621	6,521
15 months to 24 months	Assumption used	9,612	10,373	10,855
	Actual	9,311	9,735	11,033

Notes:

1. Valuation approach............ The fair values of 14 months old heifers are determined by referring to the market price of the actively traded market. The fair values of heifers older than 14 months are determined by adding the breeding costs required to raise the heifers from 14 months old to the respective specific ages considering the profits required by raisers. The fair values of heifers younger than 14 months old and calves are determined by subtracting the breeding costs required to raise the animals from the respective specific ages to 14 months old and the profits required by raisers.

Given the unique characteristics of the milkable cows, there are substantial limitations for the market approach or the cost approach for valuing the milkable cows. The market approach requires market transactions of comparable assets as an indication of value. JLL has not identified any current market transaction which is comparable with the characteristics of the milkable cows of the Group in terms of maturity, species composition, productivity, etc. On the other hand, the cost approach does not reflect the future economic benefits to be generated by the subject asset.

In view of the above, the fair value of the milkable cows is developed through the application of an income approach technique known as multi-period excess earnings method ("**MEEM**"). MEEM is a derivative of the discounted cash flow method. Using this technique, JLL estimates the direct economic benefits attributed to the milking cows. Such economic benefits are then capitalized at a rate which reflects all business risks including intrinsic and extrinsic uncertainties in relation to the subject assets. To estimate the economic benefit, the revenues for the milking cows are projected over their remaining useful lives. Key assumptions for the MEEM include the following:

Components of Cash Inflow:	— Revenue from raw milk sales — Revenue from female and male calves born — Revenue from sales of culled cows
Components of Cash outflow:	— Feed cost — Medicine and vaccination costs — Labor cost and other direct costs — Insemination cost — Manufacturing and auxiliary costs — Administrative cost — Transportation cost

2. Raw milk prices..................... The raw milk prices used as an assumption in the valuation process are based on our historical average selling prices, prospect of demand and supply of raw milk, as well as the analysis of prices obtained from markets where we operate as of the end of each reporting periods. The estimated fair value of milkable cows increases when the raw milk price increases. The increase of raw milk price also has positive impact on the imported heifer price as it usually drives a demand of heifers.

3. Feed costs.............................. The feed costs used as an assumption in the valuation process are based on our historical average feed costs per kilogram of raw milk at the end of each reporting periods. The estimated fair value of milkable cows decreases when the feed costs per kilogram raw milk increases. An effective feed mix and a high level of farm management can help to increase the milk yield and then reduce the feed costs per kilogram of raw milk produced. When calculating the historical feed costs, we did not take into consideration of the cost reduction effect of internal supply of alfalfa, concentrated feeds and certain supplementary feeds under our vertical integrated business model.

4. Culling rate .... It is normally assumed that the number of milkable cows at the end of each reporting period will decrease in the projection period at certain culling rates due to natural or unnatural factors, including (i) we might cull young milkable cows with low milk production due to their limited economic value; (ii) most of the milkable cows that have reached or are over the fifth lactation period will be culled due to their old age and decreasing milk yield; and (iii) milkable cows might also be culled due to illness, difficult birth or other unnatural deaths.

The estimated fair value of milkable cows decreases when the estimated culling rates increase. However, the dairy farms may also choose to proactively cull the cows with low milk yield to maintain higher milk yield and also to improve the genetics of next generations of cows. The actual culling rate for a period is a fraction of (i) the number of milkable cows culled, as the numerator; and (ii) the sum of the balance of milkable cows as of the opening of the period and the incremental number of milkable cows as for the period, as denominator.

The actual culling rate for the year ended March 31, 2011 was lower the assumption used as heifers turning into milkable cows largely happened in the second half of the year in that year.

5. Projected lactation periods..... The projected lactation periods used as an assumption in the valuation are assumed to be five to six lactation periods depending on the individual physical condition of the milkable cows. Typically, a milkable cow can be milked for five lactation periods. For a few milkable cows with high milk yield, their economic useful life can be longer and they can be milked for as many as six lactation periods. The estimated fair value of milkable cows increases when they have longer economic useful lives.

6. Milk yield	The milk yield used as an assumption in the valuation process was forecasted based on historical milk yield of the milkable cows, their health conditions, and management and operation of the dairy farms. Milk yield is expected to increase during the third to fourth lactation periods, and then decrease in the following lactation periods.
7. Discount rate	The Capital Asset Pricing Model was applied in the determination of the discount rate. The discount rate reflects the time value of money and a risk premium, representing compensation for the risk inherent in future cash flow that is uncertain. The estimated fair value decreases when discount rate increases. The discount rates applied in the valuation are in line with those adopted by industry peers, after taking into consideration different business growth stages of the Company and its peers. Parameters used in the Capital Asset Pricing Model included the risk free rates, equity risk premiums, beta coefficients of other listed dairy companies and specific risk premiums reflecting the business growth stage of the Company.
8. Market price of 14 months old heifers	The fair values of 14 months old heifers are determined using their market price at the actively traded markets as reference. Currently, according to related import regulations in China, the Company limited its source of imported heifers to three countries namely Australia, New Zealand and Uruguay. It is understood that the import prices from Australia and New Zealand have continued to increase since 2009 due to the strong demand from China as well as other countries like Russia. Historical purchase prices of heifers by large-scale dairy farms in China ranged between RMB 20,300 to RMB 23,300 per head in 2011 and 2012. The prices used in valuation are in line with the actual prices we recorded.
9. Breeding costs	The breeding costs used as an assumption in valuation are based on the historical average feed costs per head during the growing stage at the end of each reporting periods. The estimated profits that would be required by a raiser are also applied in the valuation. The fair values of heifers are estimated by adding the estimated breeding costs to the market price of 14-month old heifers. The estimated fair value of the heifers older than 14 months old increases when the breeding costs and the estimated profits that would be required by a raiser increase. The fair values of heifers are estimated by subtracting the estimated breeding costs from the market price of 14-month old heifers. The estimated fair value of the calves and the heifers younger than 14 months old decreases when the breeding costs and the estimated profits that would be required by a raiser increase. The breeding costs for our calves and heifers used as assumptions in the valuation are in line with the historical breeding costs we incurred.

Inventory Analysis

During the Track Record Period, inventories were one of the principal components of our current assets. Our inventories for dairy farming business consist primarily of feeds, other raw materials to raise dairy cows and raw materials. Our inventories for liquid milk business consist primarily of raw materials, packing materials and finished goods. Our inventories for milk powder business consist primarily of infant formula milk powder, D90 whey powder and sweet whey powder. Our inventories for grain processing and trading consist primarily of raw materials and finished goods. According to our inventory policy, we typically keep two months of raw materials, except certain perishable raw materials such as raw milk, which is consumed or delivered on the day of milking and we typically maintain three days of concentrated feeds. In addition, we typically keep 12 months of alfalfa silage. Our sales team will also coordinate with our production department to avoid excessive inventory.

The following table sets forth the balance of our inventories at the end of each reporting period:

	As of March 31,		
	2011	**2012**	**2013**
	RMB	**RMB**	**RMB**
	(in thousands)		
Feeds and other materials to breed dairy cows	163,328	310,018	311,206
Other materials for producing dairy products	34,446	81,990	78,200
Semi-finished goods	2,387	—	24,893
Finished goods	2,518	20,669	33,100
	202,679	412,677	447,399
Less: write-down of inventories	—	—	(781)
Total	**202,679**	**412,677**	**446,618**

The value of our inventory increased 103.6% from RMB202.7 million as of March 31, 2011, to RMB412.7 million as of March 31, 2012 and further increased by 8.2% to RMB446.6 million as of March 31, 2013. Of the RMB446.6 million of inventories as of March 31, 2013, RMB367.2 million had been utilized as of June 30, 2013.

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

	Year Ended March 31,		
	2011	**2012**	**2013**
Inventory turnover days(1)	116	100	82

(1) Inventory turnover days are calculated using the average of opening balance and closing balance of inventory for a year divided by the sum of cost of sales (before biological fair value adjustments) and breeding costs of calves and heifers that were capitalized and multiplied by 365 days

Our inventory turnover days decrease from 116 days for the year ended March 31, 2011 to 100 days for the year ended March 31, 2012 and further decreased to 82 days for the year ended March 31, 2013. This is primarily because we continued to decrease the purchase of feeds and raw materials from external sources under our vertically-integrated business model. We began to grow alfalfa in June 2011 and were able to satisfy substantially all our internal requirement for the year ended March 31, 2013. Meanwhile, we continued to increase the use of internally-sourced raw milk to produce our liquid milk products.

Trade and Other Receivables Analysis

The following table sets forth our trade and other receivables at the end of each reporting period:

	As of March 31,		
	2011	**2012**	**2013**
	RMB	**RMB**	**RMB**
		(in thousands)	
Total trade receivables	138,370	147,556	172,583

For the sales of our raw milk, we typically require our customers to pay within 15 days upon delivery of raw milk. For the sales of our liquid milk and milk powder products to our distributors, we typically require the distributors to pay the entire purchase price of our products before delivery. In limited circumstances, we grant certain retail chains in our modern channels a credit period of 60 to 90 days. Customers with balances that are more than seven working days past due are requested to settle all outstanding balances before any further credit is granted. Our trade receivables represent receivables from our clients for sales of our products. As of March 31, 2011, 2012 and 2013, our trade receivables amounted to RMB138.4 million, RMB147.6 million and RMB172.6 million, respectively. The significant increase in our trade receivables over the Track Record Period was due primarily to the significant increases in sales of our products, especially the significant increase in the sales of our liquid milk products. Of the RMB172.6 million trade and bill receivables outstanding as of March 31, 2013, RMB142.7 million had been settled as of June 30, 2013. Meanwhile, of the RMB444.4 million of prepayments to third parties as of March 31, 2013, RMB186.5 million had been settled as of June 30, 2013.

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

	Year Ended March 31,		
	2011	**2012**	**2013**
Trade receivable turnover days[(1)]	84	39	23

(1) Trade receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables for a year divided by turnover for the relevant year and multiplied by 365 days.

Our trade receivable turnover days decreased from 84 days for the year ended March 31, 2011 to 39 days for the year ended March 31, 2012, primarily as a result of the decrease of credit period to Shenyang Dairy. Our trade receivable turnover days further decreased to 23 days for the year ended March 31, 2013, primarily as we reduced the settlement cycle with our customers.

Aging analysis

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

	As of March 31,		
	2011	2012	2013
	RMB	RMB	RMB
	(in thousands)		
Less than 3 months	117,162	105,828	151,933
More than 3 months but less than 6 months	12,647	35,741	11,594
More than 6 months but less than 12 months	4,875	76	9,056
More than 1 year but less than 2 years	3,105	4,529	—
More than 2 years but less than 3 years	581	968	—
More than 3 years	—	414	—
Total	**138,370**	**147,556**	**172,583**

During the Track Record Period, no impairment of trade receivables had been provided. As of March 31, 2011, 2012 and 2013, RMB3.7 million, RMB5.9 million and nil of our trade receivables were past due for more than one year.

Trade and Bills Payables Analysis

The following table sets forth our trade and other payables at the end of each reporting period:

	As of March 31,		
	2011	2012	2013
	RMB	RMB	RMB
	(in thousands)		
Total trade payables	207,699	523,857	588,280
Total bills payable	261,938	—	322,185
Total trade and bills payables	**469,637**	**523,857**	**910,465**

Our trade and bill payables primarily consist of trade payables to suppliers of raw materials and bills payable in connection with the purchase of raw materials, property, plant and equipment, the purchase of dairy cows, and short-term financing. All of our trade and bills payables are expected to be settled within one year. Our trade payables increased significantly throughout the Track Record Period primarily due to the growth of our business. Of the RMB910.5 million of trade and bill payables, RMB656.9 million had been settled as of June 30, 2013.

The following table sets forth our trade payables turnover days at the end of each reporting period:

	Year Ended March 31,		
	2011	**2012**	**2013**
Trade payables turnover days[1]	144	119	108

(1) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a year divided by the sum of cost of sales (before biological fair value adjustments) and breeding costs of calves and heifers that were capitalized and multiplied by 365 days.

Our trade payable turnover days decreased from 144 days for the year ended March 31, 2011 to 119 days for the year ended March 31, 2012 and further decreased to 108 days for the year ended March 31, 2013. This is primarily because we continued to decrease the purchase of feeds and raw materials from external sources under our vertically-integrated business model.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have significant contingent liabilities.

RELATED PARTY TRANSACTIONS

For a discussion of related party transactions, see note 33 to the Accountants' Report set forth in Appendix I to this prospectus.

NO OTHER OUTSTANDING INDEBTEDNESS

Save as disclosed in this prospectus, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as of July 31, 2013, being our indebtedness statement date. Our Directors confirm that, as at the Latest Practicable Date, there is no material change in the Company's indebtedness since July 31, 2013.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Credit Risk

Our credit risk is primarily attributable to trade receivables. Our management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 15 to 90 days from the date of billing. Debtors with balances that are more than seven working days past due are requested to settle all outstanding balances before any further credit is granted. Normally, we do not obtain collateral from customers.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As of March 31, 2011, 2012 and 2013, approximately 74%, 22% and 13% of the total trade receivables, respectively, were due from our largest customer and, approximately 85%, 37% and 52% of the total trade and other receivables (excluding the amounts due from Mr. Yang and his affiliates), respectively, were due from our five largest customers.

Liquidity Risk

We manage our financing activities centrally to cover the expected cash demands of all our group entities. Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities as of March 31, 2011, 2012 and 2013 of our non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the respective accounting yearend dates) and the earliest date the Group can be required to pay:

As of March 31, 2011	**Contractual undiscounted cash outflow**					
	Repayable within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	(in RMB thousands)					
Trade and bill payables	469,637	—	—	—	469,637	469,637
Accrued expenses and other payables	1,037,328	—	—	—	1,037,328	1,037,328
Amounts due to the Controlling Shareholder and his affiliates	1,275,344	—	—	—	1,275,344	1,275,344
Bank loans	315,640	274,201	1,068,496	1,089,649	2,747,986	2,142,500
	3,097,949	274,201	1,068,496	1,089,649	5,530,295	4,924,809

As of March 31, 2012	**Contractual undiscounted cash outflow**					
	Repayable within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	(in RMB thousands)					
Trade and bill payables	523,857	—	—	—	523,857	523,857
Accrued expenses and other payables	367,489	—	—	—	367,489	367,489
Amounts due to the Controlling Shareholder and his affiliates	2,799,556	—	—	—	2,799,556	2,799,556
Income tax payable	1,583	—	—	—	1,583	1,583
Bank loans	522,221	495,198	972,467	885,183	2,875,069	2,279,320
	4,214,706	495,198	972,467	885,183	6,567,554	5,971,805

As of March 31, 2013	Contractual undiscounted cash outflow					
	Repayable within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	(in RMB thousands)					
Trade and bill payables	910,465	—	—	—	910,465	910,465
Accrued expenses and other payables	434,558	—	—	—	434,558	434,558
Amounts due to the Controlling Shareholder and his affiliates	14,702	—	—	—	14,702	14,702
Income tax payable	10,147	—	—	—	10,147	10,147
Bank loans	1,030,240	614,150	1,317,371	577,849	3,539,610	3,011,305
	2,400,112	614,150	1,317,371	577,849	4,909,482	4,381,177

Interest Rate Risk

Our interest rate risk arises primarily from interest bearing bank loans. Bank loans issued at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively. Our interest rate profile as monitored by management is set out below:

	As of March 31,					
	2011		2012		2013	
	Effective interest rate	Balance	Effective interest rate	Balance	Effective interest rate	Balance
	(in RMB thousands, except for percentages)					
Fixed rate bank loans	5.95%	88,000	6.13%	166,893	5.41%	382,498
Variable rate bank loans	6.77%	2,054,500	7.42%	2,112,427	6.72%	2,628,807
Total bank loans		2,142,500		2,279,320		3,011,305
Fixed rate bank loans as a percentage of total bank loans		4.11%		7.32%		12.70%

Interest rate sensitivity analysis

As of March 31, 2011, 2012 and 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased our profit after taxation and retained profits by approximately RMB10.11 million, RMB12.64 million and RMB18.31 million for the years ended March 31, 2011, 2012 and 2013, respectively.

The sensitivity analysis above indicates the instantaneous change in our profit after taxation and retained profits assuming that the change in interest rates had occurred at the respective accounting year end dates and had been applied to re-measure the above bank loans held by us which expose us to the interest rate risks at the respective accounting year end dates. The impact on our profit after tax and retained profits is estimated as an annualized impact on interest expenses of such a change in interest rates. The sensitivity analysis is performed on the same basis during the Track Record Period.

Currency Risk

We are exposed to currency risk primarily through borrowing bank loans and purchases of dairy cows and property, plant and machinery which give rise to bank loans, deposits and prepayments, payables and cash balances that are denominated in a foreign currency. The currency giving rise to this risk is primarily U.S. dollars, Euros and Hong Kong dollars.

The following table details our exposure as of March 31, 2011, 2012 and 2013 to currency risk arising from recognized assets or liabilities denominated in U.S. dollars, Euros and Hong Kong Dollars. For presentation purpose, the amounts of the exposure are shown in RMB, translated using the spot rate at the respective year end dates. Differences resulting from the translation of the financial statements of the operations which have a functional currency other than our presentation currency into our presentation currency are excluded.

	As of March 31, 2011		
	U.S. Dollars	Euros	Hong Kong Dollars
	(in RMB thousands)		
Deposits, prepayments and other receivables	128,701	1,839	—
Cash and cash equivalents	2,098	—	—
Bank loans	(291,094)	—	—
Net exposure arising from recognized assets and liabilities	(160,295)	1,839	—

	As of March 31, 2012		
	U.S. Dollars	Euros	Hong Kong Dollars
	(in RMB thousands)		
Deposits, prepayments and other receivables	118,660	—	—
Cash and cash equivalents	349,537	—	—
Bank loans	(519,004)	—	—
Net exposure arising from recognized assets and liabilities	(50,807)	—	—

	As of March 31, 2013		
	U.S. Dollars	Euros	Hong Kong Dollars
	(in RMB thousands)		
Deposits, prepayments and other receivables	—	—	2,701
Cash and cash equivalents	138,949	—	296
Trade and bills payables	(1,951)	(6,035)	—
Accrued expenses and other payables	—	—	(36,155)
Bank loans	(463,223)	(71,128)	—
Net exposure arising from recognized assets and liabilities	(326,225)	(77,163)	(33,158)

Currency sensitivity analysis

The following table indicates the instantaneous change in our profit after tax and retained profits that would arise if foreign exchange rates to which we have significant exposure as of March 31, 2011, 2012 and 2013 had changed at that date, assuming all other risk variables remained constant.

	Year Ended March 31,					
	2011		2012		2013	
	Strengthening/ (weakening) of foreign currency against RMB	Increase/ (decrease) in profit after tax and retained profits	Strengthening/ (weakening) of foreign currency against RMB	Increase/ (decrease) in profit after tax and retained profits	Strengthening/ (weakening) of foreign currency against RMB	Increase/ (decrease) in profit after tax and retained profits
	(in RMB thousands, except for percentages)					
U.S. Dollars	5%	(8,130)	5%	(6,858)	5%	(17,481)
U.S. Dollars	(5%)	8,130	(5%)	6,858	(5%)	17,481
Euro	20%	276	15%	—	10%	(5,787)
Euro	(20%)	(276)	(15%)	—	(10%)	5,787
Hong Kong Dollars	5%	—	5%	—	5%	(1,367)
Hong Kong Dollars	(5%)	—	(5%)	—	(5%)	1,367

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the respective accounting year end dates for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those assets or liabilities held by us which expose us to foreign currency risk at March 31, 2011, 2012 and 2013, respectively, including inter-company payables and receivables within our group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of the operations which have a functional currency other than our presentation currency into our presentation currency. The sensitivity analysis is performed on the same basis as of each of March 31, 2011, 2012 and 2013.

LISTING EXPENSES

As of March 31, 2013, we had incurred expenses in connection with the proposed Global Offering of RMB8.2 million, which were accounted for as our administrative expenses for the year ended March 31, 2013. By the completion of the Global Offering, we expect to further incur an estimated amount of RMB199.1 million of listing expenses, among which an estimated amount of RMB19.5 million is to be recognized as our administrative expenses and an estimated amount of RMB179.6 million is to be recognized directly in equity. By following the principle as mentioned in "Summary — Listing Expenses", we expect to capitalize 100% of the underwriting commissions and 20.2% of the total fees incurred for services rendered by professional advisers as our equity and 79.8% of the total fees incurred for services rendered by professional advisers as our administrative expenses. We do not believe the additional expenses will have a material impact on our results of operations.

VALUATION OF BIOLOGICAL ASSETS

The Independent Valuers

Dairy Cows

We have engaged JLL, an independent valuer, to determine the fair value of our dairy cows as at March 31, 2011, 2012 and 2013, respectively. For the purposes of valuing our biological assets as at each valuation date, the key valuers team are Mr. Simon M.K. Chan, Prof. T.Y. Gao, Miss Kay P. Liu and Mr. Kevin C.W. Chan.

Mr. Simon M.K. Chan, Regional Director at JLL, is a Fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a Fellow of CPA Australia. He is also a Certified Valuation Analyst (CVA), a member of The International Association of Consultants, Valuers and Analysts (IACVA), a member of Canadian Institute of Mining, Metallurgy and Petroleum (CIM), and a member of The Australasian Institute of Mining and Metallurgy (AusIMM). Simon oversees the business valuation services of JLL and has over 15 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States. Simon has also participated in certain large scale IPOs of State-owned and privately-owned enterprises in China. He oversaw the valuation of dairy cows of China Modern Dairy Holdings Ltd. (1117.HK) for this company's initial public offering and subsequent financial reports. He also led the valuation of biological assets, such as trees, rabbits and chickens, for Hong Kong listed companies including Chenming Paper (1812.HK) and Kandda Food (834.HK), as well as numerous private companies for their IFRS accounting proposes.

Prof. T.Y. Gao, a professor of Henan Agricultural University (Animal Science), and an independent biological asset valuation expert, is a council member of the China Animal Husbandry and Veterinary Association Cattle Branch, an executive director of the China Animal Husbandry and Veterinary Association Animal Ecology Branch, an executive director of the Animal Husbandry Engineering Branch of the Agricultural Engineering Society, an executive director of the China Scalper Breeding Committee, a deputy secretary of the Straw Utilization Branch of China Agricultural Society and an executive director of the Grass Fodder Branch of the Animal Husbandry and Veterinary Institute. He has extensive experience in the area of cow breeding and is mainly engaged in the study of the utilization of local feeds resources for feeding cattle, environment management of dairy cows and livestock ecology. Prof Gao has published 23 books, has won 15 prizes of scientific achievements and has published more than 200 academic papers in different journals, most of which are on the research and study of dairy cows and dairy production. He participated in the valuation of dairy cows of China Modern Dairy Holdings Ltd. (1117.HK) for this company's initial public offering and subsequent financial reports.

Miss Kay P. Liu is currently a senior manager at JLL. Kay has conducted numerous valuations for companies in Hong Kong, the PRC and overseas, covering businesses in industries such as food processing, hotel operations, industrial, toll roads, retail, and mining. She has participated in a number of valuation exercises of biological assets including dairy cows, beef cows, sheep, rabbits, chickens, abalones, bamboo trees, tea trees, corn seeds and seedlings. She participated in the valuation of the dairy cows of China Modern Dairy Holdings Ltd. (1117.HK) for its initial public offering and subsequent financial reports.

Mr. Kevin C.W. Chan, senior manager at JLL, holds the Chartered Financial Analyst designation and is a certified public accountant in Hong Kong. He has provided a number of valuation and advisory services to listed and private companies of different industries in China, Hong Kong for M&A and accounting purposes. The valuation services provided include equity valuation, intangible asset identification and valuation, asset impairment evaluation, and valuation of financial instruments. Kevin has participated in a number of valuation exercises of biological assets including trees, orchards and dairy cows.

Alfalfa Roots

We have engaged CBRE Limited ("**CBRE**"), an independent valuer, to determine the fair value of our alfalfa assets as at March 31, 2012 and March 31, 2013. The key valuers involved in valuing the alfalfa assets are Mr. Alex P.W. Leung, Mr. Ross X.H. Wang and Dr. Timmy S.C. Fan.

Mr. Alex P.W. Leung, Senior Director, Valuation and Advisory Services, CBRE, is a member of Royal Institute of Chartered Surveyors (MRICS) and the member of Hong Kong Institute of Surveyors (MHKIS). He is a Registered Business Valuer of Hong Kong Business Valuation Forum and a member of RICS Asia Business Valuation Committee. Alex is the head of CBRE's business valuation team and during the past 15 years, he has led various types of cases for the purposes of financing, selling and purchasing, IPO and public circulars, accounting, rating appeals and government compensation.

Mr. Ross X.H. Wang, Manager, CBRE, provides professional opinion for the purposes of client's IPO, financial reporting and M&A activities. His industry exposure mainly covers agriculture and utility. In particular, he has handled valuation exercises of various biological assets including alfalfa, Chinese ginseng, abalone, dairy cows, etc. during his services in CBRE.

Dr. Timmy S.C. Fan, Senior Analyst, CBRE, specializes in forestry sectors and intellectual properties in the team. Timmy is a Chartered Financial Analyst and Financial Risk Manager charter holder and also holds a doctorate degree at Hong Kong Polytechnic University. He has handled valuation assignments of forest and dairy cows and also took a major role in publishing a set of CBRE research papers on biological assets valuation.

Based on market reputation and relevant background research, our Directors are satisfied that both JLL and CBRE are independent from us and are competent in conducting a valuation on our biological assets.

Valuation Method

The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established used market may be valued by this approach.

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

The Joint Sponsors held various discussions with JLL and CBRE in relation to their valuation procedures, valuation techniques and information required to prepare their valuation report. The Joint Sponsors further compared the valuation in technique chosen with those used in other similar transactions and market practice.

Dairy Cows

Calves and Heifers

Market approach is adopted by JLL to value our calves and heifers, because recent market-based prices for heifers at certain age exist near the Valuation Date, and therefore the fair values of the calves and heifers are developed through the application of market approach with reasonable adjustments to reflect the age differences.

Milkable Cows

Income approach is adopted by JLL to value our milkable cows, primarily because there is no reliable market-based price for dairy cow at this stage. In general, raisers of dairy cows do not sell dairy cows that are milkable, as milking generate more profits in the long run than the sales of dairy cows. As a result, the fair value of the milkable cows is developed through the application of income approach technique known as multi-period excess earnings method ("**MEEM**"). MEEM is a derivative of the discounted cash flow ("**DCF**") method. Using this technique, JLL estimates the direct economic benefits attributed to the milking cows. Such economic benefits are then capitalized at a rate which reflects all business risks including intrinsic and extrinsic uncertainties in relation to the subject assets. To estimate the economic benefit, the revenues for the milking cows are projected over their remaining useful lives. Based on the projected revenues, the costs associated with supporting the milking cows are net off. The net income projection is then adjusted by economic capital charges. The capital charges include returns on the assets that are used or used up in the generation of the subject biological assets income projection. Examples of such assets include fixed assets and assembled work force.

Alfalfa Roots

Cost approach is adopted by CBRE to value our alfalfa roots. In particular, CBRE adopts the escalated average cost method, under which appropriate inflation-related indices of each year of planting are used to adjust the costs for the remaining expected life. Expected useful lives of alfalfa roots are currently seven years.

Key Assumptions and Inputs

Dairy Cows

Key inputs for valuing our dairy cows are the number and classification of dairy cows. Based on maturity stages, our dairy cows are classified into calves and heifers and milkable cows. Different valuation approaches are adopted for calves and heifers and milkable cows.

Calves and Heifers

The key inputs and assumptions for valuing our calves and heifers are the market price and age. See "— Principal Income Statement Components—Changes in Fair Value Less Costs to Sell of Biological Assets" for how the approach is applied in determining the fair value of a specific calf or heifer.

Milkable Cows

The key assumptions and inputs include the revenues from milking the dairy cows and the costs associated with the milkable cows. JLL also assumes that there will be no material change in the existing political, legal, technological, fiscal or economic condition which may adversely affect our business. In deriving the residual cash flow of the milkable cows, JLL has deducted returns on contributory assets, which represent charges for the use of contributory assets employed to support the milkable cows and help generate revenue. Our Directors confirmed, and the Joint Sponsors concurred, that the components used by JLL in the valuation process are consistent with market factors and assumptions used in the measurement.

The key assumptions and inputs for calculating the revenues from milking include the following:

- The number of and the respective estimated culling rates and calf birth rates for, milkable cows at different lactation stage.

- Milk yield rate as adjusted by an estimated spoilage rate for milkable cows at different lactation stage.

- Prices for raw milk produced by, and female and male calves given birth by, milkable cows at different lactation stage.

Based on the above assumptions, the total revenue from our milkable cows as forecasted in the valuation process is approximately RMB6.1 billion.

The key assumptions and inputs for calculating the costs associated with raising the milkable cows include the following:

- Feed cost.

- Medicine and vaccination costs.

- Labor cost and other direct costs.

- Insemination cost.

- Manufacturing and auxiliary costs.

- Administrative cost.

Based on the above assumptions, the total costs in relation to our milkable cows as forecasted in the valuation process is approximately RMB3.8 billion.

The Joint Sponsors discussed with JLL in relation to the valuation bases and assumptions and understand that JLL has conducted the biological asset valuation in accordance with International Accounting Standard 41 - Agriculture, issued by the International Accounting Standards Board and with reference to the International Valuation Standards, issued by the International Valuation Standards Council. The key assumptions, as detailed below, are made based on the historical actual operation performance of the Company. JLL has obtained and discussed with us and the Reporting Accountants regarding the historical actual operation data from us, and considered and reviewed whether they are appropriate and reasonable to be used in the valuation. Our Directors confirm that the assumptions adopted are consistent with industry practice and in line with the actual figures during the Track Record Period.

Alfalfa Roots

The key assumptions and inputs for determining the fair value of alfalfa roots include the following:

- Planting date.
- Planting cost.
- Expected useful life.
- Inflation indices.

The Joint Sponsors are satisfied that the valuation technique chosen and the inputs used in the valuation technique are appropriate and reasonable. The Joint Sponsors held various discussions with JLL and CBRE respectively in relation to their valuation procedures, valuation bases and assumptions, valuation techniques and information required to prepare the valuation report of the biological assets to better understand the valuation process. In addition, the Joint Sponsors discussed with our management and the Reporting Accountants with respect to the techniques chosen and the inputs used in the valuations. The Joint Sponsors further compared the valuation technique chosen, bases and assumptions of the valuation with those used in other similar transactions and market practice. As confirmed by JLL, the valuation of dairy cows was conducted in accordance with Hong Kong Accounting Standard 41 — Agriculture issued by the Hong Kong Institute of Certified Public Accountants and with reference to the International Valuation Standards issued by the International Valuation Standards Council. As confirmed by CBRE, the valuation of alfalfa assets was conducted in accordance with Hong Kong Accounting Standard 41 — Agriculture, HKIS Valuation Standards (2012 Edition) and "Valuation of Business and Business Interests" of the Royal Institution of Chartered Surveyors (RICS) Guidance Note. JLL and CBRE further confirmed that their valuation procedures provide a reasonable basis for their opinion, the inputs used in the valuation technique are appropriate and reasonable.

Sensitivity Analysis

Dairy Cows

The following table indicates the instantaneous change in the value of our milkable cows that would arise if the key inputs for valuation as of March 31, 2013 had changed at that date, assuming all other risk variables remained constant.

Key inputs change and fair value change

(RMB)

Change	**-8%**	**-5%**	**-2%**	**-1%**	**1%**	**2%**	**5%**	**8%**
Milk Price	(320,977,000)	(200,611,000)	(80,244,000)	(40,122,000)	40,123,000	80,245,000	200,612,000	320,978,000
Feed Cost	169,750,000	106,094,000	42,438,000	21,219,000	(21,218,000)	(42,437,000)	(106,093,000)	(169,749,000)
Change		**-1.5%**	**-1%**	**-0.5%**	**0.5%**	**1.0%**	**1.5%**	
Discount Rate		41,265,000	27,282,000	13,529,000	(13,309,000)	(26,405,000)	(39,291,000)	

Key inputs change and corresponding valuation results

(RMB)

Change	**-8%**	**-5%**	**-2%**	**-1%**	**Base Value**	**1%**	**2%**	**5%**	**8%**
Milk Price	1,369,547,000	1,489,913,000	1,610,280,000	1,650,402,000	1,690,524,000	1,730,647,000	1,770,769,000	1,891,136,000	2,011,502,000
Feed Cost	1,860,274,000	1,796,618,000	1,732,962,000	1,711,743,000	1,690,524,000	1,669,306,000	1,648,087,000	1,584,431,000	1,520,775,000
Change		**-1.5%**	**-1%**	**-0.5%**	**Base Value**	**0.5%**	**1.0%**	**1.5%**	
Discount Rate		1,731,789,000	1,717,806,000	1,704,053,000	1,690,524,000	1,677,215,000	1,664,119,000	1,651,233,000	

Stock-take and Internal Control

Stock-take

We have established a standard protocol for stock take to ensure the physical existence of our biological assets and accuracy of relevant data and information. Each of our dairy farms is required to perform stock take on a monthly basis to ensure the relevant information such as headcount, age-grouping and birth-record are accurately reflected in our ERP system and submit a detailed report to the record keeping department at our headquarters. Our record keeping department also perform stock take on a random basis to verify the monthly report submitted by the individual dairy farms. Our financial department is responsible for the fiscal year-end stock take, and both the accounting staff from the financial department and the dairy farm manager, dairy farm technicians, veterinarians and other staff of the dairy farms are all required to participate in the fiscal year-end stock take.

Internal Control and Management System

We have devised a comprehensive policy for biological asset management. Our biological asset management policy covers the management structures of our dairy farms, relevant accounting policies, transferring among age groups, purchase and sales of dairy cows, breeding, record keeping and stock take, among other things. To facilitate the implementation of our biological asset management policy, we employ our proprietary ERP systems to keep comprehensive record of our dairy cows herd.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders' approval. The Board will review our dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our result of operations;
- our cash flows;
- our financial condition;
- our Shareholders' interests;
- general business conditions and strategies;
- our capital requirements;
- the payment by our subsidiaries of cash dividends to us; and
- other factors the Board may deem relevant.

DISTRIBUTABLE RESERVES

As of March 31, 2013, our reserves available for distribution to our members were RMB4,091.8 million. The Companies Law provides that share premium account of an exempted company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its memorandum and articles of association, provided that no distribution or dividend may be paid to its members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

NO MATERIAL ADVERSE CHANGE

Our directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of us since July 31, 2013.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of our Group, which is based on the consolidated net tangible assets of our Group attributable to the equity holders of the Company as of March 31, 2013 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as of March 31, 2013(1)	Estimated net proceeds from the Global Offering(2)(4)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company(3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per Share(3)(4)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$2.28 per Share	4,950,959	5,179,896	10,130,855	0.70	0.87
Based on an Offer Price of HK$2.67 per Share	4,950,959	6,069,951	11,020,910	0.76	0.95

Notes:

(1) The consolidated net tangible assets attributable to the equity shareholders of the Company as of March 31, 2013 is based on the consolidated net assets attributable to the equity shareholders of the Company of RMB5,882.9 million as of March 31, 2013 after deduction of the goodwill of RMB932.0 million as of the date as shown in the Accountants' Report set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$2.28 and HK$2.67 per Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the underwriting fees and other related expenses payable by the Company of HK$228.9 million and HK$263.1 million, respectively.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 14,407,788,000 shares are expected to be in issue following the Global Offering (including 2,913,534,000 shares newly issued upon the Global Offering) and the respective Offer Prices of HK$2.28 and HK$2.67 per Share.

(4) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per Share are converted from or into Hong Kong dollars at an exchange rate of RMB0.81 to HK$1.00, the People's Bank of China rate prevailing on March 31, 2013. No representation is made that the HK$ amounts have been, could have been or may be converted into RMB, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to March 31, 2013.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As of the Latest Practicable Date, our Directors confirmed that there are no circumstances that will give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO SIGNIFICANT INTERRUPTIONS

Our Directors confirm that there have been no interruptions in our business that may have a material adverse effect on our financial position and results of operations in the 12 months period prior to the Latest Practicable Date.

FUTURE PLANS

See the section headed “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$2.48 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$6,979.1 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

If the Offer Price is fixed at HK$2.67 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK$537 million.

If the Offer Price is fixed at HK$2.28 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by approximately HK$565 million.

We intend to use the net proceeds of the Global Offering for the following purposes:

- Approximately 17%, or HK$1.2 billion will be used for importing no less than 75,000 high quality heifers from Australia or New Zealand in the coming three years. In particular, we plan to import 26,000, 24,000 and 25,000 heifers for the years ending March 31, 2014, 2015 and 2016, with expected expenditure of approximately HK$416 million, HK$384 million and HK$400 million, respectively.

- Approximately 34%, or HK$2.4 billion will be used for constructing 45 new dairy farms located in Liaoning Province in the coming three years. In particular, we plan to establish 5, 18 and 22 dairy farms for the years ending March 31, 2014, 2015 and 2016, with expected expenditure of approximately HK$267 million, HK$960 million and HK$1,173 million, respectively. In particular, for the year ending March 31, 2014, we plan to spend HK$34 million to acquire land, HK$194 million to construct the dairy farm and HK$39 million to acquire the equipment and machinery. For the year ending March 31, 2015, we plan to spend HK$122 million to acquire land, HK$668 million to construct the dairy farm and HK$170 million to acquire the equipment and machinery. For the year ending March 31, 2016, we plan to spend HK$150 million to acquire land, HK$806 million to construct the dairy farm and HK$217 million to acquire the equipment and machinery.

- Approximately 9%, or HK$600 million will be used for leasing lands for feeds plantation in Liaoning Province. Approximately HK$570 million will be used for the leasing of lands and HK$30 million will be used for the purchasing of relevant machinery and equipment.

- Approximately 3%, or HK$200 million will be used for constructing two feeds processing plants in Liaoning Province with annual capacity of 100,000 tonnes (expected expenditure to be HK$94 million) and 200,000 tonnes (expected expenditure to be HK$106 million), respectively, which are expected to be completed during the years ending March 31, 2016 and March 31, 2017, respectively. We expect to fund the construction plan entirely by the net proceeds from the Global Offering.

- Approximately 9%, or HK$600 million will be used for constructing a liquid milk production plant in Liaoning Province (expected expenditure to be HK$100 million) and purchasing relevant machinery and equipment (expected expenditure to be HK$500 million). The new production plant will have a designed production capacity of 360,000 tonnes per annum and be completed in 2015. We expect to fund the construction plan entirely by the net proceeds from the Global Offering.

- Approximately 11%, or HK$800 million will be used for constructing a milk powder production plant (expected expenditure to be HK$320 million) and purchasing relevant machinery and equipment (expected expenditure to be HK$480 million) in Liaoning Province with a production capacity of 33,000 tonnes per annum, which will be completed in the year ending March 31, 2017. We expect to fund the construction plan entirely by the net proceeds from the Global Offering.

- Approximately 14%, or HK$1.0 billion will be used for sales and marketing activities and expand our distribution network in the coming two years. In particular, we plan to (i) enhance our distribution network and penetrate additional geographical end-markets beyond Northeastern China with expected expenditure of HK$550 million; (ii) undertake nationwide corporate image through sponsorship activities with expected expenditure of HK$150 million; (iii) promoting brand image and consumer loyalty through social media and the internet with expected expenditure of HK$150 million; (iv) engage in various educational campaigns to promote our belief that products safety lies in the complete control of the entire dairy industry value chain with expected expenditure of HK$60 million; and (v) undertake other sales and market activities with expected expenditure of HK$90 million.

- The remaining amount will be used to provide funding for our working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the estimated offer price range.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

We estimate that the net proceeds to be received by the Selling Shareholders from the sale of Sale Shares (after deduction of underwriting commissions payable by our Selling Shareholders in relation to the Global Offering, and assuming an Offer Price of HK$2.48 per Offer Share, being the mid-point of the Offer Price range of HK$2.28 to HK$2.67 and the Over-allotment Option is not exercised) are approximately HK$2,129.6 million. We will not receive any of the proceeds from the Sale Shares.

We estimate that the net proceeds to be received by the Selling Shareholders and Option Grantors from the sale of the Sale Shares and Shares to be sold pursuant to the Over-allotment Option (after deduction of underwriting commissions payable by our Selling Shareholders and Option Grantors in relation to the Global Offering, and assuming an Offer Price of HK$2.48 per Offer Share, being the mid-point of the Offer Price range of HK$2.28 to HK$2.67 and the Over-allotment Option is fully exercised) are approximately HK$3,513.8 million. We will not receive any of the proceeds from the Sale Shares or Shares to be sold pursuant to the Over-allotment Option.

HONG KONG UNDERWRITERS

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

Deutsche Bank AG, Hong Kong Branch
Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited
UBS AG, Hong Kong Branch

Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

CIMB Securities Limited
Investec Capital Asia Limited
Jefferies Hong Kong Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 378,760,000 Hong Kong Offer Shares and the International Offering of initially 3,408,836,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholders) agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there has been a breach of any of the warranties or there has been a material breach by our Company or the Controlling Shareholders or any Selling Shareholder or any Option Grantor of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, result in a misstatement of a material fact in, or constitute an omission of a material fact from, any of this prospectus, the Application Forms and/or in any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(c) any statement contained in any of this prospectus, the Application Forms, the formal notice and/or in any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any expression of opinion, intention or expectation or other forward looking statements contained in any of this prospectus, the Application Forms and/or any announcements, issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair, honest and based on reasonable assumptions; or

(d) there shall have occurred any event, act or omission which gives or is likely to give rise to any material liability of any of our Company or the Controlling Shareholders pursuant to the indemnities under the Hong Kong Underwriting Agreement; or

(e) there shall have been any material adverse change or development involving a prospective material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, financial or trading condition , or performance, of any Group Company; or

(f) our Company withdraws this prospectus (and/or any other documents used in connection with the subscription or sale of any of the Offer Shares pursuant to the Global Offering) or the Global Offering; or

(g) any non-compliance of this prospectus (or any other documents used in connection with the Global Offering, the allotment, issue, subscription or sale of any of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law which is material in the context of the Global Offering; or

(h) there is an order or petition for the winding up of any member of our Group with material business operations or any composition or arrangement made by any such Group Company with its creditors or a scheme of arrangement entered into by any such Group Company or any resolution for the winding up of any such Group Company or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any such Group Company or anything analogous thereto occurring in respect of any such Group Company; or

(i) any action, suit, claim (whether or not any such claim involves or results in any action or proceeding), demand, investigation, judgment, award and proceeding, joint or several, from time to time instituted, made or brought or threatened or alleged to be instituted, made or brought against or otherwise involve (together the "**Actions**") any third party being threatened or instigated against any member of our Group which results or would result in a material adverse effect; or

(j) any Executive Director being charged with an indictable offence or prohibited by operation of law from acting as Executive Director or being subject to any Action by any public, regulatory, tax, administrative or governmental, agency or authority or any court at the national, provincial, municipal or local level or political body or organization ("**Government Entity**"); or

(k) any prohibition by a Government Entity on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(l) any contravention by any member of our Group of the Listing Rules or applicable laws which results or would result in a material adverse effect; or

(m) our Company issues or is required to issue a supplement to this prospectus pursuant to the Companies Ordinance or the Listing Rules or any requirement of the Stock Exchange and/or the SFC in circumstances where the matter to be disclosed, in the absolute opinion of the Joint Global Coordinators, is material in the context of the Global Offering; or

(n) there shall have developed, occurred, happened or come into effect any event or series of events, matters or circumstances concerning or relating to:

    (i) any change or development involving a prospective change, or any event or series of events likely to result in any change in, local, national or international financial, political, economic, military, industrial, fiscal, regulatory, currency or market conditions or equity securities or stock or other financial market conditions or any monetary or trading settlement system (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the Cayman Islands, the BVI, the U.S., the United Kingdom, the PRC, Singapore or the European Union (each a "**Relevant Jurisdiction**"); or

(ii) any new law or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events, in the nature of force majeure affecting any Relevant Jurisdiction including, without limiting the generality thereof, any act of God, war, outbreak or escalation of hostilities (whether or not war is declared) or act of terrorism, or declaration of a national or international emergency or war, riot, volcanic eruptions, earthquake, economic sanctions, epidemic, outbreak of an infectious disease, calamity, crisis, strike or lock-out (whether or not covered by insurance); or

(iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange or the Singapore Stock Exchange or any major disruption of any securities settlement or clearing services in any Relevant Jurisdiction or on commercial banking activities or foreign exchange trading in any Relevant Jurisdiction, due to exceptional financial circumstances or otherwise; or

(v) a change or development involving a prospective change in taxation, exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar, the Euro, the Renminbi, the United States dollar or the British pound sterling against any foreign currencies),

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(A) is or will be, or is likely to result in a material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company and the other members of our Group, taken as a whole; or

(B) has or will have or is likely to have a material adverse impact on the success of the Global Offering or the level of Offer Shares applied for or accepted or subscribed for or purchased or the distribution of the Offer Shares or dealings in the Shares in the secondary market; or

(C) makes it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the International Offering on the terms and in the manner contemplated in the offer documents; or

(D) has or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof;

then the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole and absolute discretion may, after consultation with our Company (where practicable) and upon giving written notice to our Company on or prior to 8:00 a.m. on the Listing Date, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which dealings in our Shares commence on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering, pursuant to the exercise of any options granted under the Share Option Scheme or any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to our Company that it will not and will procure that the relevant registered holder(s) will not:

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be the controlling shareholder of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in our Shares commence on the Stock Exchange, it will:

(i) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Undertakings provided to the Hong Kong Underwriters

(A) Undertakings by Our Company

We have undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters that at any time during the period commencing on the Listing Date and ending on the expiry of six months from the Listing Date (the "**First Six-Month Period**"), we will not without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, grant or sell any option, warrant, contract or right to subscribe for or purchase, either directly or indirectly, conditionally or unconditionally, any Shares, any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares), save for the issue of Shares pursuant to the exercise of any options granted under the Share Option Scheme;

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares);

(c) enter into any transactions with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) agree to or publicly announce any intention to effect any transaction specified in paragraph (a) or (b) above, in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other equity securities of our Company, or in cash or otherwise (whether or not the issue of the Shares or such other securities will be completed within the aforesaid period), provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering (including pursuant to the exercise of any options granted under the Share Option Scheme).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), we enter into any of the transactions specified in paragraph (a), (b) or (c) above or agree to or publicly announce any intention to effect any such transaction, we have undertaken to take all reasonable steps to ensure that such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

(B) Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters that, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) it will not, at any time during the First Six-Month Period:

(i) sell, offer to sell, contract or agree to sell, lend, grant or sell any option, warrant, contract or right to purchase, purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares which are shown in this prospectus to be held by the Controlling Shareholders, any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares);

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares), or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares, any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares);

(iii) enter into any transactions with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or

(iv) agree to or publicly announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or any other equity securities of our Company, or in cash or otherwise, provided that the foregoing restrictions shall not apply to any pledge or charge referred to below;

(b) it will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above or agree to or publicly announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, the Controlling Shareholders cease to be the controlling shareholders of our Company; and

(c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above or agrees to or publicly announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Each of the Controlling Shareholders has further undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsor and the Hong Kong Underwriters that it will, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

(I) upon any pledge or charge in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or other equity securities of our Company beneficially owned by it for a bona fide commercial loan, immediately inform our Company and Joint Global Coordinators in writing of such pledge or charge together with the number of Shares or other equity securities of our Company which are so pledged or charged; and

(II) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other equity securities of our Company will be disposed of, immediately inform our Company and the Joint Global Coordinators in writing of such indication.

We have agreed and undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters that upon receiving such information in writing from either of the Controlling Shareholders, we will, as soon as possible, notify the Stock Exchange and make a public disclosure in relation to such information in accordance with the Listing Rules.

Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in Our Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we, the Selling Shareholders and the Option Grantors will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters would severally agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

The Option Grantors expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Option Grantors to sell up to an aggregate of 568,141,000 Shares, representing no more than approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Underwriters will receive a commission of 1.75% of the gross proceeds from the Global Offering. In addition, the Company may, at its sole and absolute discretion, pay to any or all of the Joint Bookrunners an additional incentive fee of up to 1.25% of the gross proceeds received by the Company from the Global Offering.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the Joint Global Coordinators and the relevant International Underwriters.

The aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$298.2 million (assuming an Offer Price of HK$2.48 per Offer Share (being the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the Over-allotment Option is not exercised at all). 85% of the gross underwriting commission are payable and borne by our Company, and the remaining 15% of which is payable by the Selling Shareholders with reference to the number of Sale Shares sold by them under the Global Offering.

INDEPENDENCE OF THE JOINT SPONSORS

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of 378,760,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the section headed "— The Hong Kong Public Offering" below; and

(b) the International Offering of an aggregate of 3,408,836,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 378,760,000 new Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.63% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed "— Conditions of the Global Offering" below.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 189,380,000 and 189,380,000, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 189,380,000 Hong Kong Offer Shares (being 50% of the 378,760,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels with respect to the Hong Kong Public Offering are reached. An application has been made for, and the Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following adjustments:

(a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 30 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 568,140,000 Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering;

(b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 30 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 757,520,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering; and

(c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 1,136,279,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustment of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$2.67 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "— Pricing and Allocation" below, is less than the maximum price of HK$2.67 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The International Offering will consist of an initial offering of 3,408,836,000 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

The Option Grantors expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Option Grantors to sell up to an aggregate of

568,141,000 Shares, representing no more than approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on October 18, 2013, being the 30th day after the date of closing of the application lists under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Joint Global Coordinators, their affiliates or any person acting for them may cover such over-allocation by, among other methods, using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangements mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 568,141,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 568,141,000 Shares from Well Ease pursuant to the Stock Borrowing Agreement.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company (for itself and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about September 19, 2013 and in any event no later than September 23, 2013.

The Offer Price will not be more than HK$2.67 per Offer Share and is expected to be not less than HK$2.28 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.huishandairy.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) notices of the reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company (for itself and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company (for itself and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on September 26, 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.huishandairy.com**) and the website of the Stock Exchange (**www.hkexnews.hk**).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company (for itself and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between our Company (for itself and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) on or before September 23, 2013, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of Stock Exchange at www.hkexnews.hk and our Company at www.huishandairy.com on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on September 27, 2013, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on September 27, 2013.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. The Company, the Joint Global Coordinators, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a Unites States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on September 13, 2013 until 12:00 noon on September 18, 2013 from:

(1) the following address of the Hong Kong Underwriters:

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

CIMB Securities Limited
Units 7706-08
Level 77 International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Investec Capital Asia Limited
Suite 3609, 36th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Jefferies Hong Kong Limited
Suite 2201
22/F Cheung Kong Center
2 Queen's Road Central
Hong Kong

(2) or any of the following branches of Bank of China (Hong Kong) Limited:

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Sheung Wan Branch	252 Des Voeux Road Central
	Johnston Road Branch	152-158 Johnston Road, Wan Chai
	King's Road Branch	131-133 King's Road, North Point
	Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan
Kowloon	Prince Edward Branch	774 Nathan Road, Kowloon
	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O
	Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen
	Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay
	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
New Territories	Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road, Tsuen Wan
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Tai Po Branch	68-70 Po Heung Street, Tai Po Market
	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on September 13, 2013 until 12:00 noon on September 18, 2013 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or

- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Huishan Dairy Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Friday, September 13, 2013 — 9:00 a.m. to 5:00 p.m.
Saturday, September 14, 2013 — 9:00 a.m. to 1:00 p.m.
Monday, September 16, 2013 — 9:00 a.m. to 5:00 p.m.
Tuesday, September 17, 2013 — 9:00 a.m. to 5:00 p.m.
Wednesday, September 18, 2013 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on September 18, 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the HK eIPO White Form Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the HK eIPO White Form Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from September 13, 2013 until 11:30 a.m. on September 18, 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on September 18, 2013 or such later time under the "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Hong Kong Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, 13 September, 2013 — 9:00 a.m. to 8:30 p.m. (1)
Saturday, 14 September, 2013 — 8:00 a.m. to 1:00 p.m. (1)
Monday, 16 September, 2013 — 8:00 a.m. to 8:30 p.m. (1)
Tuesday, 17 September, 2013 — 8:00 a.m. to 8:30 p.m. (1)
Wednesday, 18 September, 2013 — 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on September 13, 2013 until 12:00 noon on September 18, 2013 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on September 18, 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on September 18, 2013.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 a.m. on September 18, 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on September 18, 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on September 26, 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Company's website at **www.huishandairy.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.huishandairy.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on September 26, 2013;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on September 26, 2013 to 11:59 p.m. on October 2, 2013;

- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from September 26, 2013 to October 2, 2013 (excluding Saturday, Sunday and Public Holiday); and

- in the special allocation results booklets which will be available for inspection during opening hours from September 26, 2013 to September 30, 2013 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may withdraw their applications.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of 2.67 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on September 26, 2013.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around September 26, 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on September 27, 2013 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" section in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on September 26, 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on September 26, 2013, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on September 26, 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on September 26, 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on September 26, 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on September 26, 2013, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on September 26, 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on September 26, 2013, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on September 26, 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on September 26, 2013 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on September 26, 2013. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on September 26, 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

September 13, 2013

The Directors

China Huishan Dairy Holdings Company Limited

Deutsche Securities Asia Limited
Goldman Sachs (Asia) L.L.C.
HSBC Corporate Finance (Hong Kong) Limited
UBS Securities Hong Kong Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China Huishan Dairy Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group as at March 31, 2011, 2012 and 2013, the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended March 31, 2011, 2012 and 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated September 13, 2013 (the "Prospectus").

The Company was incorporated in the Cayman Islands on March 31, 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on March 13, 2013 (the "Reorganisation") as detailed in the section headed "Our History and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for China Huishan Dairy Holdings Company Limited, China Huishan Dairy Holdings International Limited, and China Huishan Dairy Investments International Limited, as they either have not carried on any business since the date of incorporation or are investment holding companies and/or not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies now comprising the Group have adopted March 31, as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in Note 37 of Section B. The statutory financial statements of these companies were prepared in accordance with China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China (the "PRC") or the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") on the same basis as used in the preparation of the Financial Information as set out in Section B below. The Underlying Financial Statements for each of the years ended March 31, 2011, 2012 and 2013 were audited by KPMG Huazhen (Special General Partnership) in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to March 31, 2013.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in Note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at March 31, 2011, 2012 and 2013 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

A CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

1 CONSOLIDATED INCOME STATEMENTS

(Expressed in RMB)

	Section B Note	Year ended March 31, 2011 Results before biological fair value adjustments	Year ended March 31, 2011 Biological fair value adjustments	Year ended March 31, 2011 Total	Year ended March 31, 2012 Results before biological fair value adjustments	Year ended March 31, 2012 Biological fair value adjustments	Year ended March 31, 2012 Total	Year ended March 31, 2013 Results before biological fair value adjustments	Year ended March 31, 2013 Biological fair value adjustments	Year ended March 31, 2013 Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2, 3	374,045	—	374,045	1,332,794	—	1,332,794	2,552,438	—	2,552,438
Cost of sales	3, 5(a)	(254,166)	(105,208)	(359,374)	(783,155)	(457,633)	(1,240,788)	(1,174,268)	(935,927)	(2,110,195)
Gross profit		119,879	(105,208)	14,671	549,639	(457,633)	92,006	1,378,170	(935,927)	442,243
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	5(b)	—	105,208	105,208	—	457,633	457,633	—	954,187	954,187
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	5(c)	—	295,241	295,241	—	63,817	63,817	—	(86,779)	(86,779)
Other net income	4	2,581	—	2,581	4,810	—	4,810	41,528	—	41,528
Distribution costs		(9,328)	—	(9,328)	(10,156)	—	(10,156)	(105,688)	—	(105,688)
Administrative expenses		(23,722)	—	(23,722)	(44,332)	—	(44,332)	(91,462)	—	(91,462)
Profit from operations		89,410	295,241	384,651	499,961	63,817	563,778	1,222,548	(68,519)	1,154,029
Net finance costs	5(d)	(56,738)	—	(56,738)	(103,307)	—	(103,307)	(141,614)	—	(141,614)
Profit before taxation	3, 5	32,672	295,241	327,913	396,654	63,817	460,471	1,080,934	(68,519)	1,012,415
Income tax	6(a)	—	—	—	(10,751)	—	(10,751)	(67,045)	—	(67,045)
Profit for the year		32,672	295,241	327,913	385,903	63,817	449,720	1,013,889	(68,519)	945,370
Attributable to:										
Equity shareholders of the Company				288,638			449,720			945,370
Non-controlling interests				39,275			—			—
Profit for the year				327,913			449,720			945,370
Earnings per share										
— Basic and diluted (RMB)	11			0.03			0.04			0.08

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in RMB)

	Section B Note	Years ended March 31, 2011	2012	2013
		RMB'000	RMB'000	RMB'000
Profit for the year		327,913	449,720	945,370
Other comprehensive income for the year				
Exchange differences on translation into presentation currency	10	1,818	60,657	(488)
Total comprehensive income for the year		329,731	510,377	944,882
Attributable to:				
Equity shareholders of the Company		290,456	510,377	944,882
Non-controlling interests		39,275	—	—
Total comprehensive income for the year		329,731	510,377	944,882

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Section B Note	At March 31, 2011	2012	2013
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	12	1,844,214	2,839,528	3,636,753
Goodwill	13	—	—	931,985
Lease prepayments	14	383,669	417,506	521,309
Biological assets	15	1,304,876	2,277,878	3,241,872
Deferred tax assets	28(b)	—	—	37,784
		3,532,759	5,534,912	8,369,703
Current assets				
Inventories	16	202,679	412,677	446,618
Trade receivables	17	138,370	147,556	172,583
Deposits, prepayments and other receivables	18	1,176,641	581,591	696,238
Amounts due from the Controlling Shareholder and his affiliates	19	408,619	—	—
Cash and cash equivalents	20	47,748	512,865	825,673
		1,974,057	1,654,689	2,141,112
Current liabilities				
Trade and bills payables	21	469,637	523,857	910,465
Receipts in advance	22	795	111,362	13,685
Accrued expenses and other payables	23	1,037,328	367,489	434,558
Amounts due to the Controlling Shareholder and his affiliates	24	1,275,344	2,799,556	14,702
Bank loans	25(a)	181,750	362,361	908,534
Income tax payable	28(a)	—	1,583	10,147
		2,964,854	4,166,208	2,292,091
Net current liabilities		(990,797)	(2,511,519)	(150,979)
Total assets less current liabilities		2,541,962	3,023,393	8,218,724
Non-current liabilities				
Bank loans	25(b)	1,960,750	1,916,959	2,102,771
Derivative financial liability	26	—	16,045	16
Deferred income	27	193,176	207,965	232,993
		2,153,926	2,140,969	2,335,780
NET ASSETS		388,036	882,424	5,882,944

The accompanying notes form part of the Financial Information.

	Section B Note	At March 31, 2011	2012	2013
		RMB'000	RMB'000	RMB'000
CAPITAL AND RESERVES				
Share capital	29	1	65	74
Reserves	29	388,035	882,359	5,882,870
Total equity attributable to equity shareholders of the Company		388,036	882,424	5,882,944
Non-controlling interests		—	—	—
TOTAL EQUITY		388,036	882,424	5,882,944

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Equity attributable to equity shareholders of the Company								
	Share capital	Share premium	Other reserves	PRC statutory reserves	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (Section B Note 29(b))	RMB'000 (Section B Note 29(c))	RMB'000 (Section B Note 29(d)(i))	RMB'000 (Section B Note 29(d)(ii))	RMB'000 (Section B Note 29(d)(iii))	RMB'000	RMB'000	RMB'000 (Section B Note 29(e))	RMB'000
At April 1, 2010	—	—	391,829	4,099	—	(50,142)	345,786	49,825	395,611
Changes in equity for 2011:									
Profit for the year	—	—	—	—	—	288,638	288,638	39,275	327,913
Other comprehensive income	—	—	—	—	1,818	—	1,818	—	1,818
Total comprehensive income	—	—	—	—	1,818	288,638	290,456	39,275	329,731
Appropriation to reserves	—	—	—	167	—	(167)	—	—	—
Contributions by owners of the Company (Section B Note 29(b))	1	—	—	—	—	—	1	—	1
Effect on equity arising from the Reorganisation (Section B Note 29(d)(i))	—	—	(265,082)	3,589	—	13,286	(248,207)	(89,100)	(337,307)
Transactions with equity holders of the Group	1	—	(265,082)	3,756	—	13,119	(248,206)	(89,100)	(337,306)
At March 31, 2011	1	—	126,747	7,855	1,818	251,615	388,036	—	388,036

The accompanying notes form part of the Financial Information.

	Equity attributable to equity shareholders of the Company								
	Share capital	Share premium	Other reserves	PRC statutory reserves	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (Section B Note 29(b))	RMB'000 (Section B Note 29(c))	RMB'000 (Section B Note 29(d)(i))	RMB'000 (Section B Note 29(d)(ii))	RMB'000 (Section B Note 29(d)(iii))	RMB'000	RMB'000	RMB'000	RMB'000
At April 1, 2011	1	—	126,747	7,855	1,818	251,615	388,036	—	388,036
Changes in equity for 2012:									
Profit for the year	—	—	—	—	—	449,720	449,720	—	449,720
Other comprehensive income	—	—	—	—	60,657	—	60,657	—	60,657
Total comprehensive income	—	—	—	—	60,657	449,720	510,377	—	510,377
Appropriation to reserves	—	—	—	13,030	—	(13,030)	—	—	—
Contributions by owners of the Company (Section B Note 29(b))	64	—	—	—	—	—	64	—	64
Credit derivatives provided for parent company's issuance of secured exchangeable bonds (Section B Note 29(d)(i))	—	—	(16,045)	—	—	—	(16,045)	—	(16,045)
Effect on equity arising from the Reorganisation (Section B Note 29(d)(i))	—	—	(8)	—	—	—	(8)	—	(8)
Transactions with equity holders of the Group	64	—	(16,053)	13,030	—	(13,030)	(15,989)	—	(15,989)
At March 31, 2012	65	—	110,694	20,885	62,475	688,305	882,424	—	882,424

The accompanying notes form part of the Financial Information.

	Equity attributable to equity shareholders of the Company								
	Share capital	Share premium	Other reserves	PRC statutory reserves	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (Section B Note 29(b))	RMB'000 (Section B Note 29(c))	RMB'000 (Section B Note 29(d)(i))	RMB'000 (Section B Note 29(d)(ii))	RMB'000 (Section B Note 29(d)(iii))	RMB'000	RMB'000	RMB'000	RMB'000
At April 1, 2012	65	—	110,694	20,885	62,475	688,305	882,424	—	882,424
Changes in equity for 2013:									
Profit for the year	—	—	—	—	—	945,370	945,370	—	945,370
Other comprehensive income	—	—	—	—	(488)	—	(488)	—	(488)
Total comprehensive income	—	—	—	—	(488)	945,370	944,882	—	944,882
Appropriation to reserves	—	—	—	42,488	—	(42,488)	—	—	—
Contributions by owners of the Company (Section B Note 29(c)(i))	—	907,446	—	—	—	—	907,446	—	907,446
Capitalisation of the advances from an affiliate of the Controlling Shareholder (Section B Note 29(c)(ii))	—	1,994,167	—	—	—	—	1,994,167	—	1,994,167
Acquisition of subsidiaries not under common control (Section B Note 29(c)(iii))	9	1,190,214	—	—	—	—	1,190,223	—	1,190,223
Effect on equity arising from the Reorganisation (Section B Note 29(d)(i))	—	—	(33,941)	—	—	(2,257)	(36,198)	—	(36,198)
Transactions with equity holders of the Group	9	4,091,827	(33,941)	42,488	—	(44,745)	4,055,638	—	4,055,638
At March 31, 2013	74	4,091,827	76,753	63,373	61,987	1,588,930	5,882,944	—	5,882,944

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	Section B Note	Years ended March 31, 2011	2012	2013
		RMB'000	RMB'000	RMB'000
Operating activities				
Profit before taxation		327,913	460,471	1,012,415
Adjustments for:				
Depreciation and amortisation	5(f)	23,881	36,799	68,865
Interest income	5(d)	(9,854)	(8,022)	(4,336)
Interest expenses	5(d)	65,047	108,637	144,159
Foreign exchange (gain)/loss	5(d)	(125)	1,785	535
Government grants amortisation	4	(2,775)	(4,809)	(6,822)
(Gain)/loss arising from the changes in fair value less costs to sell of biological assets	5(c)	(295,241)	(63,817)	86,779
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest		—	—	(18,260)
Changes in fair value of derivative financial liability	4	—	—	(16,029)
Net loss on disposal of property, plant and equipment	4	234	16	1,053
Changes in working capital:				
Increase in inventories		(103,259)	(209,998)	(6,369)
Increase in trade receivables		(115,256)	(9,186)	(22,477)
(Increase)/decrease in deposits, prepayments and other receivables		(6,761)	24,452	(49,603)
Increase in trade and bills payables		138,917	313,665	381,672
Increase/(decrease) in receipts in advance		567	110,305	(97,517)
Increase in accrued expenses and other payables		22,044	1,147	22,163
Cash generated from operations		45,332	761,445	1,496,228
PRC income tax paid	28(a)	—	(9,168)	(53,794)
Net cash generated from operating activities		45,332	752,277	1,442,434

The accompanying notes form part of the Financial Information.

	Section B Note	Years ended March 31, 2011	2012	2013
		RMB'000	RMB'000	RMB'000
Investing activities				
Payment for acquisition of a subsidiary (net of cash acquired)	30(a)	—	(17,094)	—
Payments for purchase of property, plant and equipment		(942,756)	(841,262)	(488,448)
Lease prepayments		(164,198)	(84,670)	(75,722)
Proceeds from disposal of property, plant and equipment		13,161	240	25,952
Payments for purchase of biological assets		(589,852)	(383,045)	(197,453)
Payments for breeding calves and heifers (breeding costs of calves and heifers capitalised other than depreciation and amortisation)		(237,552)	(435,521)	(805,760)
Proceeds from disposal of biological assets		26,220	24,676	56,592
Cash received from government grants		47,058	19,598	77,104
Interest received		9,854	8,022	4,336
Cash acquired through acquisition of subsidiaries	30(b)	—	—	35,906
Proceeds from repayment of advances to third parties		11,424	23,946	—
Net cash used in investing activities		(1,826,641)	(1,685,110)	(1,367,493)
Financing activities				
Cash received from contributions by investors of the Group		242,691	—	907,446
Cash paid for acquisitions of the controlling equity interests in subsidiaries under common control under the Reorganisation		—	(533,139)	—
Proceeds from new bank loans		1,329,945	461,741	1,241,905
Repayments of bank loans		(156,522)	(313,241)	(856,018)
Interest paid		(122,077)	(169,587)	(190,831)
Cash paid relating to other financing activities		(49,966)	(15,964)	(83,231)
Net increase/(decrease) in advances granted by the Controlling Shareholder and his affiliates		447,408	1,993,488	(769,334)
Repayments of advances from third parties		(22,018)	(11,904)	—
Net cash generated from financing activities		1,669,461	1,411,394	249,937
Net (decrease)/increase in cash and cash equivalents		(111,848)	478,561	324,878
Cash and cash equivalents at the beginning of the year		162,347	47,748	512,865
Effect of foreign exchange rate changes		(2,751)	(13,444)	(12,070)
Cash and cash equivalents at the end of the year	20	47,748	512,865	825,673

The accompanying notes form part of the Financial Information.

B NOTES TO CONSOLIDATED FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting year ended March 31, 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year ended March 31, 2013 are set out in Section B Note 36.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises the Company and its subsidiaries and has been prepared using the merger basis of accounting as if the Group had always been in existence.

As detailed in the section headed "Our History and Corporate Structure" in the Prospectus, the Company was incorporated in the Cayman Islands on March 31, 2011 as part of the Reorganisation undertook by the Group. Upon completion of the Reorganisation on March 13, 2013, the Company became the holding company of the companies now comprising the Group. The companies taking part in the Reorganisation were controlled by the same ultimate equity shareholder, namely Mr. Yang Kai (the "Controlling Shareholder") during the Relevant Periods.

Because the Company and the companies taking part in the Reorganisation are ultimately controlled by the Controlling Shareholder Mr. Yang Kai before and after the Reorganisation and, consequently there was a continuation of the risks and benefits to the Controlling Shareholder, the Financial Information has been prepared using the merger basis of accounting as if the Group has always been in existence. The net assets of the companies taking part in the Reorganisation are consolidated using the book values from the Controlling Shareholder's perspective. The equity interests of equity shareholders other than the Controlling Shareholder in the companies taking part in the Reorganisation have been presented as non-controlling interests in the Group's Financial Information.

The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Relevant Periods, as set out in Section A, include the results of operations of the companies comprising the Group for the Relevant Periods (or where the companies were incorporated/established/acquired from third parties at a date later than April 1, 2010, for the period from their respective incorporation/establishment/acquisition date to March 31, 2013) as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group as at March 31, 2011, 2012 and 2013, as set out in Section A, have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

As at March 31, 2013, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

(i) Subsidiaries transferred to the Company under the Reorganisation

Name of subsidiary	Place and date of incorporation	Particulars of registered/issued capital	Equity interests attributable to equity shareholders of the Company		Principal activities
			Direct	Indirect	
China Huishan Dairy Holdings International Limited***	British Virgin Islands May 8, 2002	USD1,000	100%	—	Investment holding
Liaoning Huishan Dairy Group Co., Ltd. ("Liaoning Huishan Dairy") 遼寧輝山乳業集團有限公司*	The PRC November 27, 2002	USD150,000,000	—	100%	Grain processing and trading
Liaoning Huishan Group Xiahe Farming Co., Ltd. 遼寧輝山乳業集團峽河牧業有限公司**	The PRC February 16, 2009	RMB65,000,000	—	100%	Dairy farming
Liaoning Huishan Group Jiubing Farming Co., Ltd. 遼寧輝山乳業集團救兵牧業有限公司**	The PRC February 16, 2009	RMB65,000,000	—	100%	Dairy farming
Liaoning Huishan Group Baihua Farming Co., Ltd. 遼寧輝山乳業集團百花牧業有限公司**	The PRC February 16, 2009	RMB20,000,000	—	100%	Dairy farming

Name of subsidiary	Place and date of incorporation	Particulars of registered/issued capital	Equity interests attributable to equity shareholders of the Company		Principal activities
			Direct	Indirect	
Liaoning Huishan Group (Fushun) Co., Ltd. 遼寧輝山乳業集團(撫順)有限公司**	The PRC February 16, 2009	RMB260,000,000	—	100%	Milk powders production
Liaoning Huishan Group Xiushui Farming Co., Ltd. 遼寧輝山乳業集團秀水牧業有限公司**	The PRC March 24, 2009	RMB100,000,000	—	100%	Dairy farming
Liaoning Huishan Group Wangshu Farming Co., Ltd. 遼寧輝山乳業集團王樹牧業有限公司**	The PRC March 24, 2009	RMB70,000,000	—	100%	Dairy farming
Liaoning Huishan Group Yushu Farming Co., Ltd. 遼寧輝山乳業集團榆樹牧業有限公司**	The PRC March 24, 2009	RMB62,000,000	—	100%	Dairy farming
Liaoning Huishan Group Pengjia Farming Co., Ltd. 遼寧輝山乳業集團彭家牧業有限公司**	The PRC March 24, 2009	RMB65,000,000	—	100%	Dairy farming
Liaoning Huishan Group Sunjia Farming Co., Ltd. 遼寧輝山乳業集團孫家牧業有限公司**	The PRC March 31, 2009	RMB90,000,000	—	100%	Dairy farming
Liaoning Huishan Group Yemaotai Farming Co., Ltd. 遼寧輝山乳業集團葉茂台牧業有限公司**	The PRC March 31, 2009	RMB75,000,000	—	100%	Dairy farming
Liaoning Huishan Group Dasan Farming Co., Ltd. 遼寧輝山乳業集團大三牧業有限公司**	The PRC March 31, 2009	RMB60,000,000	—	100%	Dairy farming
Liaoning Huishan Group Woniushi Farming Co., Ltd. 遼寧輝山乳業集團臥牛石牧業有限公司**	The PRC April 1, 2009	RMB45,000,000	—	100%	Dairy farming
Liaoning Huishan Group Shuangtaizi Farming Co., Ltd. 遼寧輝山乳業集團雙台子牧業有限公司**	The PRC April 1, 2009	RMB90,000,000	—	100%	Dairy farming

Name of subsidiary	Place and date of incorporation	Particulars of registered/issued capital	Equity interests attributable to equity shareholders of the Company		Principal activities
			Direct	Indirect	
Liaoning Huishan Group Taiping Farming Co., Ltd. 遼寧輝山乳業集團太平牧業有限公司**	The PRC April 1, 2009	RMB60,000,000	—	100%	Dairy farming
Yixian Guanghua Farming Co., Ltd. 義縣光華牧業有限公司**	The PRC May 18, 2009	RMB78,000,000	—	100%	Dairy farming
Yixian Aohua Farming Co., Ltd. 義縣澳華牧業有限公司**	The PRC May 18, 2009	RMB77,000,000	—	100%	Dairy farming
Yixian Shengdao Farming Co., Ltd. 義縣勝道牧業有限公司**	The PRC May 18, 2009	RMB48,000,000	—	100%	Dairy farming
Yixian Longbang Farming Co., Ltd. 義縣龍邦牧業有限公司**	The PRC May 18, 2009	RMB50,000,000	—	100%	Dairy farming
Yixian Zhongao Farming Co., Ltd. 義縣中澳牧業有限公司**	The PRC May 18, 2009	RMB72,610,000	—	100%	Dairy farming
Yixian Heguang Farming Co., Ltd. 義縣荷光牧業有限公司**	The PRC May 18, 2009	RMB46,000,000	—	100%	Dairy farming
Liaoning Huishan Group (Jinzhou) Co., Ltd. 遼寧輝山乳業集團(錦州)有限公司**	The PRC May 18, 2009	RMB900,000,000	—	100%	Liquid milk products and milk powders production
Liaoning Shiling Farming Co., Ltd. 遼寧世領自營牧場有限公司**	The PRC June 11, 2010	USD5,000,000	—	100%	Dairy farming
Liaoning Huishan Group Sihecheng Farming Co., Ltd. 遼寧輝山乳業集團四合城牧業有限公司**	The PRC October 29, 2010	RMB30,000,000	—	100%	Dairy farming
Liaoning Huishan Group Fuxing Farming Co., Ltd. 遼寧輝山乳業集團福興牧業有限公司**	The PRC October 29, 2010	RMB110,000,000	—	100%	Dairy farming
Liaoning Huishan Group Xinqiu Farming Co., Ltd. 遼寧輝山乳業集團新秋牧業有限公司**	The PRC October 29, 2010	RMB5,000,000	—	100%	Dairy farming

Name of subsidiary	Place and date of incorporation	Particulars of registered/issued capital	Equity interests attributable to equity shareholders of the Company		Principal activities
			Direct	Indirect	
Liaoning Huishan Holdings (Group) Youxian Farming Co., Ltd. 遼寧輝山控股(集團)優鮮牧業有限公司**	The PRC October 29, 2010	RMB100,000	—	100%	Dairy farming
Liaoning Huishan Holdings (Group) Mantanghong Farming Co., Ltd. 遼寧輝山控股(集團)滿堂紅牧業有限公司**	The PRC October 29, 2010	RMB100,000	—	100%	Dairy farming
Liaoning Huishan Holdings (Group) Liangjiazi Farming Co., Ltd. 遼寧輝山控股(集團)兩家子牧業有限公司**	The PRC October 29, 2010	RMB100,000	—	100%	Dairy farming
Liaoning Huishan Holdings (Group) Leyuan Farming Co., Ltd. 遼寧輝山控股(集團)樂源牧業有限公司**	The PRC October 29, 2010	RMB100,000	—	100%	Dairy farming
Liaoning Huishan Holdings (Group) Daleng Farming Co., Ltd. 遼寧輝山控股(集團)大冷牧業有限公司**	The PRC October 29, 2010	RMB100,000	—	100%	Dairy farming
Zhangwu Youpin Agriculture Feedstock Co., Ltd. 彰武優品農牧飼料有限公司**	The PRC November 17, 2010	RMB60,000,000	—	100%	Feeds production
Liaoning Huishan Holdings (Group) Zhangwu Dairy Co., Ltd. 遼寧輝山控股(集團)彰武乳業有限公司**	The PRC November 23, 2010	RMB100,000	—	100%	Liquid milk products production
China Huishan Dairy Holdings (Hong Kong) Limited***	Hong Kong January 11, 2011	HK$10,000	—	100%	Investment holding
Shenyang Dacang Life Agriculture Technology Co., Ltd. 瀋陽大倉生態農業科技有限公司**	The PRC 21 Dec 2012	RMB100,000,000	—	100%	Grain growing and grass growing
Shenyang Fengle Life Agriculture Technology Co., Ltd. 瀋陽豐樂生態農業科技有限公司**	The PRC 15 Jan 2013	RMB50,000,000	—	100%	Grain growing and grass growing

(ii) Subsidiaries established by the Group during the Relevant Periods

Name of subsidiary	Place and date of incorporation	Particulars of registered/issued capital	Equity interests attributable to equity shareholders of the Company: Direct	Equity interests attributable to equity shareholders of the Company: Indirect	Principal activities
Huishan Dairy (Shenyang) Sales Co., Ltd. 輝山乳業（瀋陽）銷售有限公司*	The PRC June 2, 2011	RMB705,000,000	—	100%	Sales of dairy products
Huishan Dairy (Jinzhou) Sales Co., Ltd. 輝山乳業（錦州）銷售有限公司*	The PRC June 20, 2011	RMB960,000,000	—	100%	Sales of dairy products
Liaoning Huishan Group (Shenyang) Co., Ltd. 遼寧輝山乳業集團（瀋陽）有限公司**	The PRC November 14, 2012	USD60,000,000	—	100%	Liquid milk products production
Liaoning Huishan Group (Fuxin) Co., Ltd. 遼寧輝山乳業集團（阜新）有限公司**	The PRC March 6, 2013	RMB6,300,000	—	100%	Liquid milk products production
Liaoning Huishan Life Technology Research Co., Ltd. 遼寧輝山生物科技研究有限公司**	The PRC March 21, 2013	RMB5,000,000	—	100%	Research and consulting

(iii) Subsidiaries acquired by the Group from third parties during the Relevant Periods

Name of subsidiary	Place and date of incorporation	Particulars of registered/issued capital	Equity interests attributable to equity shareholders of the Company: Direct	Equity interests attributable to equity shareholders of the Company: Indirect	Principal activities
Liaoning Huishan Group (Xiushui) Co., Ltd. 遼寧輝山乳業集團(秀水)有限公司**	The PRC April 1, 2009	RMB588,000,000	—	100%	Milk powders production
China Huishan Dairy Investments International Limited***	British Virgin Islands September 16, 2009	USD58,800,000	100%	—	Investment holding
Liaoning Cheungrui Trading Company Limited 遼寧晟瑞貿易有限公司*	The PRC December 25, 2009	RMB400,000,000	—	100%	Investment holding
China Huishan Dairy Investments (Hong Kong) Limited***	Hong Kong January 5, 2010	HK$456,000,000	—	100%	Investment holding
Shenyang Maoyuan Grass Co., Ltd. 瀋陽茂源草業有限公司**	The PRC March 25, 2011	RMB20,000,000	—	100%	Grass growing

* These companies are wholly foreign owned enterprises established in the PRC. The official names of these companies are in Chinese. The English translation of the names is for reference only.

** These companies are limited liability companies established in the PRC. The official names of these companies are in Chinese. The English translation of the names is for reference only.

*** These companies are limited liability companies incorporated outside of the PRC.

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand.

The Financial Information is prepared on the historical cost basis except for the following material items in the statements of financial position:

- biological assets are measured at fair value less costs to sell (Section B Note 1(k)); and
- agricultural produce are initially recognised as inventories at fair value less costs to sell at the point of harvest (Section B Note 1(l)).

(d) Use of estimates and judgements

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Section B Note 34.

(e) Business combinations

(i) Business combinations for entities under common control

Business combinations arising from transfers of equity interests in entities that are under the control of the Controlling Shareholder are accounted for as if the acquisitions had occurred at the beginning of the Relevant Periods or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously from the Controlling Shareholder's perspective, any difference between the Group's interest in the carrying value of the assets and liabilities acquired and the cost of transfer of equity interest in the entity is recognised directly in equity.

(ii) Business combinations for entities not under common control

Business combinations for entities not under common control are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the Group and the acquiree exchange only equity interests in a business combination for entities not under common control and the acquisition-date fair value of the acquiree's equity interests is more reliably measurable than the acquisition-date fair value of the Group's equity interests, the Group determines the amount of goodwill by using the acquisition-date fair value of the acquiree's equity interests instead of the acquisition-date fair value of the Group's equity interests transferred.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination for entities not under common control are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the income statement.

(f) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

As set out in Section B Note 1(b), because the Company and the companies taking part in the Reorganisation were ultimately controlled by the Controlling Shareholder before and after the Reorganisation and, consequently there was a continuation of the risks and benefits to the Controlling Shareholder, the Financial Information has been prepared using the merger basis of accounting as if the Group has always been in existence. The net assets of the companies taking part in the Reorganisation are consolidated using the book values from the Controlling Shareholder's perspective. The equity interests of equity shareholders other than the Controlling Shareholder in the companies taking part in the Reorganisation have been presented as non-controlling interests in the Group's Financial Information.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's equity interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative equity interest, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interest in that subsidiary, with a resulting gain or loss being recognised in the income statement. Any equity interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held-for-sale.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each reporting period end date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

(h) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (see Section B Note 1(o)(ii)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see Section B Note 1(x)).

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Construction in progress is transferred to property, plant and equipment when it is ready for its intended use. No depreciation is provided against construction in progress.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised in the income statement.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation is calculated to write off the cost of an asset less its residual value and accumulated impairment losses, if any. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, the component is depreciated separately.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives of each class of property, plant and equipment are as follows:

	Estimated useful lives
Plant and buildings	20-40 years
Machinery and equipment	10-14 years
Office and other equipment	3-5 years
Motor vehicles	5-10 years

Estimated useful lives and residual values are reviewed annually and adjusted if appropriate.

(i) Goodwill

Goodwill is stated at cost (see Section B Note 1(e)(ii)) less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see Section B Note 1(o)(ii)).

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised to the income statement on a straight-line basis over the period of the lease term.

(k) Biological assets

Biological assets comprise dairy cows which are divided into three groups of calves, heifers and milkable cows, and alfalfa grass, which are raised or grown by the Group for the purposes of producing raw milk and feeding dairy cows.

Biological assets are measured on initial recognition and at the end of each reporting period at their fair values less costs to sell. Any resultant gain or loss arising on initial recognition and from changes in fair value less costs to sell is charged to the income statement for the period in which the gain or loss arises.

The feeding costs and other related costs such as staff costs, depreciation and amortisation expenses and utilities costs incurred for raising calves and heifers are capitalised until they begin to produce milk and transfer to the group of milkable cows. Such costs incurred for milkable cows are also capitalised while upon milking, the costs incurred to bring the raw milk are transferred to inventories (see Section B Note 1(l) below).

The sowing and plantation costs and other related costs such as staff costs, depreciation and amortisation expenses and utilities costs incurred for growing alfalfa grass are capitalised and upon harvest, the costs incurred to bring the grass to harvest are transferred to inventories (see Section B Note 1(l) below).

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is calculated using the weighted average method. In addition to the purchasing cost of raw materials, semi-finished goods and finished goods include direct labour costs and an appropriate allocation of production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Agricultural produce harvested from the Group's biological assets are raw milk and alfalfa grass. Upon harvest, agricultural produce are initially recognised as inventories at their fair values less costs to sell at the point of harvest, which are determined based on their market prices quoted in the local area. Any resultant gain or loss arising on initial recognition of such fair values (i.e. the difference between the fair values less costs to sell of the agricultural produce at the point of harvest and the breeding costs and/(or) the plantation costs incurred to bring such agricultural produce to harvest) is recognised in the income statement in the period of harvest. Upon subsequent sales, such amount of the inventories initially recognised is charged to the cost of sales in the income statement.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see Section B Note 1(o)(i)), except where the receivables are interest-free advances granted to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see Section B Note 1(o)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(o) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at each reporting period end date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is determined and recognised as the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the receivable's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables), where the effect of discounting is material. This assessment is made collectively where receivables carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for receivables with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the receivable's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of receivables whose recoveries are considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each reporting period end date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— goodwill; and

— lease prepayments.

If such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in the income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting period end date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting period end date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each reporting period end date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customers. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rendering of services

Revenue from rendering of services is recognised as the services are rendered.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

An unconditional government grant related to a biological asset is recognised in the income statement as other income when the grant becomes receivable. A conditional government grant related to a biological asset is recognised in the income statement as other income when, and only when, the conditions associated with the government grant are met.

Other government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in the income statement as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in the income statement as other income on a systematic basis in the same periods in which the expenses are incurred.

(w) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the reporting period end date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of the operations which have a functional currency other than the Group's presentation currency, RMB, are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The assets and liabilities of the operations which have a functional currency other than RMB are translated into RMB at the closing foreign exchange rates at the reporting period end date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or completed.

(y) Research and development expenditure

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

(z) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(iv) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a post-employment benefit plan which is for the benefit of employees of the Group or any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 TURNOVER

The principal activities of the Group are producing and selling raw milk, liquid milk products, milk powder products and grain products.

Turnover represents the sales amount of products supplied to customers. The amount of each significant category of revenue recognised in turnover during the Relevant Periods is as follows:

	Years ended March 31,		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Raw milk	244,022	671,943	680,608
Liquid milk products	15,388	564,310	1,707,132
Milk powder products	—	—	88,052
Grain products	114,635	96,541	76,646
	374,045	1,332,794	2,552,438

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's annual turnover. During the Relevant Periods, turnover from sales of raw milk to this customer, amounted to approximately RMB46 million, RMB262 million and RMB519 million for each of the years ended March 31, 2011, 2012 and 2013. Details of concentrations of credit risk arising from this customer are set out in Section B Note 31(a).

3 SEGMENT REPORTING

The Group manages its business by lines of products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments, which are Dairy Farming, Liquid Milk Products Production, Milk Powders Production, and Grain Processing and Trading segment. Each reportable segment is a separate business unit which offers different products, and is managed separately because they require different technology and marketing strategies. The financial information of the different segments is regularly reviewed by the Group's management to make decisions about resources to be allocated to each segment and assess its performance.

- Dairy Farming — planting, growing and harvesting alfalfa grass, processing feeds, and breeding dairy cows to produce and sell raw milk.

- Liquid Milk Products Production — producing and selling fresh milk, ultra heat treated liquid milk, yoghurt and other milk-based beverages.

- Milk Powders Production — producing and selling adult and infant formula milk powders.

- Grain Processing and Trading — processing and selling grain products.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of goodwill, deferred tax assets and other headoffice or corporate assets. Segment liabilities include all current and non-current liabilities with the exception of derivative financial liability and other headoffice or corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reportable segment cost of sales is "cost of sales before biological fair value adjustments", where "gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest" is excluded.

The measure used for reportable segment gross profit is "gross profit before biological fair value adjustments", which is calculated by subtracting the above "cost of sales before biological fair value adjustments" from revenue, where "gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest" is excluded.

The measure used for reportable segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including interest income and interest expenses, and "depreciation and amortisation" is regarded as including the depreciation and amortisation of and the impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' remuneration and other head office or corporate administration costs, and the gains and losses arising from the changes in fair value (including the changes arising from biological assets, agricultural produce and derivative financial liability) as management believes that such adjusted information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In addition to receiving segment information concerning the above items, management is provided with segment information concerning interest income, interest expenses, depreciation and amortisation expenses and additions to non-current segment assets related to each segment and capital expenditure used by each segment in their operations. There are transfers of the raw milk produced by Dairy Farming segment to Liquid Milk Products Production and Milk Powders Production segments. The pricing is determined on an arm's length basis.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for each of the years ended March 31, 2011, 2012 and 2013 is set out below.

	Year ended March 31, 2011				
	Dairy Farming	Liquid Milk Products Production	Milk Powders Production	Grain Processing and Trading	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	244,022	15,388	—	114,635	374,045
Inter-segment revenue	2,574	—	—	—	2,574
Reportable segment revenue	246,596	15,388	—	114,635	376,619
Cost of sales related to revenue from external customers	139,757	15,388	—	99,964	255,109
Inter-segment cost of sales	1,631	—	—	—	1,631
Reportable segment cost of sales (cost of sales before biological fair value adjustments)	141,388	15,388	—	99,964	256,740
Reportable segment gross profit (gross profit before biological fair value adjustments)	105,208	—	—	14,671	119,879
Reportable segment profit (adjusted EBITDA)	115,533	(5,574)	(939)	2,726	111,746
Interest income	5,949	71	25	3,809	9,854
Interest expenses	52,607	5,918	—	6,522	65,047
Depreciation and amortisation	19,354	1,423	1,094	2,010	23,881
Reportable segment assets	3,904,546	406,400	594,523	1,100,506	6,005,975
Additions to non-current segment assets during the year	2,181,184	244,238	386,170	(13,488)	2,798,104
Capital expenditure	1,364,676	37,056	293,132	1,942	1,696,806
Reportable segment liabilities	2,437,778	413,656	206,711	390,091	3,448,236

	Year ended March 31, 2012				
	Dairy Farming	Liquid Milk Products Production	Milk Powders Production	Grain Processing and Trading	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	671,943	564,310	—	96,541	1,332,794
Inter-segment revenue	280,707	—	—	—	280,707
Reportable segment revenue	952,650	564,310	—	96,541	1,613,501
Cost of sales related to revenue from external customers	346,043	479,322	—	89,555	914,920
Inter-segment cost of sales	148,942	—	—	—	148,942
Reportable segment cost of sales (cost of sales before biological fair value adjustments)	494,985	479,322	—	89,555	1,063,862
Reportable segment gross profit (gross profit before biological fair value adjustments)	457,665	84,988	—	6,986	549,639
Reportable segment profit (adjusted EBITDA)	487,953	59,667	(3,365)	1,987	546,242
Interest income	686	4,819	34	2,483	8,022
Interest expenses	99,170	6,824	—	2,643	108,637
Depreciation and amortisation	25,562	7,549	3,198	490	36,799
Reportable segment assets	5,450,020	1,780,453	797,778	1,790,496	9,818,747
Additions to non-current segment assets during the year	1,557,124	321,723	119,804	2,605	2,001,256
Capital expenditure	1,021,716	141,522	142,669	3,070	1,308,977
Reportable segment liabilities	3,248,401	598,344	329,925	583,151	4,759,821

	Year ended March 31, 2013				
	Dairy Farming	Liquid Milk Products Production	Milk Powders Production	Grain Processing and Trading	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	680,608	1,707,132	88,052	76,646	2,552,438
Inter-segment revenue	910,387	—	—	—	910,387
Reportable segment revenue	1,590,995	1,707,132	88,052	76,646	3,462,825
Cost of sales related to revenue from external customers	281,162	1,329,854	42,410	73,391	1,726,817
Inter-segment cost of sales	357,838	—	—	—	357,838
Reportable segment cost of sales (cost of sales before biological fair value adjustments)	639,000	1,329,854	42,410	73,391	2,084,655
Reportable segment gross profit (gross profit before biological fair value adjustments)	951,995	377,278	45,642	3,255	1,378,170
Reportable segment profit (adjusted EBITDA)	973,404	268,414	48,616	(186)	1,290,248
Interest income	352	3,779	117	88	4,336
Interest expenses	115,745	8,206	11,232	—	135,183
Depreciation and amortisation	42,764	10,588	15,459	—	68,811
Reportable segment assets	6,960,181	2,973,916	1,748,387	—	11,682,484
Additions to non-current segment assets during the year	1,173,843	62,310	633,159	(4,443)	1,864,869
Capital expenditure	630,123	6,714	150,028	—	786,865
Reportable segment liabilities	4,014,001	680,497	1,139,839	1,280	5,835,617

(b) Reconciliations of reportable segment revenue, cost of sales, gross profit, profit, assets and liabilities

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue			
Reportable segment revenue	376,619	1,613,501	3,462,825
Elimination of inter-segment revenue	(2,574)	(280,707)	(910,387)
Consolidated turnover	374,045	1,332,794	2,552,438

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost of sales			
Reportable segment cost of sales	256,740	1,063,862	2,084,655
Inclusion of gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest charged to cost of sales	105,208	457,633	935,927
Elimination of inter-segment cost of sales	(2,574)	(280,707)	(910,387)
Consolidated cost of sales	359,374	1,240,788	2,110,195

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Gross profit			
Reportable segment gross profit	119,879	549,639	1,378,170
Inclusion of gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest charged to cost of sales	(105,208)	(457,633)	(935,927)
Consolidated gross profit	14,671	92,006	442,243

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit			
Reportable segment profit	111,746	546,242	1,290,248
Interest income	9,854	8,022	4,336
Interest expenses	(65,047)	(108,637)	(144,159)
Depreciation and amortisation	(23,881)	(36,799)	(68,865)
Unallocated head office and corporate expenses	—	(12,174)	(16,655)
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest, net of the amount already charged to cost of sales	—	—	18,260
Gain/(loss) arising from the changes in fair value less costs to sell of biological assets	295,241	63,817	(86,779)
Changes in fair value of derivative financial liability	—	—	16,029
Consolidated profit before taxation	327,913	460,471	1,012,415

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Assets			
Reportable segment assets	6,005,975	9,818,747	11,682,484
Goodwill	—	—	931,985
Deferred tax assets	—	—	37,784
Unallocated headoffice and corporate assets	408,635	102	5,494,202
Elimination between segments	(907,794)	(2,629,248)	(7,635,640)
Consolidated total assets	5,506,816	7,189,601	10,510,815

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Liabilities			
Reportable segment liabilities	3,448,236	4,759,821	5,835,617
Derivative financial liability	—	16,045	16
Unallocated headoffice and corporate liabilities	1,809,478	2,799,614	2,103,428
Elimination between segments	(138,934)	(1,268,303)	(3,311,190)
Consolidated total liabilities	5,118,780	6,307,177	4,627,871

(c) Geographic information

Since all the revenue from external customers is derived from the customers located in mainland China and all the non-current assets are obtained and located in mainland China while all the segments are managed on a nationwide basis because of the similarity of the type or class of the customers and the similarity of the regulatory environment in the whole region, there is no information separated by different geographical locations within mainland China provided to the Group's management.

4 OTHER NET INCOME

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Government grants	2,775	4,809	6,822
Income from modification of production facilities	—	—	8,511
Income from providing consulting services	—	—	1,820
Income from sales of raw materials	—	—	9,160
Changes in fair value of derivative financial liability *(Section B Note 26)*	—	—	16,029
Net loss on disposal of non-current assets	(234)	(16)	(1,053)
Others	40	17	239
	2,581	4,810	41,528

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Cost of sales:

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Plantation and breeding costs to produce raw milk (*Section B Note 15(b)*)*	141,388	494,985	639,000
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest (*Section B Note 5(b)*)	105,208	457,633	935,927
Production costs incurred for dairy and grain products*	112,778	288,170	535,268
Cost of inventories sold	359,374	1,240,788	2,110,195

* Plantation and breeding costs to produce raw milk and production costs incurred for dairy and grain products include, in aggregate, RMB31.25 million, RMB85.6 million and RMB129.21 million for each of the years ended March 31, 2011, 2012 and 2013, respectively, relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately in Section B Note 5(e) and Section B Note 5(f) for each of these types of expenses.

(b) Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest:

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	105,208	457,633	954,187
Included in:			
- cost of sales for the year (*Section B Note 5(a)*)	105,208	457,633	935,927
- inventories at the year end#	—	—	18,260
Total gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest for the year	105,208	457,633	954,187

In accordance with the accounting policy set out in Section B Note 1(l), raw milk and alfalfa grass are initially measured as inventories at the point of harvest at their fair values less costs to sell and upon subsequent sales, such amount of the inventories initially recognised is charged to cost of sales in the income statement. As at March 31, 2011 and 2012, the Group did not have any milked or harvested but unsold or unused raw milk or alfalfa grass. As at March 31, 2013, the Group did not have any unsold or unused raw milk but had RMB22.6 million harvested but unused alfalfa grass.

(c) Gain/(loss) arising from changes in fair value less costs to sell of biological assets:

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Gain/(loss) arising from changes in fair value less costs to sell of biological assets (*Section B Note 15(b)*)	295,241	63,817	(86,779)

(d) Finance costs:

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Interest expenses on bank loans and other borrowings	123,297	170,872	191,179
Less: interest expenses capitalised	(58,250)	(62,235)	(47,020)
Interest income	(9,854)	(8,022)	(4,336)
Bank charges and other finance costs	1,670	907	1,256
Net foreign exchange (gain)/loss	(125)	1,785	535
	56,738	103,307	141,614

(e) Staff costs:

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Salaries, bonuses and allowances	3,671	11,704	45,653
Pension insurance (*Note (i)*)	723	2,306	6,513
Other social insurances (*Note (ii)*)	519	1,654	4,523
Fees charged for hiring workers from labour dispatching companies	13,011	41,482	43,268
Staff welfare	2,018	6,431	10,577
	19,942	63,577	110,534

Notes:

(i) The employees of the subsidiaries of the Group established in the PRC (the "PRC subsidiaries") participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby the PRC subsidiaries are required to contribute to the schemes at a rate of 20% of the employees' salaries, bonuses and allowances. Employees of the PRC subsidiaries are entitled to retirement benefits, calculated based in a percentage of the average salaries level in the PRC, from the above mentioned retirement schemes at their normal retirement age.

(ii) Pursuant to the relevant laws and regulations of the PRC, employees of the PRC subsidiaries participate in the social insurance system established and managed by local government organisations. The PRC subsidiaries make social insurance contributions - including contributions to basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and etc. - as well as contributions to housing fund, at the applicable benchmarks and rates stipulated by the local government for the benefit of their employees.

(f) Other items:

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Depreciation and amortisation (*Section B Notes 12 and 14*)	23,881	36,799	68,865
Advertising and promotion expenses	—	—	7,279
Auditors' remuneration - audit services	900	5,000	3,650
Consultants' remunerations	641	12,237	10,472

6 INCOME TAX

(a) Income tax in the consolidated income statements represents:

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current taxation (*Section B Note 28(a)*):			
PRC income tax	—	10,751	62,358
Deferred taxation (*Section B Note 28(b)*):			
Origination and reversal of temporary differences	—	—	4,687
	—	10,751	67,045

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before taxation	327,913	460,471	1,012,415
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (*Notes (i)*, *(ii)* and *(iii)*)	81,978	115,143	249,919
Effect of non-deductible expenses (*Note (iv)*)	2,024	1,464	1,795
Utilisation of previously unrecognised tax losses	—	(2,190)	(3,074)
Effect of tax losses not recognised	3,098	5,141	5,566
Tax rate differential on deferred tax items	(80,233)	(69,260)	(76,677)
Effect of tax exemption (*Note (iii)*)	(6,867)	(39,547)	(110,484)
Income tax	—	10,751	67,045

Notes:

(i) The Company and its subsidiaries incorporated in the British Virgin Islands are not subject to any income tax pursuant to the local rules and regulations.

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the Relevant Periods.

(iii) All the PRC subsidiaries of the Company are subject to PRC Enterprise Income Tax rate of 25% for each of the years ended March 31, 2011, 2012 and 2013.

According to the PRC Enterprise Income Tax Law, the Group's income arising from agricultural activities such as dairy farming and grass growing is exempt from income tax.

(iv) Non-deductible expenses are mainly the staff welfare and entertainment expenses charged over the tax limit.

7 DIRECTORS' REMUNERATION

Details of directors' remuneration during the Relevant Periods are set out below:

	Year ended March 31, 2011				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement Scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr. Yang Kai	—	96	—	19	115
Ms. Ge Kun	—	78	—	18	96
Mr. Xu Guangyi	—	105	—	20	125
Mr. Wang Jinpeng	—	105	—	20	125
	—	384	—	77	461

	Year ended March 31, 2012				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr. Yang Kai	—	97	—	19	116
Ms. Ge Kun	—	77	—	19	96
Mr. Xu Guangyi	—	101	—	20	121
Mr. Wang Jinpeng	—	100	—	20	120
	—	375	—	78	453

	Year ended March 31, 2013				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary Bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr. Yang Kai	—	267	—	23	290
Ms. Ge Kun	—	254	—	20	274
Mr. Xu Guangyi	—	269	—	23	292
Mr. Wang Jinpeng	—	241	—	23	264
Mr. So Wing Hoi	—	1,883	—	—	1,883
	—	2,914	—	89	3,003

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, the emoluments of 2, 2 and 1 directors for each of the years ended March 31, 2011, 2012 and 2013 are disclosed in Section B Note 7. The aggregate of the emoluments in respect of the individuals who are not directors are as follows:

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	322	301	3,348
Discretionary bonuses	—	—	—
Retirement scheme contributions	59	60	54
	381	361	3,402

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	Years ended March 31,		
	2011	2012	2013
HK$Nil — HK$1,500,000	3	3	3
HK$1,500,001 — HK$3,000,000	—	—	1
HK$3,000,001 — HK$4,500,000	—	—	—
HK$4,500,001 — HK$6,000,000	—	—	—
	3	3	4

No emoluments were paid or payable to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company for each of the years ended March 31, 2011, 2012 and 2013 includes a loss of RMBNil, RMB0.04 million and RMB3.78 million, respectively, which have been dealt with in the financial statements of the Company (see Section D(e)(ii)).

10 OTHER COMPREHENSIVE INCOME

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Exchange differences on translation into presentation currency	1,818	60,657	(488)

11 BASIC AND DILUTED EARNINGS PER SHARE

The basic earnings per share for each of the years ended March 31, 2011, 2012 and 2013 are calculated based on the profit attributable to equity shareholders of the Company of RMB288.6 million, RMB449.7 million and RMB945.4 million, respectively, and the 11,494,254,000 ordinary shares in issue as at the date of the Prospectus pursuant to the Capitalization Issue as detailed in "Appendix V — Statutory and General Information" as if the shares had been outstanding through the Relevant Periods.

There was no difference between basic and diluted earnings per share as there were no dilutive potential shares outstanding during the Relevant Periods.

12 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings	Machinery and equipment	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At April 1, 2010	230,493	76,360	4,637	3,400	90,311	405,201
Additions	75,614	122,476	8,885	19,442	1,274,137	1,500,554
Transfer in/(out)	389,432	30,285	—	—	(419,717)	—
Disposals	—	(36,949)	(251)	(1,081)	—	(38,281)
At March 31, 2011	695,539	192,172	13,271	21,761	944,731	1,867,474
Accumulated depreciation and impairment losses:						
At April 1, 2010	(780)	(22,469)	(578)	(691)	—	(24,518)
Depreciation for the year	(12,097)	(8,729)	(652)	(2,150)	—	(23,628)
Impairment loss	—	—	—	—	—	—
Disposals	—	23,869	178	839	—	24,886
At March 31, 2011	(12,877)	(7,329)	(1,052)	(2,002)	—	(23,260)
Net book value:						
At March 31, 2011	682,662	184,843	12,219	19,759	944,731	1,844,214
Cost:						
At April 1, 2011	695,539	192,172	13,271	21,761	944,731	1,867,474
Increase through acquisition of a subsidiary *(Section B Note 30(a))*	—	6,483	4	—	—	6,487
Additions	37,183	110,124	20,463	34,902	837,962	1,040,634
Transfer in/(out)	1,006,084	53,841	—	—	(1,059,925)	—
Disposals	—	—	—	(291)	—	(291)
At March 31, 2012	1,738,806	362,620	33,738	56,372	722,768	2,914,304
Accumulated depreciation and impairment losses:						
At April 1, 2011	(12,877)	(7,329)	(1,052)	(2,002)	—	(23,260)
Increase through acquisition of a subsidiary *(Section B Note 30(a))*	—	(1)	—	—	—	(1)
Depreciation for the year	(27,159)	(15,218)	(4,856)	(4,317)	—	(51,550)
Impairment loss	—	—	—	—	—	—
Disposals	—	—	—	35	—	35
At March 31, 2012	(40,036)	(22,548)	(5,908)	(6,284)	—	(74,776)
Net book value:						
At March 31, 2012	1,698,770	340,072	27,830	50,088	722,768	2,839,528

	Plant and buildings	Machinery and equipment	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At April 1, 2012	1,738,806	362,620	33,738	56,372	722,768	2,914,304
Increase through acquisition of subsidiaries *(Section B Note 30(b))*	23,005	167,626	9,749	9,193	409,791	619,364
Additions	1,269	46,925	26,084	46,734	166,789	287,801
Transfer in/(out)	454,501	187,313	—	—	(641,814)	—
Disposals	—	—	(587)	(10,844)	—	(11,431)
At March 31, 2013	2,217,581	764,484	68,984	101,455	657,534	3,810,038
Accumulated depreciation and impairment losses:						
At April 1, 2012	(40,036)	(22,548)	(5,908)	(6,284)	—	(74,776)
Increase through acquisition of subsidiaries *(Section B Note 30(b))*	(278)	(6,405)	(914)	(942)	—	(8,539)
Depreciation for the year	(36,842)	(36,762)	(9,061)	(9,335)	—	(92,000)
Impairment loss	—	—	—	—	—	—
Disposals	—	—	205	1,825	—	2,030
At March 31, 2013	(77,156)	(65,715)	(15,678)	(14,736)	—	(173,285)
Net book value:						
At March 31, 2013	2,140,425	698,769	53,306	86,719	657,534	3,636,753

13 GOODWILL

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost and carrying amount:			
At the beginning of the year	—	—	—
Additions	—	—	931,985
At the end of the year	—	—	931,985

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities acquired from the acquiree, China Huishan Dairy Investments International Limited and its subsidiaries, China Huishan Dairy Investments (Hong Kong) Limited, Liaoning Cheungrui Trading Company Limited and Liaoning Huishan Group (Xiushui) Co., Ltd., details of which are set out in Section B Note 30(b).

Goodwill is allocated to the following cash-generating unit:

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
China Huishan Dairy Investments International Limited and its subsidiaries (within Milk Powders Production segment, *Section B Note 3*)	—	—	931,985

Impairment test for the cash-generating unit containing goodwill

The Group's cash-generating unit ("CGU") to which the above goodwill is allocated is China Huishan Dairy Investments International Limited and its subsidiaries China Huishan Dairy Investments (Hong Kong) Limited, Liaoning Cheungrui Trading Company Limited and Liaoning Huishan Group (Xiushui) Co., Ltd.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on the actual operating results and the financial forecasts of the following five years of the CGU. Cash flows beyond the period covered by the financial forecast are extrapolated perpetually with an estimated general long-term continuous annual increase no more than the latest estimated inflation rate. A pre-tax discount rate of 11.11 per cent has been used in discounting the projected cash flows, which is estimated by taking into account the rate of the CGU's weighted average cost of capital.

14 LEASE PREPAYMENTS

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost:			
At the beginning of the year	149,770	399,863	446,036
Increase through acquisition of subsidiaries (*Section B Notes 30(a), 30(b)*)	—	541	90,145
Additions	250,093	45,632	32,581
At the end of the year	399,863	446,036	568,762
Accumulated amortisation and impairment losses:			
At the beginning of the year	(4,333)	(16,194)	(28,530)
Increase through acquisition of subsidiaries (*Section B Notes 30(a), 30(b)*)	—	—	(4,845)
Amortisation for the year	(11,861)	(12,336)	(14,078)
Impairment loss	—	—	—
At the end of the year	(16,194)	(28,530)	(47,453)
Net book value:			
At the end of the year	383,669	417,506	521,309

Lease prepayments represented the payments made on the acquisitions of the lands held under operating leases.

15 BIOLOGICAL ASSETS

(a) Nature of the Group's agricultural activities

The biological assets of the Group are dairy cows held to produce raw milk and alfalfa grass grown for feeding dairy cows.

The quantity of the dairy cows owned by the Group as at March 31, 2011, 2012 and 2013 was shown below. The Group's dairy cows are milkable cows held for raw milk production and heifers and calves that have not reached the age to produce raw milk.

	At March 31,		
	2011	**2012**	**2013**
	Head	**Head**	**Head**
Milkable cows	18,584	31,221	49,889
Heifers	29,952	51,687	49,964
Calves	7,016	7,346	12,998
	55,552	90,254	112,851

In general, the heifers are inseminated when they reach approximately 14 months old. After the gestation period of approximately 10 months, a calf is born and the heifers begin to produce raw milk and the lactation periods begin. The heifers, at this time, will be transferred to the group of milkable cows. A milkable cow is typically milked for approximately 300 days. The male calves newly born will be sold while the female calves will be bred for 6 months and then transferred to the group of heifers for preparation of insemination.

Alfalfa is a perennial flowering plant of pea family, which is usually sown in spring. When the stem of alfalfa grows up, it will be reaped for feeding cows. After the harvest, alfalfa roots will generally grow up new stems in about 60-70 days. Generally, alfalfa has a sustainable growth for seven years with each growth period lasts about 60-70 days.

The Group is exposed to a number of risks related to its biological assets. In addition to the financial risk disclosed in Section B Note 31(e), the Group is exposed to the following operating risks:

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates plantations and breeding. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

(ii) Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls and surveys and insurance.

(b) Value of the Group's biological assets

The amounts of the dairy cows and alfalfa grass are as below:

	Year ended March 31, 2011				
	Calves	Heifers	Milkable cows	Alfalfa grass	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At April 1, 2010	92	205,043	3,407	—	208,542
Add: purchase costs	5,768	482,091	80,892	—	568,751
Add: breeding costs#	22,472	226,688	141,388	—	390,548
Add: plantation costs	—	—	—	—	—
Transfer between groups:					
- transfer in	—	45,673	397,547	—	443,220
- transfer out	(45,673)	(397,547)	—	—	(443,220)
Changes in fair value less costs to sell of biological assets*	101,708	117,218	76,315	—	295,241
Gain arising on initial recognition of milk and grass at fair value less costs to sell upon milking and harvest	—	—	105,208	—	105,208
Transfer to inventories upon milking and harvest	—	—	(246,596)	—	(246,596)
Decrease due to disposal	(663)	(7,081)	(9,074)	—	(16,818)
At March 31, 2011	83,704	672,085	549,087	—	1,304,876

	Year ended March 31, 2012				
	Calves	Heifers	Milkable cows	Alfalfa grass	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At April 1, 2011	83,704	672,085	549,087	—	1,304,876
Add: increase through acquisition of a subsidiary (*Section B Note 30(a)*)	—	—	—	998	998
Add: purchase costs	—	466,235	—	3,906	470,141
Add: breeding costs#	70,270	392,339	494,985	—	957,594
Add: plantation costs	—	—	—	23,058	23,058
Transfer between groups:					
- transfer in	—	234,769	617,407	—	852,176
- transfer out	(234,769)	(617,407)	—	—	(852,176)
Changes in fair value less costs to sell of biological assets*	178,528	117,381	(231,325)	(767)	63,817
Gain arising on initial recognition of milk and grass at fair value less costs to sell upon milking and harvest	—	—	422,667	34,966	457,633
Transfer to inventories upon milking and harvest	—	—	(917,652)	(58,024)	(975,676)
Decrease due to disposal	(44)	(3,491)	(21,028)	—	(24,563)
At March 31, 2012	97,689	1,261,911	914,141	4,137	2,277,878

	Year ended March 31, 2013				
	Calves	Heifers	Milkable cows	Alfalfa grass	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At April 1, 2012	97,689	1,261,911	914,141	4,137	2,277,878
Add: purchase costs	—	245,019	—	2,034	247,053
Add: breeding costs#	117,881	741,936	639,000	—	1,498,817
Add: plantation costs	—	—	—	47,862	47,862
Transfer between groups:					
- transfer in	—	287,260	975,676	—	1,262,936
- transfer out	(287,260)	(975,676)	—	—	(1,262,936)
Changes in fair value less costs to sell of biological assets*	248,540	(180,544)	(154,208)	(567)	(86,779)
Gain arising on initial recognition of milk and grass at fair value less costs to sell upon milking and harvest	—	—	713,566	240,621	954,187
Transfer to inventories upon milking and harvest	—	—	(1,352,566)	(288,483)	(1,641,049)
Decrease due to disposal	(596)	(10,416)	(45,085)	—	(56,097)
At March 31, 2013	176,254	1,369,490	1,690,524	5,604	3,241,872

Breeding costs incurred for dairy cows include RMBNil, RMB23.06 million and RMB43.52 million for each of the years ended March 31, 2011, 2012 and 2013, respectively, being the plantation costs of the alfalfa grass fed to the cows after harvest, while the remaining amounts mainly include other feeding costs, staff costs, depreciation and amortisation expenses and utilities costs incurred.

* Changes in fair value less costs to sell of biological assets include the changes in the fair value of the dairy cows disposed, i.e. the write-down of the carrying amounts of such dairy cows to their market selling prices upon disposal.

The Group's dairy cows and alfalfa grass were independently valued by the independent valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and CBRE Limited, respectively. The valuation techniques used in the determination of fair values as well as the key inputs used in the valuation models are disclosed in Section B Note 31(f).

(c) Quantity of the agricultural produce produced by the Group's biological assets

	Years ended March 31,		
	2011	2012	2013
	Tonne	Tonne	Tonne
Raw milk produced	60,741	223,097	365,066
Alfalfa grass produced	—	36,350	113,440

16 INVENTORIES

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

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Feeds and other materials to breed dairy cows	163,328	310,018	311,206
Other materials for producing dairy products	34,446	81,990	78,200
Semi-finished goods	2,387	—	24,893
Finished goods	2,518	20,669	33,100
	202,679	412,677	447,399
Less: write-down of inventories	—	—	(781)
	202,679	412,677	446,618

(b) The analysis of the amount of inventories recognised as cost of sales in the consolidated income statements is as follows:

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold (*Section B Note 5(a)*)	359,374	1,240,788	2,110,195

17 TRADE RECEIVABLES

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivable due from third parties	34,504	111,661	172,583
Trade receivable due from affiliates of the Controlling Shareholder	103,866	35,895	—
	138,370	147,556	172,583
Less: allowance for impairment of doubtful debts	—	—	—
	138,370	147,556	172,583

Ageing analysis

Included in trade receivables were debtors with the following ageing analysis as at March 31, 2011, 2012 and 2013:

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Less than 3 months	117,162	105,828	151,933
More than 3 months but less than 6 months	12,647	35,741	11,594
More than 6 months but less than 12 months	4,875	76	9,056
More than 1 year but less than 2 years	3,105	4,529	—
More than 2 years but less than 3 years	581	968	—
More than 3 years	—	414	—
	138,370	147,556	172,583

Trade receivables are due within 15-90 days from the date of billing. Further details on the Group's credit policy are set out in Section B Note 31(a).

18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deposits with banks to secure discounted bills	—	2,928	—
Deposits with banks to secure bills payables	120,330	—	128,874
Deposits with banks to secure letters of credit	179,636	63,002	20,287
Prepayments for acquisition of property, plant and equipment			
- Third parties	376,465	192,003	190,143
- Affiliates of the Controlling Shareholder	58,178	2,995	5,000
Prepayments for purchase of dairy cows			
- Third parties	150,985	99,914	—
- Affiliates of the Controlling Shareholder	76,467	23,777	—
Prepayments for purchase of raw materials			
- Third parties	96,378	133,290	196,306
- Affiliates of the Controlling Shareholder	41,855	—	—
Downpayments for acquisition of lands held under operating leases	7,665	14,640	57,932
Advances to staff	11,812	8,848	7,168
Advances to third parties *(Note (i))*	23,946	—	—
Deductible value added tax	18,564	25,908	64,569
Prepayments for costs incurred in connection with the proposed initial public offering of the Company's shares *(Note (ii))*	—	—	2,748
Others	14,360	14,286	23,211
	1,176,641	581,591	696,238
Less: allowance for impairment of doubtful debts	—	—	—
	1,176,641	581,591	696,238

Notes:

(i) All the advances to third parties are unsecured, receivable on demand and interest-free.

(ii) The balance as at March 31, 2013 will be transferred to the share premium account within equity upon the listing of the Company's shares on the Stock Exchange of Hong Kong Limited.

All of the deposits, prepayments and other receivables are expected to be recovered or recognised in the income statement or to other items in the statement of financial position within one year.

19 AMOUNTS DUE FROM THE CONTROLLING SHAREHOLDER AND HIS AFFILIATES

The amounts at March 31, 2011 were unsecured, non-interest bearing and had no fixed terms of repayment and had been repaid during the year ended March 31, 2012.

20 CASH AND CASH EQUIVALENTS

	At March 31,		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Cash at bank and in hand	47,748	512,865	825,673

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC Government.

21 TRADE AND BILLS PAYABLES

	At March 31,		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Trade payable for purchase of raw materials			
- Third parties	171,649	460,661	544,162
- Affiliates of the Controlling Shareholder	36,050	63,196	44,118
	207,699	523,857	588,280
Bills payable	261,938	—	322,185
	469,637	523,857	910,465

All of the trade and bills payables are expected to be settled within one year.

Included in trade and bills payables are creditors with the following ageing analysis as at March 31, 2011, 2012 and 2013:

	At March 31,		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Due within 1 month or on demand	147,685	212,708	214,624
Due after 1 month but within 3 months	183,047	169,228	271,920
Due after 3 months but within 6 months	119,652	112,777	338,155
Due after 6 months but within 1 year	16,009	17,635	63,425
Due after 1 year but within 2 years	2,635	10,578	20,523
Due after 2 years	609	931	1,818
	469,637	523,857	910,465

22 RECEIPTS IN ADVANCE

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Receipts in advance for sales of products			
- Third parties	485	13,904	13,430
- Affiliates of the Controlling Shareholder	82	96,968	—
	567	110,872	13,430
Receipts in advance for disposal of dairy cows			
- Third parties	228	490	255
	795	111,362	13,685

All of the receipts in advance are expected to be recognised as revenue within one year.

23 ACCRUED EXPENSES AND OTHER PAYABLES

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Payables to affiliates of the Controlling Shareholder for acquisition of subsidiaries under common control	534,137	—	33,601
Payables for acquisition of property, plant and equipment			
- Third parties	243,047	173,411	138,896
- Affiliates of the Controlling Shareholder	66,331	47,551	—
Payables for operating leases			
- Third parties	1,387	3,035	2,960
- Affiliates of the Controlling Shareholder	8,175	5,113	3,129
Payables for receiving technical supporting services	—	—	6,035
Payables for purchase of dairy cows			
- Third parties	173	60,505	—
- Affiliates of the Controlling Shareholder	94,210	13,586	—
Payables for taxes related to acquisition of lands held under operating leases	53,674	22,152	23,121
Payables for audit and consulting services	—	9,542	7,970
Employee benefits payables	5,089	8,870	14,696
Accrued advertising and promotion expenses	—	4,503	21,604
Payables for interest expenses	3,129	4,414	9,082
Payables for value added tax and other taxes	1	5,108	7,091
Advances from third parties *(Note (i))*	11,904	—	—
Conditional government grants received yet recognised	—	—	143,253
Others	16,071	9,699	23,120
	1,037,328	367,489	434,558

Note:

(i) All the advances from third parties are unsecured, payable on demand and interest-free.

All of the accrued expenses and other payables are expected to be settled or recognised in the income statement or to other items in the statement of financial position within one year.

24 AMOUNTS DUE TO THE CONTROLLING SHAREHOLDER AND HIS AFFILIATES

The amounts are unsecured. Except for an amount of RMB201.71 million as at March 31, 2011, which bears interest at 6.48% per annum and is repayable within one year, all of the remaining balances are non-interest bearing and have no fixed terms of repayment. The balance as at March 31, 2013 has been paid up on May 2, 2013.

25 BANK LOANS

(a) The Group's short-term bank loans are analysed as follows:

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Short-term bank loans	138,000	250,862	545,872
Add: current portion of long-term bank loans	43,750	111,499	362,662
	181,750	362,361	908,534

As at March 31, 2011, 2012 and 2013, the Group's short-term bank loans (excluding the current portion of long-term bank loans) were secured as follows:

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Secured by property, plant and equipment of the Controlling Shareholder and his affiliates and guaranteed by third parties	5,000	—	—
Secured by land use rights, property, plant and equipment of third parties	7,000	—	—
Secured by deposits with banks to secure letters of credit and guaranteed by the Controlling Shareholder and his affiliates	—	48,408	—
Secured by the Group's own equity interests and guaranteed by intra-group entities	—	—	200,000
Secured by bank deposits	—	14,640	11,849
Guaranteed by the intra-group entities	—	39,464	185,000
Guaranteed by the Controlling Shareholder and his affiliates	83,000	88,000	49,023
Guaranteed by third parties	10,000	19,500	—
Unguaranteed and unsecured	33,000	40,850	100,000
	138,000	250,862	545,872

The affiliates of the Controlling Shareholder released the guarantees listed above by 31 May 2013.

(b) The Group's long-term bank loans are analysed as follows:

	At March 31,		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Long-term bank loans	2,004,500	2,028,458	2,465,433
Less: current portion of long-term bank loans	(43,750)	(111,499)	(362,662)
	1,960,750	1,916,959	2,102,771

As at March 31, 2011, 2012 and 2013, the Group's long-term bank loans (including the current portion of long-term bank loans) were secured as follows:

	At March 31,		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Jointly secured by land use rights of the Group and land use rights, property, plant and equipment of third parties and guaranteed by the Controlling Shareholder and his affiliates *(Note (i))*	495,012	580,369	559,212
Jointly secured by land use rights of the Group and land use rights, forest rights of third parties *(Note (i))*	586,732	582,822	574,822
Secured by land use rights of the Group and guaranteed by the Controlling Shareholder and his affiliates *(Note (i))*	310,160	296,858	143,868
Secured by land use rights of third parties and guaranteed by the Controlling Shareholder and his affiliates	266,250	210,000	165,000
Secured by property, plant and equipment of the Group and jointly guaranteed by third parties and the Controlling Shareholder and his affiliates *(Note (i))*	—	40,495	102,497
Secured by property, plant and equipment of the Group and guaranteed by third parties *(Note (i))*	—	—	310,000
Secured by the Group's own equity interests and guaranteed by the Controlling Shareholder and his affiliates	58,000	52,000	—
Secured by the Group's own equity interests	—	—	394,000
Guaranteed by the Controlling Shareholder and his affiliates	208,346	202,414	195,034
Guaranteed by third parties	30,000	26,000	21,000
Jointly guaranteed by the Controlling Shareholder and his affiliates and third parties	50,000	37,500	—
	2,004,500	2,028,458	2,465,433

Note:

(i) As at March 31, 2011, 2012 and 2013, the aggregate net book value of the secured land use rights and property, plant and equipment of the Group was RMB235.40 million, RMB278.24 million and RMB311.34 million respectively.

All of the non-current interest-bearing borrowings are carried at amortised cost, and are not expected to be settled within one year.

The affiliates of the Controlling Shareholder released the guarantees listed above by 31 May 2013.

(c) None of the Group's bank loans is subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions.

Details of the Group's management of liquidity risk are set out in Section B Note 31(b).

26 DERIVATIVE FINANCIAL LIABILITY

	At March 31,		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Credit derivatives	—	16,045	16

The Group's derivative financial liability represents the credit derivatives that are embedded in a share charge agreement reached between the entities of the Group and the holders of the exchangeable bonds (the "Bonds") issued by the Company's parent company, Champ Harvest Limited. The Bonds were issued and subscribed in the year ended March 31, 2012, bearing an interest at 4% per annum on the principal amount of the Bonds outstanding from time to time until the earlier of the exchange date, the redemption date, or on the last occasion, the maturity date (the date being the 3^{rd} anniversary of the issue date). The Bonds are redeemable at maturity or on the event of default and bear an optional exchange right for the bondholders to exchange the Bonds into the ordinary shares of the Company then issued (the "exchange shares") at any time from the issue date to the maturity date, and are to be mandatorily exchanged to the exchange shares upon the qualified initial public offering of the Company's shares. According to the share charge agreement, the Company and its subsidiaries charged their shares legally and beneficially owned and the related assets in favour of the bondholders in consideration of the bondholders subscribing for the Bonds issued by the Company's parent company. When there is an event of default of the Company's parent company, it is enforceable that the bondholders will have the right to have the secured shares and the related assets of the Company and its subsidiary to compensate their losses.

These credit derivatives are initially recognised to equity — other reserves at their fair values (see Section B Note 29(d)(i)) and re-measured at fair value at each reporting period end date. The gains or losses on re-measurement to fair values are recognised in the income statement (see Section B Note 4).

The Group's derivative financial liability was independently valued by the independent valuer CBRE Limited. The valuation techniques used in the determination of fair values as well as the key inputs used in the valuation models are disclosed in Section B Note 31(f).

27 DEFERRED INCOME

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Government grants	193,176	207,965	232,993

The Group has been awarded government grants as at March 31, 2011, 2012 and 2013, which were conditional upon the construction and acquisition of property, plant and equipment for dairy farm facilities. The above government grants have been recognised as deferred income, and are being amortised over the useful lives of the related assets to the income statement.

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Movements of current taxation in the consolidated statements of financial position are as follows:

	Years ended March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Income tax payable at April 1	—	—	1,583
Provision for income tax on the estimated taxable profits for the year (*Section B Note 6(a)*)	—	10,751	62,358
Income tax paid during the year	—	(9,168)	(53,794)
Income tax payable at March 31	—	1,583	10,147

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

Deferred tax arising from:	Unused tax losses*	Government grants	Write-down of inventories	Deductible advertising expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At April 1, 2010	—	—	—	—	—
(Charged)/credited to the consolidated income statement (*Section B Note 6(a)*)	—	—	—	—	—
At March 31, 2011	—	—	—	—	—
(Charged)/credited to the consolidated income statement (*Section B Note 6(a)*)	—	—	—	—	—
At March 31, 2012	—	—	—	—	—
Increase through acquisition of subsidiaries (*Section B Note 30(b)*)	37,589	—	1,347	3,535	42,471
(Charged)/credited to the consolidated income statement (*Section B Note 6(a)*)	(1,536)	1,536	(1,152)	(3,535)	(4,687)
At March 31, 2013	36,053	1,536	195	—	37,784

* Deferred tax assets in respect of unused tax losses are related to a subsidiary that was established in recent year. It is now progressing to its normal production stage and is deriving profits. Accordingly, it is considered probable that sufficient taxable profits will be available in the future to utilise its unused tax losses before they expire.

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Section B Note 1(s), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB36.3 million, RMB28.3 million and RMB38.5 million as at March 31, 2011, 2012 and 2013, respectively, as management is not sure whether such tax losses are probable to be utilised before they expire in the relevant tax jurisdiction. The cumulative tax losses at March 31, 2013 of RMB1.5 million, RMBNil, RMB5.2 million, RMB16.7 million and RMB15.1 million will expire in 2014, 2015, 2016, 2017 and 2018 respectively.

(d) Deferred tax liabilities not recognised

At March 31, 2013, the taxable temporary differences relating to the retained profits of the Company's PRC subsidiaries amounted to RMB541.1 million, of which no deferred tax liabilities in respect of the tax that would be payable on the distribution of these profits was provided in accordance with the accounting policy set out in Section B Note 1(s) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

29 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliations between the opening and closing balances of each component of the Group's consolidated equity during the Relevant Periods are set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity during the Relevant Periods are set out in Section D Note (e).

(b) Share capital

The Company was incorporated on March 31, 2011. Pursuant to the Reorganisation completed on March 13, 2013, the Company became the holding company of the companies now comprising the Group. The share capital of the Group as at March 31, 2011 represented the share capital of the Company, comprising 1 share at USD1 issued on March 31, 2011. The share capital of the Group as at March 31, 2012 represented the amount of the issued share capital of the Company comprising 1 share at USD1 issued on March 31, 2011 and 9,999 shares at USD1 each issued on May 23, 2011. The share capital of the Group as at March 31, 2013 represented the amount of the issued share capital of the Company comprising (1) 10,000,000 shares at USD0.001 each, which were subdivided on August 30, 2012 from the 10,000 shares at USD1 each issued on March 31, 2011 and May 23, 2011, (2) 1,494,252 shares at USD0.001 each issued on August 30, 2012 (see Section B Note 29(c)(iii) and Section B Note 30(b) below) and (3) 2 shares at USD0.001 each issued on March 30, 2013 (see Section B Note 29(c)(i) and (ii) below).

(c) Share premium

(i) Pursuant to the board resolution dated March 30, 2013, the Controlling Shareholder, through an affiliate 100% held by him, Talent Pool, injected USD144.31 million cash to the Company. In return, the Company newly issued 1 share with the par value of USD0.001 to the affiliate. The surplus of the amount of the cash injected over the par value of the share issued was credited to equity as share premium.

(ii) Pursuant to the board resolution dated March 30, 2013, an amount of USD317.19 million standing advances from the Company's parent company, Champ Harvest Limited, a wholly-owned affiliate of the Controlling Shareholder, was applied in paying up in full 1 share of the Company at USD0.001, which was allotted and distributed as fully paid to Champ Harvest Limited. The surplus of the amount of the advances capitalised over the par value of the share issued was credited to equity as share premium.

(iii) As disclosed in Section B Note 30(b), on August 30, 2012, the Company acquired 100% equity interests in a group of companies engaged in production and sale of milk powder products (China Huishan Dairy Investments International Limited and its subsidiaries, China Huishan Dairy Investments (Hong Kong) Limited, Liaoning Cheungrui Trading Company Limited and Liaoning Huishan Group (Xiushui) Co., Ltd.) controlled by a third party by issuing 1,494,252 shares of USD0.001 each. The surplus of the fair value of the above newly issued shares over their par values was credited to equity as share premium.

(d) Nature and purpose of reserves

(i) Other reserves

The other reserves as at March 31, 2011 represented (i) the surplus of the carrying values of the controlling equity interests in the subsidiaries under common control acquired over the considerations paid under the Reorganisation and (ii) the adjustment for the business combinations under common control under the Reorganisation when applying the merger basis of accounting (see Section B Note 29(e)).

The other reserves as at March 31, 2012 represented (i) the surplus of the carrying values of the controlling equity interests in the subsidiaries under common control acquired over the considerations paid under the Reorganisation, (ii) the adjustment for the business combinations under common control under the Reorganisation when applying the merger basis of accounting (see Section B Note 29(e)), and (iii) the amount of the derivative financial liability, i.e. the credit derivatives provided to the Company's parent company for its issuance of secured exchangeable bonds, initially recognised in equity during the year (see Section B Note 26).

The other reserves as at March 31, 2013 represented (i) the surplus of the carrying values of the controlling equity interests in the subsidiaries under common control acquired over the considerations paid under the Reorganisation and (ii) the amount of the derivative financial liability, i.e. the credit derivatives provided to the Company's parent company for its issuance of secured exchangeable bonds, initially recognised in equity in the year ended March 31, 2012 (see Section B Note 26).

(ii) PRC statutory reserves

In accordance with the relevant PRC laws and the articles of association of the PRC subsidiaries of the Group, the PRC subsidiaries are required to set up certain statutory reserves, which are non-distributable. The PRC statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(iii) Exchange reserve

The exchange reserve comprises foreign exchange differences from the translation of the financial statements of the operations which have a functional currency other than the Group's presentation currency, RMB, into the presentation currency. The reserve is dealt with in accordance with the accounting policy set out in Section B Note 1(w).

(e) Non-controlling interests

(i) Pursuant to an equity transfer agreement entered into between China Huishan Dairy Holdings (Hong Kong) Limited, a wholly-owned subsidiary of the Group and was then a wholly-owned subsidiary of the Controlling Shareholder, and L&D High Technology Foods (HK) Limited, which was owned as to 50.92% by the Controlling Shareholder, China Huishan Dairy Holdings (Hong Kong) Limited acquired 100% equity interests in Liaoning Huishan Dairy from L&D High Technology Foods (HK) Limited on February 18, 2011.

As all the entities involved in the above transaction were controlled by the Controlling Shareholder before and after the transaction, the above transaction was accounted for as a business combination under common control from the Controlling Shareholder's perspective. The results of operations of Liaoning Huishan Dairy were included in the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group at the beginning of the Relevant Periods and the states of the affairs of Liaoning Huishan Dairy were included in the consolidated statements of financial position of the Group as at March 31, 2011, 2012 and 2013 as if the current group structure had always been in existence throughout the Relevant Periods. The equity interests of the equity shareholders other than the Controlling Shareholder in Liaoning Huishan Dairy have been presented as non-controlling interests in the Financial Information before the combination while have been reversed after the combination.

(ii) On February 20, 2011, China Huishan Dairy Holdings (Hong Kong) Limited and Liaoning Huishan Holdings Group Limited, an affiliate of the Controlling Shareholder and was then owned as to 86.72% by the Controlling Shareholder, entered into a capital increase agreement, pursuant to which the registered capital of Liaoning Huishan Dairy was increased from USD5 million to USD120 million. Pursuant to the capital increase agreement, China Huishan Dairy Holdings (Hong Kong) Limited contributed USD34.7 million in cash while Liaoning Huishan Holdings Group Limited contributed USD80.3 million in kind by transferring 100% equity interests in all of its dairy farming and liquid milk products production subsidiaries in existence at that time. Upon completion of the capital increase, China Huishan Dairy Holdings (Hong Kong) Limited and Liaoning Huishan Holdings Group Limited held approximately 33.11% and 66.89% of the equity interests in Liaoning Huishan Dairy, respectively.

On February 28, 2011, China Huishan Dairy Holdings (Hong Kong) Limited and Liaoning Huishan Holdings Group Limited entered into an equity transfer agreement, pursuant to which the 66.89% equity interests in Liaoning Huishan Dairy was transferred by Liaoning Huishan Holdings Group Limited to China Huishan Dairy Holdings (Hong Kong) Limited for a cash consideration of USD80.3 million.

As all the entities involved in the above transactions were controlled by the Controlling Shareholder before and after the transactions, the above equity transactions were accounted for, as a whole, as a business combination under common control from the Controlling Shareholder's perspective. The results of operations of such dairy farming and liquid milk products production subsidiaries combined into Liaoning Huishan Dairy were included in the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group at the beginning of the Relevant Periods and the states of the affairs of such entities were included in the consolidated statements of financial position of the Group as at March 31, 2011, 2012 and 2013 as if the current group structure had always been in existence throughout the Relevant Periods. The equity interests of the equity shareholders other than the Controlling Shareholder in such entities have been presented as non-controlling interests in the Financial Information before the combination while have been reversed after the combination.

(f) Distributable reserves

The Company was incorporated on March 31, 2011 and has not carried on any business since the date of its incorporation save for the Reorganisation. As at March 31, 2011, 2012 and 2013, the aggregate amount of reserves (including the Company's retained profits, if any, and share premium) available for distribution to the equity shareholders of the Company is RMBNil, RMBNil and RMB4,091.8 million, respectively.

(g) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of total equity. The Group monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group monitors capital using a bank loans to equity ratio, which is total bank loans divided by total equity.

The Group's policy is to keep the ratio above 0.45. The Group's bank loans to equity ratio at the end of the Relevant Periods were as follows:

	At March 31,		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Total bank loans	2,142,500	2,279,320	3,011,305
Total equity	388,036	882,424	5,882,944
Bank loans to equity ratio	5.52	2.58	0.51

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) On June 30, 2011, the Group acquired 100% equity interests in a grass growing company, Shenyang Maoyuan Grass Co., Ltd., from a PRC citizen at a cash consideration of RMB19.7 million.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Recognised values on acquisition
	RMB'000
Property, plant and equipment *(Section B Note 12)*	6,486
Lease prepayments *(Section B Note 14)*	541
Biological assets *(Section B Note 15)*	998
Deposits, prepayments and other receivables	23,069
Cash and cash equivalents	2,605
Accrued expenses and other payables	(14,000)
Net identifiable assets and liabilities	19,699
The Company's 100% share of the net identifiable assets and liabilities acquired, satisfied in cash	19,699
Cash acquired	(2,605)
Net cash outflow	17,094

The values of assets and liabilities recognised on acquisition are their estimated fair values. The fair values of property, plant and equipment, lease prepayments made for the lands held under operating leases and biological assets recognised as result of the business combination are based on their market values.

Shenyang Maoyuan Grass Co., Ltd. contributed RMB53.68 million to the consolidated turnover and RMB33.37 million to the consolidated profit before taxation in the period from the date of acquisition to March 31, 2012. If the acquisition had taken place at the beginning of the year ended March 31, 2012, the Group's consolidated turnover would have been RMB1,332.79 million and the Group's consolidated profit before taxation would have been RMB460.47 million for the year ended March 31, 2012.

(b) On August 30, 2012, the Company acquired 50% equity interests in China Huishan Dairy Investments International Limited and its wholly-owned subsidiaries, China Huishan Dairy Investments (Hong Kong) Limited, Liaoning Cheungrui Trading Company Limited and Liaoning Huishan Group (Xiushui) Co., Ltd., from Talent Pool (a wholly-owned affiliate of the Controlling Shareholder incorporated in the British Virgin Islands) and 50% equity interests of the above companies from Hero Beteiligungen AG (a company incorporated in Switzerland) by issuing 747,126 shares of USD0.001 each to Talent Pool and 747,126 shares of USD0.001 each to Hero Beteiligungen AG. Liaoning Huishan Group (Xiushui)

Co., Ltd. is principally engaged in production and sale of milk powder products. China Huishan Dairy Investments International Limited, China Huishan Dairy Investments (Hong Kong) Limited, and Liaoning Cheungrui Trading Company Limited are the holding companies of Liaoning Huishan Group (Xiushui) Co., Ltd. The particulars of these subsidiaries acquired are set out in Section B Note 1(b).

As the above companies were controlled by Hero Beteiligungen AG according to their joint venture agreements, this acquisition was accounted for as a business combination for entities not under common control in accordance with the accounting policies set out in Section B Note 1(e)(ii).

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Recognised values on acquisition
	RMB'000
Property, plant and equipment *(Section B Note 12)*	610,825
Lease prepayments *(Section B Note 14)*	85,300
Deferred tax assets *(Section B Note 28(b))*	42,471
Inventories	9,312
Trade receivables	2,550
Deposits, prepayments and other receivables	21,940
Amounts due from the Controlling Shareholder and his affiliates	71,381
Cash and cash equivalents	35,906
Trade and bills payables	(4,936)
Receipts in advance	(75)
Accrued expenses and other payables	(268,900)
Amounts due to the Controlling Shareholder and his affiliates	(5,589)
Bank loans	(341,947)
Net identifiable assets and liabilities	258,238
The Company's 100% share of the net identifiable assets and liabilities acquired, satisfied by 1,494,252 shares newly issued by the Company	258,238
Fair value of the shares issued	1,190,223
Goodwill recognised (*Section B Note 13*)	931,985
Cash acquired and net cash inflow	35,906

The values of assets and liabilities recognised on acquisition are their estimated fair values. The fair values of property, plant and equipment and lease prepayments made for the lands held under operating leases recognised as result of the business combination are based on their market values.

The group of the entities acquired contributed RMB88.48 million to the consolidated turnover and RMB31.12 million to the consolidated profit before taxation in the period from the date of acquisition to March 31, 2013. If the acquisition had taken place at the beginning of the year ended March 31, 2013, the Group's consolidated turnover would have been RMB2,556.18 million and the Group's consolidated profit before taxation would have been RMB924.63 million for the year ended March 31, 2013.

In accordance with the accounting policy set out in Section B Note 1(e)(ii), the fair value of the shares issued by the Company as the consideration for this acquisition was determined by the acquisition-date fair value of the acquiree's equity interests based on the discounted future cash flows to be generated by the acquiree.

(c) Pursuant to an equity transfer agreement entered into between China Huishan Dairy Holdings (Hong Kong) Limited and a wholly-owned affiliate of the Controlling Shareholder, World King Investments Limited, China Huishan Dairy Holdings (Hong Kong) Limited acquired 100% equity interests in Liaoning Shiling Farming Co., Ltd. from World King Investments Limited on January 24, 2013.

Pursuant to an equity transfer agreement entered into between Liaoning Huishan Dairy and an entity controlled by the Controlling Shareholder, Shenyang L&D Cereal Product Limited, Liaoning Huishan Dairy acquired 100% equity interests in Shenyang Fengle Life Agriculture Technology Co., Ltd. and Shenyang Dacang Life Agriculture Technology Co., Ltd. from Shenyang L&D Cereal Product Limited on March 11, 2013 and March 13, 2013, respectively.

As all the entities involved in the above transactions were controlled by the Controlling Shareholder before and after the transactions, the above transactions were accounted for as business combinations under common control. The results of operations of the above entities combined were included in the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group and the states of the affairs of the above entities combined were included in the consolidated statements of financial position of the Group as if the above combinations had occurred at the beginning of the Relevant Periods or, if later, at the date the common controls were established.

(d) Pursuant to an equity transfer agreement entered into between a wholly-owned subsidiary of the Group, China Huishan Dairy Holdings International Limited, and an affiliate of the Controlling Shareholder, Great Soar Investments Limited, China Huishan Dairy Holdings International Limited disposed of all of its equity interests in Sino Venture Investments Limited, L&D Group Investments Limited and L&D International Holdings Limited to an affiliate of a key management personnel of the Group on May 25, 2012, for a total consideration of USD15,785 and HKD50,920, where the consideration was determined by reference to the carrying values of the net assets disposed of and no gains and losses were generated.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks and the risks related to agricultural activities arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The group's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 15-90 days from the date of billing. Debtors with balances that are more than 7 working days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At March 31, 2011, 2012 and 2013, 74%, 22% and 13% of the total trade receivables were due from the Group's largest customer and 85%, 37% and 52% were due from the five largest customers within the dairy farming, liquid milk products production, milk powders production and grain processing and trading segments.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Section B Note 17.

(b) Liquidity risk

The raising of financings is centrally managed by the head office of the Group to cover the expected cash demands of all the group entities. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of March 31, 2011, 2012 and 2013 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, the rates current at the respective reporting period end dates) and the earliest date the Group can be required to pay:

	At March 31, 2011 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at March 31
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	469,637	—	—	—	469,637	469,637
Accrued expenses and other payables	1,037,328	—	—	—	1,037,328	1,037,328
Amounts due to the Controlling Shareholder and his affiliates	1,275,344	—	—	—	1,275,344	1,275,344
Bank loans	315,640	274,201	1,068,496	1,089,649	2,747,986	2,142,500
	3,097,949	274,201	1,068,496	1,089,649	5,530,295	4,924,809

At March 31, 2012

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at March 31
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	523,857	—	—	—	523,857	523,857
Accrued expenses and other payables	367,489	—	—	—	367,489	367,489
Amounts due to the Controlling Shareholder and his affiliates	2,799,556	—	—	—	2,799,556	2,799,556
Income tax payable	1,583	—	—	—	1,583	1,583
Bank loans	522,221	495,198	972,467	885,183	2,875,069	2,279,320
	4,214,706	495,198	972,467	885,183	6,567,554	5,971,805

At March 31, 2013

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at March 31
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	910,465	—	—	—	910,465	910,465
Accrued expenses and other payables	434,558	—	—	—	434,558	434,558
Amounts due to the Controlling Shareholder and his affiliates	14,702	—	—	—	14,702	14,702
Income tax payable	10,147	—	—	—	10,147	10,147
Bank loans	1,030,240	614,150	1,317,371	577,849	3,539,610	3,011,305
	2,400,112	614,150	1,317,371	577,849	4,909,482	4,381,177

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing bank loans. Bank loans issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group as at March 31, 2011, 2012 and 2013:

	At March 31, 2011		At March 31, 2012		At March 31, 2013	
	Effective interest rate		Effective interest rate		Effective interest rate	
	%	RMB'000	%	RMB'000	%	RMB'000
Fixed rate bank loans ...	5.95%	88,000	6.13%	166,893	5.41%	382,498
Variable rate bank loans	6.77%	2,054,500	7.42%	2,112,427	6.72%	2,628,807
Total bank loans		2,142,500		2,279,320		3,011,305
Fixed rate bank loans as a percentage of total bank loans		4.11%		7.32%		12.70%

(ii) Sensitivity analysis

At March 31, 2011, 2012 and 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately RMB10.11 million, RMB12.64 million and RMB18.31 million respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after taxation and retained profits assuming that the change in interest rates had occurred at the respective reporting period end dates and had been applied to re-measure the above bank loans held by the Group which expose the Group to the interest rate risks at the respective reporting period end dates. The impact on the Group's profit after taxation and retained profits is estimated as an annualised impact on the interest expenses recognised in the income statement of such a change in interest rates. The sensitivity analysis is performed on the same basis for the Relevant Periods.

(d) Currency risk

The Group is exposed to currency risk primarily through borrowing bank loans and purchases of dairy cows and property, plant and equipment which give rise to bank loans, deposits and prepayments, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars ("USD"), European dollars ("EURO") and Hong Kong dollars ("HKD").

(i) Exposure to currency risk

The following table details the Group's exposure at March 31, 2011, 2012 and 2013 to currency risk arising from recognised assets or liabilities denominated in USD, EURO and HKD. For presentation purpose, the amounts of the exposure are shown in RMB, translated using the spot rate at the respective reporting period end dates. Differences resulting from the translation of the financial statements of the operations which have a functional currency other than the Group's presentation currency (RMB) into the Group's presentation currency are excluded.

	At March 31, 2011		
	USD	**EURO**	**HKD**
	RMB'000	**RMB'000**	**RMB'000**
Deposits and other receivables	128,701	1,839	—
Cash and cash equivalents	2,098	—	—
Bank loans	(291,094)	—	—
Net exposure arising from recognised assets and liabilities	(160,295)	1,839	—

	At March 31, 2012		
	USD	**EURO**	**HKD**
	RMB'000	**RMB'000**	**RMB'000**
Deposits and other receivables	118,660	—	—
Cash and cash equivalents	349,537	—	—
Bank loans	(519,004)	—	—
Net exposure arising from recognised assets and liabilities	(50,807)	—	—

	At March 31, 2013		
	USD	**EURO**	**HKD**
	RMB'000	**RMB'000**	**RMB'000**
Deposits and other receivables	—	—	2,701
Cash and cash equivalents	138,949	—	296
Trade and bills payables	(1,951)	(6,035)	—
Accrued expenses and other payables	—	—	(36,155)
Bank loans	(463,223)	(71,128)	—
Net exposure arising from recognised assets and liabilities	(326,225)	(77,163)	(33,158)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after taxation and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the Relevant Periods had changed at that date, assuming all other risk variables remained constant.

	At March 31, 2011		At March 31, 2012		At March 31, 2013	
	Strengthening/ (weakening) of foreign currency against RMB	Increase/ (decrease) in profit after taxation and retained profits	Strengthening/ (weakening) of foreign currency against RMB	Increase/ (decrease) in profit after taxation and retained profits	Strengthening/ (weakening) of foreign currency against RMB	Increase/ (decrease) in profit after taxation and retained profits
		RMB'000		RMB'000		RMB'000
USD	5%	(8,130)	5%	(6,858)	5%	(17,481)
USD	(5%)	8,130	(5%)	6,858	(5%)	17,481
EURO	20%	276	15%	—	10%	(5,787)
EURO	(20%)	(276)	(15%)	—	(10%)	5,787
HKD	5%	—	5%	—	5%	(1,367)
HKD	(5%)	—	(5%)	—	(5%)	1,367

Results of the sensitivity analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's entity's profit after taxation and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the respective reporting period end dates for presentation purposes.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those assets or liabilities held by the Group which expose the Group to foreign currency risk at March 31, 2011, 2012 and 2013, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The sensitivity analysis excludes the differences that would result from the translation of the financial statements of the operations which have a functional currency other than the Group's presentation currency (RMB) into the Group's presentation currency. The sensitivity analysis is performed on the same basis for the Relevant Periods.

(e) Risks related to agricultural activities

The Group is exposed in financial risks arising from changes in milk prices. The Group does not anticipate that milk prices will decline significantly in the foreseeable future and therefore, has not entered into any derivative or other contracts to manage the risk of a decline in milk prices. The Group reviews its outlook for milk prices regularly in considering the need for active financial risk management.

(f) Fair values

(i) Fair value hierarchy

The table below analyses the recurring assets and liabilities carried at fair value of the Group. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: unobservable inputs for the asset or liability.

	At March 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Calves and heifers	—	—	755,789	755,789
Milkable cows	—	—	549,087	549,087
Alfalfa roots	—	—	—	—
Total biological assets	—	—	1,304,876	1,304,876
Raw milk	—	—	—	—
Alfalfa grass	—	—	—	—
Total agricultural produce	—	—	—	—
Derivative financial liability	—	—	—	—

	At March 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Calves and heifers	—	—	1,359,600	1,359,600
Milkable cows	—	—	914,141	914,141
Alfalfa roots	—	—	4,137	4,137
Total biological assets	—	—	2,277,878	2,277,878
Raw milk	—	—	—	—
Alfalfa grass	—	—	—	—
Total agricultural produce	—	—	—	—
Derivative financial liability	—	—	16,045	16,045

	At March 31, 2013			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Calves and heifers	—	—	1,545,744	1,545,744
Milkable cows	—	—	1,690,524	1,690,524
Alfalfa roots	—	—	5,604	5,604
Total biological assets	—	—	3,241,872	3,241,872
Raw milk	—	—	—	—
Alfalfa grass	—	22,605	—	22,605
Total agricultural produce	—	22,605	—	22,605
Derivative financial liability	—	—	16	16

Raw milk and alfalfa grass are initially measured upon harvest at their fair values less costs to sell at the point of harvest, determined based on the market prices quoted in the local area (level 2). As at March 31, 2011 and 2012, the Group did not have any milked or harvested but unsold or unused raw milk or alfalfa grass. As at March 31, 2013, the Group did not have any unsold or unused raw milk but had RMB22.6 million harvested but unused alfalfa grass.

The reconciliations from the beginning balances to the ending balances for fair value measurements of the above assets and liabilities are disclosed in Section B Notes 15 and 26.

(ii) The following table shows the valuation techniques used in the determination of fair values within Level 3 of the hierarchy, as well as the key unobservable inputs used in the valuation models.

Type	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Biological assets			
Calves and heifers	The fair value of 14 months old heifers is determined by referring to the market price of the actively traded market.	• Average market price of the heifers of 14 months old: RMB20,384 to RMB22,109.	• The estimated fair value increases when the market price increases.
	The fair values of the heifers older than 14 months old are determined by adding the breeding costs required to raise the heifers from 14 months old to the respective specific ages plus the estimated margins that would be required by a raiser. The fair values of the heifers younger than 14 months old and the fair values of the calves are determined by subtracting the breeding costs required to raise the calves or heifers from the respective specific ages to 14 months old and the margins that would be required by a raiser.	• Average breeding costs per head for the breeding period and the estimated margins that would be required by a raiser of the heifers older than 14 months old: RMB9,612 to RMB10,855 in the three years ended March 31, 2013, while for the calves and the heifers younger than 14 months old: RMB10,401 to RMB12,837 in the three years ended March 31, 2013.	• The estimated fair value of the heifers older than 14 months old increases when the breeding costs and the estimated margins that would be required by a raiser increase. The estimated fair value of the calves and the heifers younger than 14 months old decreases when the breeding costs and the estimated margins that would be required by a raiser increase.

Type	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Milkable cows	The fair values of milkable cows are determined by using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows.	• For the quantity of the milkable cows, assuming the number of the existing milkable cows as at the Relevant Periods ends will decrease in the projection period at certain culling rates due to natural or unnatural factors, which include illness, difficult birth, low milk production or finish of all lactation periods. Estimated overall culling rate is ranged from over 10% up to 100% along with the increase of the number of the lactation periods.	• The estimated fair value decreases when the estimated culling rates increase.
		• A milkable cow could have as many as five to six lactation periods. Estimated average raw milk production volume per head for one lactation period is ranged from 7.3 tonnes to 10.6 tonnes depending on the number of the lactation periods and the individual physical condition.	• The estimated fair value increases when the estimated raw milk production volume increases.
		• Estimated future raw milk local market prices per tonne for the years ended March 31, 2011, 2012 and 2013: RMB4,090 to RMB4,580.	• The estimated fair value increases when the estimated future raw milk local market price increases.
		• Discount rate is 13.8%, 13.7% and 12.7% for the year ended March 31, 2011, 2012 and 2013, respectively, calculated by using the Capital Asset Pricing Model.	• The estimated fair value decreases when discount rate increases.

Type	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Alfalfa roots	The fair values of alfalfa roots are determined based on their escalated average costs, using appropriate inflation-related indices, of each year of planting adjusted for the remaining expected life. Expected useful lives are currently seven years.	• Costs incurred for purchasing and sowing alfalfa seeds: RMB4.9 million and RMB2.0 million for the years ended March 31, 2012 and 2013, respectively.	• The estimated fair value increases when the costs incurred for purchasing and sowing seeds increase.
		• Inflation rate: 3.6% and 2.1% for the years ended March 31, 2012 and 2013, respectively.	• The estimated fair value increases when inflation rate increases.
Derivative financial liability	The fair value of derivative financial liability, i.e. the credit derivatives (see Section B Note 26), is determined based on the solvency of the bond issuer, the Company's parent company, which in turn, based on the solvency of the Group, by using the KMV-Merton model.	• Maturity date of the bond issued by the Company's parent company: June 28, 2014.	• The estimated fair value decreases when the valuation date approaches to maturity date.
		• Total liabilities excluding the amount of the derivative financial liability of the Group: RMB6,291 million and RMB4,612 million as at March 31, 2012 and 2013, respectively.	• The estimated fair value increases when the total liabilities increase.
		• Total equity of the Group: RMB882 million and RMB5,883 million as at March 31, 2012 and 2013, respectively.	• The estimated fair value decreases when the total equity of the Group increases.
		• Net profit of the Group: RMB450 million and RMB945 million for the years ended March 31, 2012 and 2013, respectively.	• The estimated fair value decreases when the net profit of the Group increases.

32 COMMITMENTS

(a) Capital commitments outstanding at each end of statements of financial position not provided for in the Financial Information were as follows:

	At March 31,		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Contracted for:			
- Property, plant and equipment	591,813	363,540	276,647

(b) At each end of statements of financial position, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within one year	—	141	1,878

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with the Controlling Shareholder and his affiliates

		Years ended March 31,		
	Note	2011	2012	2013
		RMB'000	RMB'000	RMB'000
Sale of raw milk	(i)	171,678	378,547	—
Sale of grain products	(i)	33,262	6,322	72,659
Sale of dairy products	(i)	15,388	118,208	218
Purchase of dairy cows	(i)	125,031	—	—
Purchase of materials	(i)	26,137	43,634	12,955
Consignment production expenses	(ii)	—	18,376	73,620
Operating leases of dairy farms and office buildings	(iii)	3,167	7,654	7,665
Purchase of property, plant and equipment	(iv)	18,346	—	5,758
Disposal of property, plant and equipment	(iv)	13,622	—	80
Net increase/(decrease) in advances granted to the Controlling Shareholder and his affiliates	(v)	402,244	(408,619)	(10,320)
Net increase/(decrease) in advances granted by the Controlling Shareholder and his affiliates	(v)	849,652	1,584,869	(779,654)

Further details on guarantees provided by related parties for the Group's bank loans, shares charged and credit derivatives provided for related parties, acquisitions of non-controlling interests from related parties and disposals of subsidiaries to related parties are disclosed in Section B Notes 25, 26, 29(e) and 30(d), respectively.

Notes:

(i) These transactions have been ceased in the Relevant Periods and the directors of the Company do not expect these transactions to be rearranged after the Relevant Periods.

(ii) The transaction has been ceased in May 2013 and the directors of the Company do not expect the transaction to be rearranged after the listing of the Company's shares on the Stock Exchange.

(iii) These transactions are expected to continue after the listing of the Company's shares on the Stock Exchange.

(iv) The considerations were determined by reference to the carrying amounts of respective property, plant and equipment and the directors of the Company do not expect these transactions to be continued after the listing of the Company's shares on the Stock Exchange.

(v) These advances are unsecured and have no fixed terms of repayment and have been repaid or paid up by May 2013, details of which are disclosed in Section B Notes 19 and 24.

(vi) In addition to the above material transactions, the Group's grain products production subsidiary leased plant from an affiliate of the Controlling Shareholder without any charge. The directors of the Company do not expect this transaction to be continued after June 2013.

(vii) In addition to the above material transactions, during the Relevant Periods, the Group uses the trademarks of "Huishan" brand owned by an affiliate of the Controlling Shareholder free of charge. The directors of the Company do not expect these transactions to be continued after such trademarks are transferred to the Group by December 2013.

(b) Balances due from/(to) the Controlling Shareholder and his affiliates

	At March 31,		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Trade receivables	103,866	35,895	—
Prepayments	176,500	26,772	5,000
Amounts due from the Controlling Shareholder and his affiliates	408,619	—	—
Trade payables	(36,050)	(63,196)	(44,118)
Receipts in advance	(82)	(96,968)	—
Accrued expenses and other payables	(702,853)	(66,250)	(36,730)
Amounts due to the Controlling Shareholder and his affiliates#	(1,275,344)	(2,799,556)	(14,702)

As disclosed in Section B Note 24, the balance as at March 31, 2013 has been paid up on May 2, 2013.

Further details on the above balances are set out in Section B Notes 17, 18, 19, 21, 22, 23 and 24.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Section B Note 7 and certain of the highest paid employees as disclosed in Section B Note 8, is as follows:

	Years ended March 31,		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Short-term employee benefits	706	796	6,745
Retirement scheme contributions	136	138	189
	842	934	6,934

34 ACCOUNTING JUDGEMENTS AND ESTIMATES

Section B Note 31(f) contains information about the assumptions relating to the fair values of biological assets, agricultural produce at the point of harvest and derivative financial liability. Other key sources of estimation uncertainty are as follows:

(a) Impairment of receivables

The management assesses doubtful accounts for estimated losses resulting from the inability of the debtors to make the required payments. The management bases the estimates on the assessment of recoverability of individual receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with the accounting policy for impairment of long-lived assets as described in Section B Note 1(o)(ii). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying amount of the assets and could result in an additional impairment charge or a reversal of impairment in future periods, where applicable.

(c) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and residual values are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

35 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At March 31, 2013, the directors consider the immediate parent and ultimate holding party of the Group to be Champ Harvest Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING YEAR ENDED MARCH 31, 2013

As at the date of the Financial Information, the IASB has issued the following new standards, amendments to standards and interpretations which are not yet effective for the accounting year ended March 31, 2013.

	Effective for accounting years beginning on or after
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	*July 1, 2012*
Government Loans (Amendments to IFRS 1)	*January 1, 2013*
Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	*January 1, 2013*
IFRS 10 Consolidated Financial Statements	*January 1, 2013*
IFRS 11 Joint Arrangements	*January 1, 2013*
IFRS 12 Disclosure of Interests in Other Entities	*January 1, 2013*
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	*January 1, 2013*
IFRS 13 Fair Value Measurement	*January 1, 2013*
IAS 19 Employee Benefits (2011)	*January 1, 2013*
IAS 27 Separate Financial Statements (2011)	*January 1, 2013*
IAS 28 Investments in Associates and Joint Ventures (2011)	*January 1, 2013*
Annual Improvements to IFRSs — 2009 — 2011 Cycle	*January 1, 2013*
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	*January 1, 2013*
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	*January 1, 2014*
IFRS 9 Financial Instruments (2010)	*January 1, 2015*
IFRS 9 Financial Instruments (2009)	*January 1, 2015*

The Group is in the process of making an assessment of what the impact of these new standards, amendments to standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

37 STATUTORY AUDIT

The statutory financial statements of the companies now comprising the Group which are subject to statutory audit during the Relevant Periods were audited by the following auditors:

Name of company	Statutory financial year/period	Name of auditors
Liaoning Huishan Dairy Group Co., Ltd. ("Liaoning Huishan Dairy") 遼寧輝山乳業集團有限公司	Year ended December 31, 2010	Liaoning Zhenghe Certified Public Accountants[i] 遼寧正和會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group Xiahe Farming Co., Ltd. 遼寧輝山乳業集團峽河牧業有限公司	Year ended December 31, 2010	Liaoning Zhonghuaxin Certified Public Accountants[i] 遼寧中華信會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group Jiubing Farming Co., Ltd. 遼寧輝山乳業集團救兵牧業有限公司	Year ended December 31, 2010	Liaoning Zhonghuaxin Certified Public Accountants[i] 遼寧中華信會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group Baihua Farming Co., Ltd. 遼寧輝山乳業集團百花牧業有限公司	Year ended December 31, 2010	Liaoning Zhonghuaxin Certified Public Accountants[i] 遼寧中華信會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group (Fushun) Co., Ltd. 遼寧輝山乳業集團(撫順)有限公司	Year ended December 31, 2010	Liaoning Huanbohai Certified Public Accountants[i] 遼寧環渤海會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group Xiushui Farming Co., Ltd. 遼寧輝山乳業集團秀水牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants[i] 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)

Name of company	Statutory financial year/period	Name of auditors
Liaoning Huishan Group Wangshu Farming Co., Ltd. 遼寧輝山乳業集團王樹牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group Yushu Farming Co., Ltd. 遼寧輝山乳業集團榆樹牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group Pengjia Farming Co., Ltd. 遼寧輝山乳業集團彭家牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group Sunjia Farming Co., Ltd. 遼寧輝山乳業集團孫家牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group Yemaotai Farming Co., Ltd. 遼寧輝山乳業集團葉茂台牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group Dasan Farming Co., Ltd. 遼寧輝山乳業集團大三牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group Woniushi Farming Co., Ltd. 遼寧輝山乳業集團臥牛石牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)

Name of company	Statutory financial year/period	Name of auditors
Liaoning Huishan Group Shuangtaizi Farming Co., Ltd. 遼寧輝山乳業集團雙台子牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group Taiping Farming Co., Ltd. 遼寧輝山乳業集團太平牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group (Xiushui) Co., Ltd. 遼寧輝山乳業集團(秀水)有限公司	Years ended December 31, 2010 and 2011	Ernst & Young Hua Ming (Special General Partnership) 安永華明會計師事務所（特殊普通合夥）
	Year ended December 31, 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Yixian Guanghua Farming Co., Ltd. 義縣光華牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Yixian Aohua Farming Co., Ltd. 義縣澳華牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Yixian Shengdao Farming Co., Ltd. 義縣勝道牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Yixian Longbang Farming Co., Ltd. 義縣龍邦牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)

Name of company	Statutory financial year/period	Name of auditors
Yixian Zhongao Farming Co., Ltd. 義縣中澳牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Yixian Heguang Farming Co., Ltd. 義縣荷光牧業有限公司	Year ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group (Jinzhou) Co., Ltd. 遼寧輝山乳業集團(錦州)有限公司	Year ended December 31, 2010	Liaoning Huanbohai Certified Public Accountants(i) 遼寧環渤海會計師事務所有限公司
	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Cheungrui Trading Company Limited 遼寧晟瑞貿易有限公司	Year ended December 31, 2010	Shenyang Gongxin Certified Public Accountants(i) 瀋陽公信會計師事務所有限責任公司
	Year ended December 31, 2011	Daxin Certified Public Accountants Liaoning Branch(i) 大信會計師事務有限公司遼寧分所
	Year ended December 31, 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Shiling Farming Co., Ltd. 遼寧世領自營牧場有限公司	Period ended December 31, 2010	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
	Year ended December 31, 2011	Liaoning Huanbohai Certified Public Accountants(i) 遼寧環渤海會計師事務所有限公司
	Year ended December 31, 2012	Liaoning Zhongping Certified Public Accountants(i) 遼寧中平會計師事務所有限公司
Liaoning Huishan Group Sihecheng Farming Co., Ltd. 遼寧輝山乳業集團四合城牧業有限公司	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Group Fuxing Farming Co., Ltd. 遼寧輝山乳業集團福興牧業有限公司	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)

Name of company	Statutory financial year/period	Name of auditors
Liaoning Huishan Group Xinqiu Farming Co., Ltd. 遼寧輝山乳業集團新秋牧業有限公司	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Holdings (Group) Youxian Farming Co., Ltd. 遼寧輝山控股(集團)優鮮牧業有限公司	Year ended December 31, 2011(ii)	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Holdings (Group) Mantanghong Farming Co., Ltd. 遼寧輝山控股(集團)滿堂紅牧業有限公司	Year ended December 31, 2011(ii)	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Holdings (Group) Liangjiazi Farming Co., Ltd. 遼寧輝山控股(集團)兩家子牧業有限公司	Year ended December 31, 2011(ii)	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Holdings (Group) Leyuan Farming Co., Ltd. 遼寧輝山控股(集團)樂源牧業有限公司	Year ended December 31, 2011(ii)	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Holdings (Group) Daleng Farming Co., Ltd. 遼寧輝山控股(集團)大冷牧業有限公司	Year ended December 31, 2011(ii)	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Zhangwu Youpin Agriculture Feedstock Co., Ltd. 彰武優品農牧飼料有限公司	Years ended December 31, 2011 and 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Liaoning Huishan Holdings (Group) Zhangwu Dairy Co., Ltd. 遼寧輝山控股(集團)彰武乳業有限公司	Year ended December 31, 2011(ii)	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Shenyang Maoyuan Grass Co., Ltd. 瀋陽茂源草業有限公司	Period ended December 31, 2011	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
	Year ended December 31, 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Huishan Dairy (Shenyang) Sales Co., Ltd. 輝山乳業(瀋陽)銷售有限公司	Period ended December 31, 2011	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
	Year ended December 31, 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
Huishan Dairy (Jinzhou) Sales Co., Ltd. 輝山乳業(錦州)銷售有限公司	Period ended December 31, 2011	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)
	Year ended December 31, 2012	KPMG Huazhen (Special General Partnership) 畢馬威華振會計師事務所(特殊普通合夥)

Name of company	Statutory financial year/period	Name of auditors
China Huishan Dairy Investments (Hong Kong) Limited 中國輝山乳業投資(香港)有限公司	Period ended December 31, 2010	Tony W.H. Lee & Co. 李永恒會計師事務所
	Years ended March 31, 2012 and 2013	Tony W.H. Lee & Co. 李永恒會計師事務所
China Huishan Dairy Holdings (Hong Kong) Limited 中國輝山乳業控股(香港)有限公司	Years ended March 31, 2012 and 2013	Tony W.H. Lee & Co. 李永恒會計師事務所

(i) The official names of these accounting firms are in Chinese. The English translation of the names is for reference only.

(ii) No statutory audits were performed for these companies for the statutory financial year ended December 31, 2012 as these companies are exempted from statutory audit requirements for the year as these companies were still in their start-up period as of December 31, 2012 and have been planned to deregistrate pursuant to the board resolution made on March 6, 2013 (see Section C below) before the due date of the statutory filing.

C SUBSEQUENT EVENTS

Establishment of subsidiaries

On April 18, 2013 and August 29, 2013, the Group established a wholly-owned subsidiary, Jinzhou Guhai Life Agriculture Technology Co., Ltd. and Tieling Shenghui Ecological Agricultural Technology Co., Ltd., respectively, to conduct grain growing and grass growing business.

On July 4, 2013, the Group established a wholly-owned subsidiary, Jinzhou Agricultural and Dairy Feedstuffs Co., Ltd., to conduct feeds production business.

On August 29, 2013, the Group established two wholly-owned subsidiaries, Liaoning Huishan Dairy Group Jinxing Farming Co., Ltd. and Liaoning Huishan Dairy Group Fengyuan Farming Co., Ltd., to conduct dairy farming business.

Deregistration of subsidiaries

On April 3, 2013, the Group deregistrated a subsidiary, Liaoning Cheungrui Trading Company Limited.

On July 9, 2013, the Group deregistrated a subsidiary, Liaoning Huishan Holdings (Group) Zhangwu Dairy Co., Ltd.

On July 11, 2013, the Group deregistrated five subsidiaries, Liaoning Huishan Holdings (Group) Youxian Farming Co., Ltd., Liaoning Huishan Holdings (Group) Mantanghong Farming Co., Ltd., Liaoning Huishan Holdings (Group) Liangjiazi Farming Co., Ltd., Liaoning Huishan Holdings (Group) Leyuan Farming Co., Ltd., and Liaoning Huishan Holdings (Group) Daleng Farming Co., Ltd.

D STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

The Company's statements of financial position at March 31, 2011, 2012 and 2013 are as follows:

	At March 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Non-current assets			
Investments in subsidiaries (*Section D Note (a)*)	—	7	1,185,760
Current assets			
Other receivables (*Section D Note (b)*)	—	1,996,576	2,902,536
Amounts due from the Controlling Shareholder and his affiliates (*Section D Note (c)*)	1	—	63
Cash and cash equivalents	—	—	5,087
	1	1,996,576	2,907,686
Current liabilities			
Other payables	—	—	6,277
Amounts due to the Controlling Shareholder and his affiliates (*Section D Note (d)*)	—	1,996,558	12,011
	—	1,996,558	18,288
Net current assets	1	18	2,889,398
Total assets less current liabilities	1	25	4,075,158
Net assets	1	25	4,075,158
Capital and reserves			
Share capital (*Section D Note (e)*)	1	65	74
Reserves (*Section D Note (e)*)	—	(40)	4,075,084
Total equity	1	25	4,075,158

Notes:

(a) Investments in subsidiaries

Investments in subsidiaries at March 31, 2012 included an investment in a subsidiary, China Huishan Dairy Holdings International Limited acquired under the Reorganisation in June 2011. Investments in subsidiaries at March 31, 2013 included the investment in China Huishan Dairy Holdings International Limited and an investment in a subsidiary, China Huishan Dairy Investments International Limited, acquired in August 2012 as disclosed in Section B Note 30(b), at a total consideration of 1,494,252 shares issued by the Company.

(b) Other receivables

This represents the advances granted by the Company to its subsidiaries incorporated in the British Virgin Islands and Hong Kong for their investments in the Group's PRC subsidiaries. These advances are unsecured, non-interest bearing and have no fixed terms of repayment.

(c) Amounts due from the Controlling Shareholder and his affiliates

The amounts due from the Controlling Shareholder and his affiliates are unsecured, non-interest bearing and have no fixed terms of repayment.

(d) Amounts due to the Controlling Shareholder and his affiliates

This represents the advances from the Company's parent company, Champ Harvest Limited, for financing the advances to the Company's subsidiaries as disclosed in Section D Note (b) above. These advances are unsecured, non-interest bearing and have no fixed terms of repayment. As disclosed in Section B Note 29(c)(ii), pursuant to the board resolution dated March 30, 2013, an amount of USD317.19 million standing advances from the parent company was applied in paying up in full 1 share of the Company allotted to the parent company at USD0.001. The surplus of the amount of the advances capitalised over the par value of the share issued was credited to equity of the Company as share premium (see Section D Note (e) below).

(e) Capital and reserves

(i) Share capital

The Company was incorporated on March 31, 2011 and has not carried out any business since the date of its incorporation save for the Reorganisation.

On the date of incorporation, the Company issued 1 ordinary share at USD1 and then issued 9,999 ordinary shares at USD1 each on May 23, 2011, and the shares issued have been fully paid.

On August 30, 2012, the Company subdivided the above 10,000 ordinary shares of USD1 each to 10,000,000 shares at USD0.001 each, and issued 1,494,252 ordinary shares at USD0.001 each for acquisition of the subsidiaries as disclosed in Section B Note 30(b).

On March 30, 2013, the Company issued 2 ordinary shares at USD0.001 each, among which, one for the contributions by owners of the Company (see Section B Note 29(c)(i)) and one for the capitalisation of the advances from the Controlling Shareholder and his affiliates (see Section B Note 29(c)(ii)).

(ii) Movements in components of equity

	Year ended March 31, 2012				
	Share capital	**Share premium**	**Exchange reserve**	**Accumulated losses**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At March 31, 2011 (date of incorporation)	1	—	—	—	1
Changes in equity for 2012:					
Loss for the year	—	—	—	(39)	(39)
Other comprehensive income	—	—	(1)	—	(1)
Total comprehensive income	—	—	(1)	(39)	(40)
Contributions by owners of the Company (*Section D Note (e)(i)*)	64	—	—	—	64
Transactions with equity holders of the Company	64	—	—	—	64
At March 31, 2012	65	—	(1)	(39)	25

	Year ended March 31, 2013				
	Share capital	Share premium	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At April 1, 2012	65	—	(1)	(39)	25
Changes in equity for 2013:					
Loss for the year	—	—	—	(3,779)	(3,779)
Other comprehensive income	—	—	(12,924)	—	(12,924)
Total comprehensive income	—	—	(12,924)	(3,779)	(16,703)
Contributions by owners of the Company (*Section D Note (e)(i), Section B Note 29(c)(i)*)	—	907,446	—	—	907,446
Capitalisation of the advances from the Controlling Shareholder and his affiliates (*Section D Note (e)(i), Section B Note 29(c)(ii)*)	—	1,994,167	—	—	1,994,167
Acquisition of subsidiaries not under common control (*Section D Note (e)(i), Section B Note 29(c)(iii)*)	9	1,190,214	—	—	1,190,223
Transactions with equity holders of the Company	9	4,091,827	—	—	4,091,836
At March 31, 2013	74	4,091,827	(12,925)	(3,818)	4,075,158

E SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared for the Company or any of the other companies now comprising the Group in respect of any period subsequent to March 31, 2013. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to March 31, 2013.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

The following information does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this Prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set out in Appendix I to this Prospectus.

A UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of China Huishan Dairy Holdings Company Limited (the "**Company**") and its subsidiaries (the "**Group**") is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the global offering by the Company of its shares (the "**Global Offering**") on the consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as of March 31, 2013 as if the Global Offering had taken place on March 31, 2013.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of March 31, 2013 or at any future date.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as of March 31, 2013(1)	Estimated net proceeds from the Global Offering(2)(4)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company(3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per Share(3)(4)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$2.28 per Share	4,950,959	5,179,896	10,130,855	0.70	0.87
Based on an Offer Price of HK$2.67 per Share	4,950,959	6,069,951	11,020,910	0.76	0.95

Notes:

(1) The consolidated net tangible assets attributable to the equity shareholders of the Company as of March 31, 2013 is based on the consolidated net assets attributable to the equity shareholders of the Company of RMB5,882.9 million as of March 31, 2013 after deduction of the goodwill of RMB932.0 million as of the date as shown in the Accountants' Report set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$2.28 and HK$2.67 per Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the underwriting fees and other related expenses payable by the Company of HK$228.9 million and HK$263.1 million, respectively.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 14,407,788,000 shares are expected to be in issue following the Global Offering (including 2,913,534,000 shares newly issued upon the Global Offering) and the respective Offer Prices of HK$2.28 and HK$2.67 per Share.

(4) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per Share are converted from or into Hong Kong dollars at an exchange rate of RMB0.81 to HK$1.00, the People's Bank of China rate prevailing on March 31, 2013. No representation is made that the HK$ amounts have been, could have been or may be converted into RMB, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to March 31, 2013.

B INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in connection with the unaudited pro forma financial information of the Group.

To the Directors of China Huishan Dairy Holdings Company Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Huishan Dairy Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") prepared by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at March 31, 2013 and related notes as set out in Part A of Appendix II to the prospectus dated September 13, 2013 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's consolidated financial position as at March 31, 2013 as if the Global Offering had taken place at March 31, 2013. As part of this process, information about the Group's consolidated financial position as at March 31, 2013 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of such events or transactions as if had occurred or been undertaken as at March 31, 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

September 13, 2013

Set forth below is a summary of the principal terms and conditions of the investment agreement (as amended from time to time) between Mr. Yang, Champ Harvest, the Exchangeable Bondholders and the documents (as amended and supplemented from time to time) associated with the Exchangeable Bonds (together, the "**Investment Documents**"):

Series A Exchangeable Bonds Principal Amount:	Series A Exchangeable Bonds are in the aggregate principal amount of US$170 million. Well Ease subscribed the entire amount.
Series B Exchangeable Bonds Principal Amount:	Series B Exchangeable Bonds are in the aggregate principal amount of US$120 million. Each of Alpha Spring, An Yu and Investec subscribed US$40 million.
Issue Price:	100% of the principal amount of the Exchangeable Bonds
Payment Date:	June 28, 2011
Issue Date:	June 28, 2011
Maturity Date:	June 27, 2014
Interest Rate:	4% per annum on the principal amount of the Exchangeable Bonds outstanding accruing from the Issue Date on a daily basis and shall be calculated on the basis of the actual number of days elapsed in a year of 360 days, including the first day of the period during which it accrues and including the last until the earlier of the exchange date, the redemption date or the Maturity Date
Payment of Interest:	Interest will be payable semi-annually in arrears on June 30 and December 31 in each year, and any accrued but unpaid interests shall be payable on exchange or redemption of the Exchangeable Bonds

Shareholding upon exchange in respect of the Series A Exchangeable Bonds:	The shareholding of Well Ease upon exchange of the Series A Exchangeable Bonds is based on the formula below: number of Shares upon exchange = (the aggregate principal amount of the Exchangeable Bonds to be exchanged / US$170 million) x approximately 14.7% x number of Shares outstanding at the exchange date provided that, upon the occurrence of an initial public offering of Shares of our Company ("**IPO**"), the number of Shares upon exchange shall be such number so that the value of such number of Shares immediately prior to the IPO shall be equal to approximately 14.7% multiplied by RMB24 billion
Shareholding upon exchange in respect of the Series B Exchangeable Bonds:	The shareholding of each of the Series B Exchangeable Bondholders upon exchange of the Series B Exchangeable Bonds is based on the formula below: number of Shares upon exchange = (the aggregate principal amount of the Exchangeable Bonds to be exchanged / US$40 million) x approximately 3.2% x number of Shares outstanding at the exchange date provided that, upon the occurrence of an IPO, the number of Shares upon exchange shall be such number so that the value of such number of Shares immediately prior to the IPO shall be equal to approximately 3.2% multiplied by RMB24 billion
Exchange Period:	Period commencing on the Issue Date and ending on the earlier of the date of the IPO and the Maturity Date. Mandatory exchange upon occurrence of the IPO

Matters requiring prior consent of Well Ease for so long it and its affiliates hold Exchangeable Bonds or exchanged shares in the value of RMB40 million:

In respect of Champ Harvest, the Company and its subsidiaries:

(a) amendment of memorandum or articles of association or constitutional documents;

(b) undertaking of any equity fund raising activities;

(c) undertaking of any changes in its share capital structure;

(d) making any investments, mergers and acquisitions or other capital expenditure in an aggregate amount of more than RMB5 million within 12 consecutive months other than those already approved in the annual budget;

(e) disposal of or the transfer of assets out of its ordinary course of business in an aggregate amount of more than RMB5 million within 12 consecutive months;

(f) as long as the ratio of total debt to shareholders' equity is no less than 45% or total debts exceeds RMB2.5 billion, incurring any new debt;

(g) provision of any loan (including entrusted loan), advance, guarantee, indemnity or other security interest or creation of any encumbrance on any of its assets in connection with any liability or obligation of any person;

(h) approval of the annual budget or any material amendment thereto; or in respect of anything not provided for in the annual budget;

(i) entering into any treasury transaction;

(j) initiating any proceedings, consenting to, filing any petition, or entering into any arrangement in connection with its winding-up, bankruptcy filing or liquidation (except where any such action has ceased), or cessation of business or de-registration or analogous proceedings;

(k) entering into any transaction(s) with Mr. Yang or any of his associates which exceeds RMB5 million within 12 consecutive months other than those already approved in the annual budget;

(l) appointment, removal or change of auditors, any change of financial year or major accounting policies;

(m) declaration and payment of any dividends or distributions, except in relation to retained earnings accumulated prior to completion of the issuance of the Exchangeable Bonds, the amount of which shall be determined based on the audited financial information in respect of such period prepared by the auditors;

(n) establishing any new subsidiary or entering into any joint venture with a third party;

(o) undertaking any initial public offering or listing other than an IPO on the Main Board of the Stock Exchange;

(p) determination of the offer price and offer price range of an IPO of the Company; and

(q) the adoption of any option or share incentive plan, employee shareholding trust or subscription plan or retirement plan in the form of shares, options or other securities which constitute more than 5% of the then outstanding Shares of the Company.

Rights of Well Ease: The existing rights of Well Ease prior to Listing, including:

(a) right to nominate two directors to the board of directors of Champ Harvest and various Group Members and remove the directors nominated;

(b) right to consent to nomination and appointment of chief financial officer of our Company and right to appoint deputy chief financial officer of our Company;

(c) right to appoint auditor to audit the accounts if our Company is in default of certain obligations;

(d) right to consent to transfer of shares of Champ Harvest by Mr. Yang;

(e) right to transfer the Exchangeable Bonds or the exchanged shares without prior consent of Mr. Yang;

(f) pre-emptive rights over new issue of equity securities of Champ Harvest and our Company;

(g) right of first refusal over proposed transfer of the Exchangeable Bonds or the exchanged shares by the other Exchangeable Bondholders or Mr. Yang;

(h) tag-along right over proposed transfer of shares by Mr. Yang in Champ Harvest or by Champ Harvest in our Company;

(i) in case of additional fundraising, right to consent to identity of investors and the terms of such fundraising;

(j) in case our Company has not passed the hearing of Listing Committee by December 31, 2013, right to determine a suitable timing for listing of our Group;

(k) right to receive prescribed information about our Group;

(l) right to consent to the amendment to the Investment Documents;

(m) in case our Group fails to meet a profits target, a penalty shareholding will apply; and

(n) in case of subsequent financing or capital restructuring, anti-dilution adjustment will apply.

Well Ease's entitlement to the rights set out in paragraphs (a), (b), (d) (e) and (j) is conditioned upon it and its affiliates continuing to hold Exchangeable Bonds or exchanged shares at least in the value of RMB40 million.

Rights of the Series B Exchangeable Bondholders:	The existing rights of the Series B Exchangeable Bondholders prior to Listing, including: (a) pre-emptive rights over new issue of equity securities of Champ Harvest and our Company; (b) right of first refusal over proposed transfer of the Exchangeable Bonds or the exchanged shares by other Exchangeable Bondholders or Mr. Yang; (c) tag-along right over proposed transfer of shares by Mr. Yang in Champ Harvest or Champ Harvest in our Company; (d) in case our Group fails to meet a profits target, a penalty shareholding will apply; and (e) in case of subsequent financing or capital restructuring, anti-dilution adjustment will apply.
Status:	The Exchangeable Bonds constitute direct, senior, unsubordinated, unconditional and secured obligations of Champ Harvest and shall at all times rank pari passu and ratably without preference or priority amongst themselves.
Redemption at Maturity:	All the remaining outstanding Exchangeable Bonds shall be redeemed by Champ Harvest on the Maturity Date.
Redemption on Event of Default:	Save as otherwise consented to by Well Ease, if one or more than one of the events of default occurs at any time after the Issue Date, any Exchangeable Bondholder may require Champ Harvest to redeem all or part of the outstanding Exchangeable Bonds. Event of default means, inter alia, the happening of any of the following events: (a) failure to make payment on due date by Champ Harvest pursuant to the Investment Documents; (b) order or judgment against Champ Harvest or any member of our Group for liquidation, dissolution or split up remains undischarged for a period in excess of 30 days or cessation of business of Champ Harvest or any member of our Group in the ordinary and usual course;

(c) failure to deliver or transfer shares following exchange of the Exchangeable Bonds by Champ Harvest;

(d) failure to issue an audit report in respect of our Company and members of our Group within three months after financial year end or issuance of a qualified audit report by the auditors of our Company;

(e) nationalization of all or a material part of assets of Champ Harvest or any member of our Group;

(f) any action, condition or thing required to be taken by Champ Harvest or any member of our Group to enable Champ Harvest or any member of our Group to comply with the obligations under the Investment Documents is not taken, fulfilled or done;

(g) non-compliance of the provisions of the Investment Documents by Champ Harvest or Mr. Yang;

(h) misrepresentation made by Champ Harvest or Mr. Yang in the Investment Documents;

(i) cross default in respect of other Indebtedness of Champ Harvest or any member of our Group;

(j) Champ Harvest or any member of our Group being subject to insolvency or bankruptcy proceedings;

(k) any expropriation, attachment, sequestration, distress or execution affecting assets of Champ Harvest or any member of our Group;

(l) failure to comply with final judgments by Champ Harvest or any member of our Group;

(m) unlawful or ineffective security under the security documents associated with the investment agreement;

(n) repudiation and unenforceability of the Investment Documents;

(o) Mr. Yang ceasing to be the controlling shareholder or the single largest shareholder of Champ Harvest or our Group or ceasing to exercise management control over Champ Harvest or our Group or the aggregate shareholding of Mr. Yang and Mr. Li Anmin in Champ Harvest and our Group is less than 51%;

(p) any litigation, arbitration, administrative, governmental, regulatory or other investigations or proceedings before any court, arbitral body or agency being commenced or are pending against Champ Harvest or any member of our Group which would reasonably be expected to have a material adverse effect on Champ Harvest or our Group;

(q) cessation of business, shut-down or abandonment of the operation by Champ Harvest or any member of our Group which would reasonably be expected to a material adverse effect on Champ Harvest or our Group;

(r) Mr. Yang being incapable to manage his own affairs; and

(s) any event or circumstance of a nature which would reasonably be expected to have a material adverse effect on Champ Harvest or our Group.

The above events of default are typical terms for instruments of a similar nature as the Exchangeable Bonds.

Guarantee: A personal guarantee was granted by Mr. Yang in favour of each Exchangeable Bondholder pursuant to the deeds of guarantee.

Share Charges:

(a) all of the shares in Champ Harvest were charged in favour of the Exchangeable Bondholders pursuant the deeds of share charge between each of Mr. Yang, King Pavilion Limited and Gain Excellence Limited and each Exchangeable Bondholder respectively;

(b) 87% of the shares in our Company which were held by Champ Harvest was charged in favour of the Exchangeable Bondholders pursuant to the deeds of share charge between Champ Harvest and each Exchangeable Bondholder respectively;

(c) all of the shares in Huishan Holdings International were charged in favour of the Exchangeable Bondholders pursuant to the deeds of share charge between our Company and each Exchangeable Bondholder respectively;

(d) all of the shares in Huishan Holdings (Hong Kong) were charged in favour of the Exchangeable Bondholders pursuant to the deeds of share charge between Huishan Holdings International and each Exchangeable Bondholder respectively;

(e) all of the shares in Liaoning Huishan Dairy were charged in favour of the Exchangeable Bondholders pursuant to the deeds of share charge between Huishan Holdings (Hong Kong) and each Exchangeable Bondholder respectively;

(f) the entire interest in Jinzhou Huishan Sales was charged in favour of the Exchangeable Bondholders pursuant to the equity pledge between Huishan Holdings (Hong Kong) and each Exchangeable Bondholder respectively; and

(g) the entire interest in Shenyang Huishan Sales was charged in favour of the Exchangeable Bondholders pursuant to the equity pledge between Huishan Holdings (Hong Kong) and each Exchangeable Bondholder respectively.

All the above share charges and equity pledges shall be released immediately before the Listing.

Transferability: The Exchangeable Bonds may only be transferred subject to the provisions in the investment agreement.

Use of Proceeds: Our Company shall apply the proceeds directly or indirectly towards the expansion of the business and operations and capital expenditure of our Group, including:

(a) purchase of cows;

(b) construction projects for dairy farms;

(c) construction projects for production facilities; and

(d) working capital purposes.

The Exchangeable Bondholders have acknowledged that the Company had met the profit targets prescribed in the Investment Documents for the financial years ended March 31, 2012 and March 31, 2013, respectively, and accordingly no penalty shareholding will apply upon an exchange of the Exchangeable Bonds. In addition, the Exchangeable Bondholders will cease to have the rights described in this appendix upon the full exchange of the Exchangeable Bonds, which will mandatorily occur upon an IPO.

This Appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in VI to this prospectus, a copy of the Memorandum and Articles of Association is available for inspection.

Set out below is a summary of certain provisions of the Memorandum of Association of the Company (the "**Memorandum**") and Articles and of certain aspects of the Companies Law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 31, 2011 under the Companies Law. The Memorandum and Articles were conditionally adopted pursuant to a shareholders' resolution passed on September 5, 2013, conditional upon and with effect from the Listing Date comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Composition of the board

Unless otherwise determined by the Company in general meeting, the number of directors shall not be less than three. There is no maximum number of directors.

(ii) Power to allot and issue Shares and warrants

Subject to the Articles, any direction that may be given by the Company in general meeting and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any Shares or any class of Shares, all Shares for the time being unissued shall be under the control of the Directors who may designate, re-designate, offer, issue, allot and dispose of the same to such persons, in such manner, on such terms and having such rights and being subject to such restrictions as they may from time to time determine but so that no Shares shall be issued at a discount; and grant options with respect to such Shares and issue warrants, convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of Shares or securities in the capital of the Company on such terms as they may from time to time determine, and, for such purposes, the Directors may reserve an appropriate number of Shares for the time being unissued.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful, impracticable or inexpedient. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting.

(iv) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(v) Loans and provision of security for loans to Directors

There are provisions in the Articles restricting the making of loans or provision of security to Directors.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company.

Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the Shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Cayman Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board of Directors approving any contract or arrangement or any other proposal in which he or any of his associate(s) has/have a material interest, but this prohibition shall not apply in respect of the following matters:

(aa) the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associate(s) or obligations incurred or undertaken by him or any of his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility, in whole or in part, whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;

(ee) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of:

(1) any employees' share scheme or any share incentive or a share option scheme under which a Director or his associate(s) may benefit; or

(2) a pension fund or retirement, death or disability benefits scheme which relates both to directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates; or

(ff) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting or by the board (as the case may be) and shall (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy by the board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. Any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any Shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place.

The office of Director shall also be vacated if:

(aa) the Director resigns his office by notice in writing to the Company at its registered office or its head office;

(bb) an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(cc) the Director, without leave, is absent from meetings of Directors (unless an alternate Director appointed by him attends in his place) for a continuous period of 12 months, and the Directors resolve that his office be vacated;

(dd) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) the Director ceases to be or is prohibited from being a director by law or by virtue of any provisions in the Articles; or

(ff) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

The Directors may from time to time appoint any person, whether or not a Director, to hold such office in the Company as the Directors may think necessary for the administration of the Company, including but not limited to, the office of president, one or more vice-presidents, treasurer, assistant treasurer, manager or controller, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. Any person so appointed by the Directors may be removed by the Directors.

The Directors may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorize the members of any such local board, or any of them to fill any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and may annul or vary any such delegation.

(ix) Borrowing powers

The board may exercise all the powers of the Company to borrow money and to mortgage or charge all or part of its undertaking, property and uncalled capital or any part thereof, and subject to the Cayman Companies Law, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

(x) Proceedings of the Board

The board may meet together with (either within or outside the Cayman Islands) for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(xi) Register of Directors and Officers

The Cayman Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of Directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty days of any change in such Directors or officers.

(b) Alterations to constitutional documents/Change of Name

The Articles may be altered or amended by the Company in general meeting by special resolution. The Cayman Companies Law provides that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Cayman Companies Law:

(i) increase its capital by such sum, to be divided into Shares of such classes and amount, as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into Shares of larger amount than its existing Shares;

(iii) convert all or any of its paid-up Shares into stock and reconvert that stock into paid up Shares of any denomination;

(iv) subdivide its Shares, or any of them into Shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; or

(v) cancel any Shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the Shares so cancelled.

The Company may by special resolutions reduce its Share capital and any capital redemption reserve in any manner authorized by law.

(d) Variation of rights of existing Shares or classes of Shares

Whenever the capital of the Company is divided into different classes the rights attached to any such class may, subject to any rights or restrictions for the time being attached to any class, only be materially adversely varied or abrogated with the consent in writing of the holders of not less than three fourths of the issued Shares of the relevant class, or with the sanction of a resolution passed at a separate meeting of the holders of the Shares of such class by a majority of not less than three fourths of the votes cast at such a meeting. To every such separate meeting all the provisions of the Articles relating to general meetings of the Company or to the proceedings thereat shall *mutatis mutandis* apply except that the necessary quorum shall be one or more persons at least holding or representing by proxy one third in nominal or par value amount of the issued Shares of the relevant class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those shareholders who are present shall form a quorum) and that, subject to any rights or restrictions for the time being attached to the Shares of that class, every shareholder of the class shall on a poll have one vote for each Share of the class held by him.

The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the Shares of that class, be deemed to be materially adversely varied or abrogated by, *inter alia*, the creation, allotment or issue of further Shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any Shares of any class by the Company.

(e) Transfer of Shares

Title to the Company's Shares registered in the branch register of the Company may be evidenced and transferred in accordance with Hong Kong law and the Listing Rules.

Transfers of Shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve, which is consistent with the standard form of transfer as approved by the Directors or prescribed by the Stock Exchange as appropriate. Copies of instruments of transfer must be left at the registered office of the Company or at such other place as the Directors may appoint. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the Share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any Share which is not fully paid up, and it may also refuse to register any transfer of any Share to more than four joint holders or any transfer of any Share on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee (if any) of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of Share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on 14 days' notice being given by announcement published on the Stock Exchange's website, or, subject to and in accordance with the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles or by advertisement published in any newspapers, be suspended and the register of Shares closed at such times for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended or the register of Shares closed for more than 30 days in each year.

(f) Power for the Company to purchase its own Shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements of the Listing Rules.

(g) Power for any subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to ownership of Shares in the Company by a subsidiary.

(h) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles, and not more than 15 months shall elapse (or such longer period as the Stock Exchange may authorise) between the date of one annual general meeting of the Company and that of the next at such time and place as may be determined by the Board.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than 21 days and not less than 20 clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall be called by notice of at least 21 days and not less than 10 clear business days. All other extraordinary general meetings shall be called by notice of at least 14 days and not less than 10 clear business days. The notice shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and in the case of special business (as defined in the Articles) the general nature of that business. Notice of every general meeting shall be given to all members of the Company (except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the share register), every person upon whom the ownership of a share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a member of the Company entitled to attend and vote thereat, the Company's auditors, each Director and alternate Director and such other person(s) to whom such notice is required to be given in accordance with the Listing Rules or as required by the Stock Exchange.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, if permitted by the Listing Rules, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. in nominal value of the issued Shares giving that right.

All business carried out at a general meeting shall be deemed special with the exception of (a) the declaration and sanctioning a dividend; (b) the consideration of the accounts, balance sheets and any report of the Directors or of the Company's auditors; (c) the election of Directors whether by rotation or otherwise in the place of those retiring; (d) the appointment of the Company's auditors and other officers; (e) the fixing of the remuneration of the company's auditors, and the voting of remuneration or extra remuneration to the Directors; (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued Shares in the capital of the Company representing not more than 20 per cent in nominal value of its existing issued share capital; and (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

No special business shall be transacted at any general meeting without the consent of all members of the Company entitled to receive notice of that meeting unless notice of such special business has been given in the notice convening that meeting.

(j) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business.

Save as otherwise provided by the Articles, the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued Shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(k) Special/Ordinary resolution-majorities required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three fourths of such members as, being entitled so to do, vote in person or, in the case of such members being corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice, specifying the intention to propose the resolution as a special resolution, has been duly given, or in writing by all members of the Company entitled to vote at a general meeting of the Company.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of such members as, being entitled to do so, vote in person or, in the case of such members being corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles, or in writing by all members of the Company entitled to vote at a general meeting of the Company.

(l) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any Shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid Share of which he is the holder but so that no amount paid up or credited as paid up on a Share in advance of calls or installments is treated for the foregoing purposes as paid up on the Share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognized clearing house (or its nominee(s)) is a member of the Company, it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of Shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the Shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(m) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise.

(n) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Cayman Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the Directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company send to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the Directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(o) Dividends and other methods of distribution

Subject to the Cayman Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of the share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of Shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of Shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of Shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the Shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such Shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the Shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared, the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any Share shall bear interest against the Company.

(p) Inspection of branch register

Pursuant to the Articles, the Company's branch register in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the directors may impose) be open to inspection by a member without charge and any other person on payment of such fee not exceeding HK$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the directors may determine for each inspection.

(q) Call on Shares and forfeiture of Shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any moneys unpaid on the Shares held by them (whether on account of the nominal value of the Shares or by way of premium). If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at the rate of eight per cent. per annum from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the moneys uncalled and unpaid or instalments payable upon any Shares held by him, and upon all or any of the moneys so advanced the Company may pay interest at such rate (not exceeding, without the sanction of an Ordinary Resolution, eight per cent. per annum) as may be agreed upon between the member and the board.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the Shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any Share in respect of which notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited Shares and not actually paid before the date of forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the Shares, but this liability shall cease if and when the Company receives payment in full of the amount unpaid on the Shares forfeited.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix IV.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution, except where the Company is to be wound up voluntarily because it is unable to pay its debts as they fall due. In such case the resolution shall be an ordinary resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares, (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the Shares held by them respectively, and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the Shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the authority of an ordinary resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any Shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the Shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the Shares in question (being not less than three in total number) for any sum payable in cash to the holder of such Shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12-year period, the Company has not during that time received any indication of the existence of the member; and (iii) following the expiry of the 12-year period, the Company has caused an advertisement to be published in accordance with the Listing Rules giving notice of its intention to sell such Shares and a period of three months, or such shorter period as may be permitted by the Stock Exchange, has elapsed since the date of such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN COMPANIES LAW

The Company is incorporated in the Cayman Islands and is, therefore, subject to the Cayman Companies Law and Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Operations

As a Cayman Islands exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share Capital

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) in any manner provided in section 37 of the Cayman Companies Law; (d) writing off the preliminary expenses of the company; and (e) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Memorandum and Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial Assistance to Purchase Shares of a Company or its Holding Company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the Directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of Shares and Warrants by a Company and its Subsidiaries

Subject to the provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of the purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the Directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and Distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account.

(f) Protection of Minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up. Or, as an alternative to a winding-up order, the Court may make the following orders: (a) an order regulating the conduct of the company's affairs in the future; (b) an order requiring the company to refrain from doing or continuing an act complained of by the petitioner or to do an act which the petitioner has complained it has omitted to do; (c) an order authorizing civil proceedings to be brought in the name of and on behalf of the company by the petitioner on such terms as the Court may direct; or (d) an order providing for the purchase of the shares of any members of the company by other members or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by such company's memorandum and articles of association.

(g) Management

The Cayman Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and Auditing Requirements

A Cayman Islands exempted company shall cause proper books of account, including, where applicable, material underlying documentation including contracts and invoices to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company. Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions. A Cayman Islands exempted company shall cause all its books of account to be retained for a minimum period of five years from the date on which they are prepared.

(i) Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to Directors

There is no express provision in the Cayman Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of Corporate Records

Members of the Company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. An exempted company may also maintain a separate register of members in respect of its listed shares. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding Up

A company may be wound up by either an order of the Court, voluntarily or subject to the supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily (a) when the period (if any) fixed for the duration of the company by its memorandum or articles of association expires; (b) if the event (if any) occurs, on the occurrence of which the memorandum or articles of association provide that the company is to be wound up; (c) if the company resolves by special resolution that it be wound up voluntarily; or (d) if the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company shall from the commencement of its winding up cease to carry on its business except so far as it may be beneficial for its winding up.

In circumstances where a company is solvent (the directors of the company will need to provide a statutory declaration to this effect), the company can be wound up by a special resolution of its shareholders, and the liquidation will not require the supervision of the Court. Unless one or more persons have been designated as liquidator or liquidators of the company in the company's memorandum and articles of association, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Alternatively, where the financial position of the company is such that a declaration of solvency cannot be given by the directors, the winding up will be initiated by an ordinary resolution of the company's shareholders and will occur subject to the supervision of the Court. In this case, a licensed insolvency practitioner will need to be appointed as liquidator (known as "an official liquidator"). The Court may determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. The Court may appoint a foreign practitioner to act jointly with a qualified insolvency practitioner. A person may qualify as an official liquidator if that person holds the qualifications specified in the Insolvency Practitioners Regulations of the Cayman Islands. The Court may appoint a foreign practitioner to act jointly with a qualified insolvency practitioner.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation for it. At least 21 days before the meeting, the liquidator must send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Cayman Islands Gazette.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. While a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Mergers and Consolidations

The Cayman Companies Law provides that any two or more Cayman Islands companies limited by shares (other than segregated portfolio companies) may merge or consolidate in accordance with the Cayman Companies Law. The Cayman Companies Law also allows one or more Cayman Islands companies to merge or consolidate with one or more foreign companies (provided that the laws of the foreign jurisdiction permit such merger or consolidation).

To effect a merger or consolidation of one or more Cayman Islands companies the directors of each constituent company must approve a written plan of merger or consolidation (the "**Plan**") in accordance with the Cayman Companies Law. The Plan must then be authorized by each constituent company by a special resolution of members and such other authorization, if any, as may be specified in such constituent company's articles of association.

Where a Cayman Islands parent is merging with one or more of its Cayman Islands subsidiaries, shareholder consent is not required if a copy of the Plan is given to every member of each subsidiary company to be merged, unless that member agrees otherwise.

To effect a merger or consolidation of one or more Cayman Islands companies with one or more foreign companies, in addition to the approval requirements applicable to the merger of consolidation of Cayman Islands companies (in relation to Cayman Islands company(ies) only), the merger or consolidation must also be effected in compliance with the constitutional documents of, and laws of the foreign jurisdiction applicable to, the foreign company(ies).

(q) Compulsory Acquisition

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety per cent of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g., for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Walkers, the Company's legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of the Cayman Companies Law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of the Cayman Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. INCORPORATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on March 31, 2011. Our registered office is at Floor 4, Willow House, Cricket Square, PO Box 2804, Grand Cayman KY1-1112, Cayman Islands. We have established a place of business in Hong Kong at Room 2902, 29th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, which was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on May 27, 2013. Chan Kai Wing who resides in Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on the Company in Hong Kong is the same as its principal place of business in Hong Kong set out above.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum of Association and Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. CHANGE IN SHARE CAPITAL

Our authorized share capital as at the date of our incorporation was US$50,000 divided into 50,000 Shares of US$1.00 each. The following sets out the changes in the Company's share capital since the date of its incorporation:

On March 31, 2011, one Share of a par value of US$1.00 was allotted, issued and credited as fully paid to Offshore Incorporations (Cayman) Limited as the initial subscriber and was transferred to Champ Harvest on May 23, 2011. As at the same date, an additional 9,999 Shares of par value of US$1.00 each were allotted and issued to Champ Harvest.

On August 30, 2012, one Share with par value of US$1 in the authorized share capital of our Company was subdivided into 1,000 Shares with par value of US$0.001 each. As a result of the subdivision of the Shares, our authorized share capital has been changed to US$50,000 consisting of 50,000,000 Shares, and the number of Shares held by Champ Harvest in our Company increased from 10,000 Shares to 10,000,000 Shares.

Immediately after the above subdivision of our Shares, in consideration of the acquisition of the effective interest in Liaoning Xiushui, our Company issued 747,126 Shares credited as fully paid to each of Talent Pool and Hero, representing approximately 6.5% of the total issued share capital of our Company, respectively.

On March 30, 2013, one fully paid Share was issued to Champ Harvest as consideration for the capitalization of the interest-free shareholder's loans in the amount of US$317,194,000. As at the same date, one fully paid Share was issued to Talent Pool in consideration of the payment of the subscription amount of US$144,311,602.

On September 5, 2013, the authorised share capital was increased by HK$2,000,000,000 by the creation of 20,000,000,000 Shares of HK$0.10 each (the "**Shares**"). On the same date, the Company repurchased the Shares held by the then existing shareholders of our Company with the issuance of an aggregate of 896,551.812 new Shares; and decreased the authorized share capital by US$50,000 by the cancellation of 50,000,000 Shares of US$0.001 each. As a result, 747,126,510 Shares were issued to each of Spring Harvest Limited and Talent Pool and 10,000,000,980 Shares were issued to Champ Harvest. Immediately prior to Listing, an amount of HK$1,149,335,744.82 standing to the credit of the share premium account of our Company will be capitalized and applied to pay up in full the nominal or par value of a total of 11,493,357,448.2 Shares for allotment and issuance of 9,999,220,980 Shares to Champ Harvest, 747,068,234.133 Shares to Spring Harvest Limited, and 747,068,234.133 Shares to Talent Pool (the "**Capitalization Issue**").

Save for aforesaid and as mentioned in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. RESOLUTIONS IN WRITING OF THE SHAREHOLDERS OF OUR COMPANY

Pursuant to the written resolutions passed by the shareholders of our Company on September 5, 2013, the following resolutions, among other resolutions, were duly passed:

(a) the authorized share capital was increased by HK$2,000,000,000 by the creation of 20,000,000,000 Shares, the Company repurchased the Shares held by the then existing shareholders of the Company with the issuance of an aggregate of 896,551.812 new HKD Shares; and decreased the authorized share capital by US$50,000 by the cancellation of 50,000,000 Shares of US$0.001 each. Immediately prior to Listing, an amount of HK$1,149,335,744.82 standing to the credit of the share premium account of the Company will be capitalized and applied to pay up in full the nominal or par value of a total of 11,493,357,448.2 HKD Shares for allotment and issuance to the then existing shareholders;

(b) conditional upon both (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with the terms of such agreements or otherwise:

    (i) the Global Offering be approved and the Directors be authorised to allot and issue the new Shares pursuant to the Global Offering and approve the sale and transfer of the existing Shares by the Selling Shareholder;

    (ii) the proposed Listing of the Shares on the Main Board of the Stock Exchange be approved and the Directors be authorised to implement such Listing; and

(c) our Company approved and adopted the Articles of Association conditional upon and with effect from Listing;

(d) a general unconditional mandate was given to the Directors to allot, issue and otherwise deal with the Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue, the exercise of any subscription rights which may be granted under any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for shares under options and warrants or a special authority granted by the Company's shareholders) with an aggregate nominal value not exceeding the sum of 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering;

(e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase the Shares representing up to 10% of its share capital in issue, immediately following completion of the Global Offering;

(f) the general unconditional mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above; and

(g) the rules of the Share Option Scheme, the principal terms of which are set out in the sub-section entitled "— D. Share Option Scheme" in this Appendix, were approved and adopted conditional upon and with effect from Listing, and our Directors were authorized to grant options to options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme.

Each of the general mandates referred to in paragraphs (d), (e) and (f) above will remain in effect until the earlier of (i) the conclusion of the next annual general meeting of the Company, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions; or (ii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

4. CORPORATE REORGANIZATION

The companies comprising our Group underwent a Reorganization in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganization, please refer to the section "Our History and Corporate Structure" in this prospectus.

5. CHANGES IN SHARE CAPITAL OF OUR SUBSIDIARIES

Our Company's subsidiaries are referred to in the Accountants' Report in Appendix I to this prospectus. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

ONSHORE COMPANIES

(a) Shenyang Huishan Sales

On June 2, 2011, Shenyang Huishan Sales was established under the laws of the PRC with a registered capital of RMB650,000,000 which was fully paid up on August 23, 2011 by Huishan Holdings (Hong Kong).

On March 22, 2013, the registered capital was increased from RMB650,000,000 to RMB705,000,000, which had been fully paid up. Shenyang Huishan Sales was held as to 100% by Huishan Holdings (Hong Kong).

(b) Jinzhou Huishan Sales

On June 20, 2011, Jinzhou Huishan Sales was established under the laws of the PRC with a registered capital of RMB650,000,000, which was fully paid up on August 22, 2011. Jinzhou Huishan Sales was held as to 100% by Huishan Holdings (Hong Kong).

On March 7, 2013, the registered capital was increased from RMB650,000,000 to RMB960,000,000, which had been fully paid up by Huishan Holdings (Hong Kong).

(c) Liaoning Huishan Dairy

On February 28, 2011, the registered capital was increased from US$5,000,000 to US$120,000,000, 66.89% of which was paid up by Liaoning Holdings in its entire interest in 30 operating subsidiaries in the PRC and 33.11% of which was paid by Huishan Holdings (Hong Kong) in cash on September 7, 2011. For further details, please refer to the section "Our History and Corporate Structure" in this prospectus.

On March 7, 2013, the registered capital was increased from US$120,000,000 to US$140,000,000, which had been fully paid up. Liaoning Huishan Dairy was held as to 100% by Huishan Holdings (Hong Kong).

On March 21, 2013, the registered capital was increased from US$140,000,000 to US$150,000,000, which had been fully paid up. Liaoning Huishan Dairy was held as to 100% by Huishan Holdings (Hong Kong).

(d) Xiahe Farming

On December 9, 2011, the registered capital of Xiahe Farming, formerly known as Liaoning Huishan Holdings (Group) Xiahe Farming Co., Ltd* (遼寧輝山控股(集團)峽河牧業有限公司), was increased from RMB20,000,000 to RMB30,000,000, which had been fully paid up. Xiahe Farming was held as to 100% by Liaoning Huishan Dairy.

On July 10, 2012, the registered capital was increased from RMB30,000,000 to RMB65,000,000, which had been fully paid up. Xiahe Farming was held as to 100% by Liaoning Huishan Dairy.

(e) Liaoning Huishan Group Jiubing Farming Co., Ltd* (遼寧輝山乳業集團救兵牧業有限公司)

On August 20, 2012, the registered capital of Liaoning Huishan Group Jiubing Farming Co., Ltd, formerly known as Liaoning Huishan Holdings (Group) Jiubing Farming Co., Ltd* (遼寧輝山控股(集團)救兵牧業有限公司), was increased from RMB20,000,000 to RMB65,000,000, which had been fully paid up. Liaoning Huishan Group Jiubing Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(f) Liaoning Huishan Group (Fushun) Co., Ltd* (遼寧輝山乳業集團(撫順)有限公司)

On January 6, 2013, the registered capital of Liaoning Huishan Group (Fushun) Co., Ltd, formerly known as Liaoning Huishan Holdings (Group) Fushun Co., Ltd* (遼寧輝山控股(集團)撫順乳業有限公司), was increased from RMB160,000,000 to RMB230,000,000, which had been fully paid up. Liaoning Huishan Group (Fushun) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On May 16, 2013, the registered capital was increased from RMB230,000,000 to RMB260,000,000, which was fully paid up. Liaoning Huishan Group (Fushun) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(g) Maoyuan Grass

On March 25, 2011, Maoyuan Grass was established under the laws of the PRC with a registered capital of RMB500,000 which was fully paid up and was held as to 100% by Wang Xu (王旭), an independent third party.

On April 18, 2011, the registered capital was increased from RMB500,000 to RMB20,000,000, which had been fully paid up. Maoyuan Grass was held as to 100% by Wang Xu (王旭).

On December 19, 2011, Liaoning Huishan Dairy acquired the entire equity interest in Maoyuan Grass from Wang Xu (王旭) in consideration of RMB19.7 million.

(h) Liaoning Huishan Group Xiushui Farming Co., Ltd* (遼寧輝山乳業集團秀水牧業有限公司)

On December 5, 2012, the registered capital of Liaoning Huishan Group Xiushui Farming Co., Ltd, formerly known as Liaoning Huishan Holdings (Group) Xiushui Farming Co., Ltd* (遼寧輝山控股(集團)秀水牧業有限公司), was increased from RMB5,000,000 to RMB55,000,000, which had been fully paid up. Liaoning Huishan Group Xiushui Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On March 5, 2013, the registered capital was increased from RMB55,000,000 to RMB100,000,000, which had been fully paid up. Liaoning Huishan Group Xiushui Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(i) Liaoning Huishan Group Wangshu Farming Co., Ltd* (遼寧輝山乳業集團王樹牧業有限公司)

On October 19, 2012, the registered capital of Liaoning Huishan Group Wangshu Farming Co., Ltd, formerly known as Liaoning Huishan Holdings (Group) Wangshu Farming Co., Ltd* (遼寧輝山控股(集團)王樹牧業有限公司), was increased from RMB30,000,000 to RMB70,000,000, which had been fully paid up. Liaoning Huishan Group Wangshu Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(j) Liaoning Huishan Group Sunjia Farming Co., Ltd* (遼寧輝山乳業集團孫家牧業有限公司)

On October 16, 2012, the registered capital of Liaoning Huishan Group Sunjia Farming Co., Ltd, formerly known as Liaoning Huishan Holdings (Group) Sunjia Farming Co., Ltd* (遼寧輝山控股(集團)孫家牧業有限公司), was increased from RMB30,000,000 to RMB90,000,000, which was fully paid up. Liaoning Huishan Group Sunjia Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(k) Taiping Farming

On January 19, 2012, the registered capital of Taiping Farming, formerly known as Liaoning Huishan Holdings (Group) Taiping Farming Co., Ltd* (遼寧輝山控股(集團)太平牧業有限公司), was increased from RMB15,000,000 to RMB60,000,000, which had been fully paid up. Taiping Farming was held as to 100% by Liaoning Huishan Dairy.

(l) Liaoning Huishan Group Yemaotai Farming Co., Ltd* (遼寧輝山乳業集團葉茂台牧業有限公司)

On November 28, 2012, the registered capital of Liaoning Huishan Group Yemaotai Farming Co., Ltd, formerly known as Liaoning Huishan Holdings (Group) Yemaotai Farming Co., Ltd* (遼寧輝山控股(集團)葉茂台牧業有限公司), was increased from RMB5,000,000 to RMB55,000,000, which had been fully paid up. Liaoning Huishan Group Yemaotai Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On March 12, 2013, the registered capital was increased from RMB55,000,000 to RMB75,000,000, which was fully paid up. Liaoning Huishan Group Yemaotai Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(m) Yushu Farming

On June 11, 2012, the registered capital of Yushu Farming, formerly known as Liaoning Huishan Holdings (Group) Yushu Farming Co., Ltd* (遼寧輝山控股(集團)榆樹牧業有限公司), was increased from RMB20,000,000 to RMB62,000,000, which was fully paid up. Yushu Farming was held as to 100% by Liaoning Huishan Dairy.

(n) Liaoning Huishan Group Woniushi Farming Co., Ltd* (遼寧輝山乳業集團臥牛石牧業有限公司)

On June 12, 2012, the registered capital of Liaoning Huishan Group Woniushi Farming Co., Ltd, formerly known as Liaoning Huishan Holdings (Group) Woniushi Farming Co., Ltd* (遼寧輝山控股(集團)臥牛石牧業有限公司), was increased from RMB5,000,000 to RMB45,000,000 which had been fully paid up. Liaoning Huishan Group Woniushi Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(o) Liaoning Huishan Group Shuangtaizi Farming Co., Ltd* (遼寧輝山乳業集團雙台子牧業有限公司)

On September 4, 2012, the registered capital of Liaoning Huishan Group Shuangtaizi Farming Co., Ltd, formerly known as Liaoning Huishan Holdings (Group) Shuangtaizi Farming Co., Ltd* (遼寧輝山控股(集團)雙檯子牧業有限公司), was increased from RMB30,000,000 to RMB90,000,000, which was fully paid up. Liaoning Huishan Group Shuangtaizi Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(p) Pengjia Farming

On January 13, 2012, the registered capital of Pengjia Farming, formerly known as Liaoning Huishan Holdings (Group) Pengjia Farming Co., Ltd* (遼寧輝山控股(集團)彭家牧業有限公司), was increased from RMB20,000,000 to RMB65,000,000, which had been fully paid up. Pengjia Farming was held as to 100% by Liaoning Huishan Dairy.

(q) Liaoning Huishan Group Dasan Farming Co., Ltd* (遼寧輝山乳業集團大三牧業有限公司)

On March 16, 2012, the registered capital of Liaoning Huishan Group Dasan Farming Co., Ltd, formerly known as Liaoning Huishan Holdings (Group) Dasan Farming Co., Ltd* (遼寧輝山控股(集團)大三牧業有限公司), was increased from RMB5,000,000 to RMB60,000,000, which had been fully paid up. Liaoning Huishan Group Dasan Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(r) Yixian Guanghua Farming Co., Ltd* (義縣光華牧業有限公司)

On December 15, 2011, the registered capital of Yixian Guanghua Farming Co., Ltd was increased from RMB40,000,000 to RMB78,000,000, which had been fully paid up. Yixian Guanghua Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(s) Yixian Shengdao Farming Co., Ltd* (義縣勝道牧業有限公司)

On March 9, 2012, the registered capital of Yixian Shengdao Farming Co., Ltd was increased from RMB24,390,000 to RMB48,000,000, which had been fully paid up. Yixian Shengdao Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(t) Yixian Zhongao Farming Co., Ltd* (義縣中澳牧業有限公司)

On December 13, 2011, the registered capital of Yixian Zhongao Farming Co., Ltd was increased from RMB16,610,000 to RMB37,610,000, which had been fully paid up. Yixian Zhongao Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On January 20, 2012, the registered capital was increased from RMB37,610,000 to RMB47,610,000, which had been fully paid up. Yixian Zhongao Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On April 18, 2012, the registered capital was increased from RMB47,610,000 to RMB72,610,000, which had been fully paid up. Yixian Zhongao Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(u) Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd* (遼寧輝山乳業集團(錦州)有限公司)

On April 12, 2012, the registered capital of Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd, formerly known as Liaoning Guoda Dairy Co., Ltd (遼寧國大乳業有限公司), was increased from RMB56,170,000 to RMB100,000,000, which had been fully paid up. Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On July 25, 2012, the registered capital was increased from RMB100,000,000 to RMB150,000,000, which had been fully paid up. Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On October 18, 2012, the registered capital was increased from RMB150,000,000 to RMB200,000,000, which was fully paid up on October 16, 2012. Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On November 19, 2012, the registered capital was increased from RMB200,000,000 to RMB250,000,000, which had been fully paid up. Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On December 11, 2012, the registered capital was increased from RMB250,000,000 to RMB300,000,000, which had been fully paid up. Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On December 20, 2012, the registered capital was increased from RMB300,000,000 to RMB350,000,000, which had been fully paid up. Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On January 8, 2013, the registered capital was increased from RMB350,000,000 to RMB400,000,000, which had been fully paid up. Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On February 19, 2013, the registered capital was increased from RMB400,000,000 to RMB450,000,000, which had been fully paid up. Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd was held as to 100% by Liaoning Huishan Dairy and had been fully paid up.

On March 18, 2013, the registered capital was increased from RMB450,000,000 to RMB500,000,000, which had been fully paid up. Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On May 6, 2013, the registered capital was increased from RMB500,000,000 to RMB550,000,000, which had been fully paid up. Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On May 22, 2013, the registered capital was increased from RMB550,000,000 to RMB600,000,000, which had been fully paid up. Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On June 13, 2013, the registered capital was increased from RMB600,000,000 to RMB700,000,000, which had been fully paid up. Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On July 4, 2013, the registered capital was increased from RMB700,000,000 to RMB800,000,000, which had been fully paid up. Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On August 9, 2013, the registered capital was increased from RMB800,000,000 to RMB900,000,000, which had been fully paid up. Liaoning Huishan Dairy Group (Jinzhou) Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(v) Yixian Aohua Farming Co., Ltd* (義縣澳華牧業有限公司)

On January 20, 2012, the registered capital of Yixian Aohua Farming Co., Ltd was increased from RMB16,560,000 to RMB21,560,000, which had been fully paid up. Yixian Aohua Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On February 16, 2012, the registered capital was increased from RMB21,560,000 to RMB47,000,000, which had been fully paid up. Yixian Aohua Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On November 16, 2012, the registered capital was increased from RMB47,000,000 to RMB77,000,000, which had been fully paid up. Yixian Aohua Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(w) Yixian Longbang Farming Co., Ltd* (義縣龍邦牧業有限公司)

On July 5, 2012, the registered capital of Yixian Longbang Farming Co., Ltd was increased from RMB23,110,000 to RMB50,000,000, which had been fully paid up. Yixian Longbang Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(x) Yixian Heguang Farming Co., Ltd* (義縣荷光牧業有限公司)

On July 5, 2012, the registered capital of Yixian Heguang Farming Co., Ltd was increased from RMB24,330,000 to RMB46,000,000, which had been fully paid up. Yixian Heguang Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(y) Liaoning Huishan Group Sihecheng Farming Co., Ltd* (遼寧輝山乳業集團四合城牧業有限公司)

On November 18, 2011, the registered capital of Liaoning Huishan Group Sihecheng Farming Co., Ltd formerly known as Liaoning Huishan Holdings (Group) Sihecheng Farming Co., Ltd* (遼寧輝山控股(集團)四合城牧業有限公司), was increased from RMB100,000 to RMB30,000,000, which had been fully paid up. Liaoning Huishan Group Sihecheng Farming Co. Ltd was held as to 100% by Liaoning Huishan Dairy.

(z) Liaoning Huishan Dairy Xinqiu Farming Co., Ltd* (遼寧輝山乳業集團新秋牧業有限公司)

On November 18, 2011, the registered capital of Liaoning Huishan Dairy Xinqiu Farming Co., Ltd, formerly known as Liaoning Huishan Holdings (Group) Xinqiu Farming Co., Ltd* (遼寧輝山控股(集團)新秋牧業有限公司), was increased from RMB100,000 to RMB5,000,000, which had been fully paid up. Liaoning Huishan Dairy Xinqiu Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(aa) Liaoning Huishan Group Fuxing Farming Co., Ltd* (遼寧輝山乳業集團福興牧業有限公司)

On November 18, 2011, the registered capital of Liaoning Huishan Group Fuxing Farming Co., Ltd, formerly known as Liaoning Huishan Holdings (Group) Fuxing Farming Co., Ltd* (遼寧輝山控股(集團)福興牧業有限公司), was increased from RMB100,000 to RMB30,000,000, which had been fully paid up. Liaoning Huishan Group Fuxing Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On February 24, 2012, the registered capital was increased from RMB30,000,000 to RMB53,000,000, which had been fully paid up. Liaoning Huishan Group Fuxing Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On April 9, 2012, the registered capital was increased from RMB53,000,000 to RMB75,000,000, which had been fully paid up. Liaoning Huishan Group Fuxing Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On March 5, 2013, the registered capital was increased from RMB75,000,000 to RMB110,000,000, which had been fully paid up. Liaoning Huishan Group Fuxing Farming Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(bb) Zhangwu Youpin Agriculture Feedstock Co., Ltd* (彰武優品農牧飼料有限公司)

On November 17, 2010, Zhangwu Youpin Agriculture Feedstock Co., Ltd was established under the laws of the PRC with a registered capital of RMB100,000 which was fully paid up.

On April 8, 2011, the registered capital of Zhangwu Youpin Agriculture Feedstock Co., Ltd was increased from RMB100,000 to RMB15,000,000, which had been fully paid up. Zhangwu Youpin Agriculture Feedstock Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

On November 14, 2011, the registered capital was increased from RMB15,000,000 to RMB60,000,000, which was fully paid up. Zhangwu Youpin Agriculture Feedstock Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(cc) Liaoning Huishan Group (Fuxin) Co., Ltd* (遼寧輝山乳業集團(阜新)有限公司)

On March 6, 2013, Liaoning Huishan Group (Fuxin) Co., Ltd was established under the laws of the PRC with a registered capital of RMB6,300,000 which was fully paid up on April 23, 2013.

(dd) Liaoning Huishan Group (Shenyang) Co., Ltd* (遼寧輝山乳業集團(瀋陽)有限公司)

On November 14, 2012, Liaoning Huishan Dairy Group (Shenyang) Co., Ltd was established under the laws of the PRC with a registered capital of US$20,000,000, which was fully paid up as of July 23, 2013.

On August 22, 2013, the registered capital was increased from US$20,000,000 to US$60,000,000, of which US$46,208,506 had been paid up as of the Latest Practicable Date.

(ee) Liaoning Shiling Farming

On June 11, 2010, Liaoning Shiling Farming, was established under the laws of the PRC with a registered capital of US5,000,000, which was paid up on August 6, 2010, and was held as to 100% by World King Investments Limited (世京投資有限公司).

On January 24, 2013, Huishan Holdings (Hong Kong) acquired the entire equity interest in Liaoning Shiling Farming from World King Investments Limited (世京投資有限公司) for a cash consideration of US$5,360,000.

(ff) Shenyang Fengle Life Agriculture Technology Co., Ltd* (瀋陽豐樂生態農業科技有限公司)

On January 15, 2013, Shenyang Fengle Life Agriculture Technology Co., Ltd was established under the laws of the PRC with a registered capital of RMB100,000 which was fully paid up, and was held as to 100% of Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司).

On March 11, 2013, Liaoning Huishan Dairy acquired the entire equity interest in Shenyang Fengle Life Agriculture Technology Co. Ltd from Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司) for cash consideration of RMB100,000.

On June 4, 2013, the registered capital of Shenyang Fengle Life Agriculture Technology Co., Ltd was increased from RMB100,000 to RMB50,000,000, which was fully paid up. Shenyang Fengle Life Agriculture Technology Co., Ltd was held as to 100% by Liaoning Huishan Dairy.

(gg) Shenyang Dacang Life Agriculture Technology Co., Ltd* (瀋陽大倉生態農業科技有限公司)

On December 21, 2012, Shenyang Dacang Life Agriculture Technology Co., Ltd was established under the laws of the PRC with a registered capital of RMB500,000 which was fully paid up, and was held as to 100% of Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司).

On March 13, 2013, Liaoning Huishan Dairy acquired the entire equity interest in Shenyang Dacang Life Agriculture Technology Co., Ltd from Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司) for a cash consideration of RMB500,000.

On May 24, 2013, the registered capital of Shenyang Dacang Life Agriculture Technology Co., Ltd was increased from RMB500,000 to RMB100,000,000, which was fully paid up. Shenyang Dacang Life Agriculture Technology Co. Ltd was held as to 100% by Liaoning Huishan Dairy.

(hh) Jinzhou Guhai Life Agriculture Technology Co., Ltd* (錦州穀海生態農業科技有限公司)

On April 18, 2013, Jinzhou Guhai Life Agriculture Technology Co., Ltd was established under the laws of the PRC with a registered capital of RMB1,000,000 which was fully paid up.

(ii) Liaoning Huishan Life Technology Research Co., Ltd* (遼寧輝山生物科技研究有限公司)

On March 21, 2013, Liaoning Huishan Life Technology Research Co., Ltd was established under the laws of the PRC with a registered capital of RMB5,000,000 which was fully paid up.

(jj) Liaoning Xiushui

On June 21, 2013, the registered capital was increased from RMB400,000,000 to RMB588,000,000, with the additional registered capital being fully paid up.

(kk) Jinzhou Quality Agricultural and Dairy Feedstuffs Co., Ltd* (錦州優品農牧飼料有限公司)

On July 4, 2013, Jinzhou Quality Agricultural and Dairy Feedstuffs Co., Ltd was established under the laws of the PRC with a registered capital of RMB300,000 which was fully paid up.

(ll) Tieling Shenghui Ecological Agricultural Technology Co., Ltd* (鐵嶺盛匯生態農業科技有限公司)

On August 29, 2013, Tieling Shenghui Ecological Agricultural Technology Co., Ltd was established under the laws of the PRC with a registered capital of RMB100,000, which was fully paid up.

(mm) Liaoning Huishan Dairy Group Jinxing Farming Co., Ltd* (遼寧輝山乳業集團金星牧業有限公司)

On August 29, 2013, Liaoning Huishan Dairy Group Jinxing Farming Co., Ltd was established under the laws of the PRC with a registered capital of RMB500,000, which was fully paid up.

(nn) Liaoning Huishan Dairy Group Fengyuan Farming Co., Ltd* (遼寧輝山乳業集團豐源牧業有限公司)

On August 29, 2013, Liaoning Huishan Dairy Group Fengyuan Farming Co., Ltd was established under the laws of the PRC with a registered capital of RMB500,000, which was fully paid up.

OFFSHORE COMPANIES

(a) Huishan Holdings International

On May 8, 2002, Huishan Holdings International, formerly known as Red Ocean International Ltd. (鴻洋國際有限公司), was incorporated under the laws of the BVI. 1,000 shares of US$1 were allotted and issued to Mr. Yang on June 12, 2002 and were transferred to Champ Harvest Limited for a consideration of US$1,000 on April 28, 2011. On June 28, 2011, Champ Harvest transferred the entire issued share capital of Huishan Holdings International to our Company for a nominal cash consideration of US$1,000.

(b) Huishan Holdings (Hong Kong)

On January 11, 2011, Huishan Holdings (Hong Kong), formerly known as Sinopool Limited (華浦有限公司), was incorporated in Hong Kong. One share of HK$1 was allotted and issued to Company Kit Secretarial Services Limited on the same date and was transferred to Huishan Holdings International on February 17, 2011.

On June 28, 2011, an additional 9,999 Shares were allotted, issued and credited as fully paid to Huishan Holdings International.

(c) Huishan Investments International

On September 16, 2009, Huishan Investments International, formerly known as Orient Link Holdings Limited (東領控股有限公司), was incorporated under the laws of the BVI. One share of US$1 was allotted and issued to Talent Pool on January 13, 2010.

On March 29, 2010, an additional 58,799,999 Shares of par value of US$1.00 each were allotted and issued to Talent Pool.

(d) China Huishan Dairy Investments (Hong Kong) Limited

On January 5, 2010, China Huishan Dairy Investments (Hong Kong) Limited, formerly known as Wealth Come Investments Limited (富翰投資有限公司), was incorporated in Hong Kong. One share of HK$1 was allotted and issued to Huishan Investments International on the same date and an additional 455,999,999 Shares of par value of HK$1.00 each were allotted and issued to Huishan Investments International on January 9, 2010.

For further details, please refer to the section headed "Our History and Corporate Structure" of this prospectus.

Save as set out above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. CORPORATE INFORMATION OF OUR SUBSIDIARIES

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the "Accountants' Report" set out in Appendix I to this prospectus.

Save for the subsidiaries mentioned in the Accountants' Report in Appendix I to this prospectus, our Company has no other subsidiaries.

7. REPURCHASE OF OUR SHARES

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

(*Note*: Pursuant to resolution passed by the shareholders of our Company on September 5, 2013, a general unconditional mandate (the "**Buyback Mandate**") was granted to the Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the shareholders of our Company in general meeting, whichever is the earliest.)

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its shareholders for our Directors to have a general authority from shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) Share capital

Exercise in full of the Buyback Mandate, on the basis of 14,407,788,000 Shares in issue immediately after the listing of the Shares (but taking no account of Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme), could accordingly result in up to 1,440,778,800 Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or

(iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Code**"). Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering and the Capitalization Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback Mandate shall be 1,440,778,800 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. SUMMARY OF MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) an agreement dated August 30, 2012, entered into among Talent Pool, Hero, Mr. Yang, Champ Harvest and our Company (formerly known as Treasure Ally Limited) in relation to the exchange of the entire issued share capital of Orient Link Holdings Limited (currently known as Huishan Investments International) for Shares in our Company (formerly known as Treasure Ally Limited);

(b) a shareholders' agreement dated August 30, 2012, entered into among Champ Harvest, Mr. Yang, Talent Pool, Hero and our Company (formerly known as Treasure Ally Limited) in relation to the rights and obligations of our Company (formerly known as Treasure Ally Limited) and the shareholders;

(c) a share transfer agreement dated December 30, 2012, entered into among 華浦有限公司 (currently known as Huishan Holdings (Hong Kong)), World King Investments Limited* (世京投資有限公司) and Liaoning Shiling Farming, in relation to the sale of the entire equity interest in Liaoning Shiling Farming by World King Investments Limited* (世京投資有限公司) to 華浦有限公司 (currently known as Huishan Holdings (Hong Kong));

(d) a share transfer agreement dated March 9, 2013, entered into among Liaoning Huishan Dairy, Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司) and Shenyang Fengle Life Agriculture Technology Co., Ltd* (瀋陽豐樂生態農業科技有限公司), in relation to the sale of the entire equity interest in Shenyang Fengle Life Agriculture Technology Co., Ltd* (瀋陽豐樂生態農業科技有限公司) by Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司) to Liaoning Huishan Dairy;

(e) a share transfer agreement dated March 9, 2013, entered into among Liaoning Huishan Dairy, Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司) and Shenyang Dacang Life Agriculture Technology Co., Ltd* (瀋陽大倉生態農業科技有限公司), in relation to the sale of the entire equity interest in Shenyang Dacang Life Agriculture Technology Co., Ltd* (瀋陽大倉生態農業科技有限公司) by Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司) to Liaoning Huishan Dairy;

(f) a cornerstone investment agreement dated September 7, 2013 entered into among our Company, Norges Bank (Central Bank of Norway), Deutsche Bank AG, Hong Kong Branch, Deutsche Securities Asia Limited, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, HSBC Corporate Finance (Hong Kong) Limited, UBS AG, Hong Kong Branch, UBS Securities Hong Kong Limited, Investec Capital Asia Limited, Jefferies Hong Kong Limited and CIMB Securities Limited, details of which are included in the section headed "Cornerstone Investors" of this prospectus;

(g) a cornerstone investment agreement dated September 7, 2013 entered into among our Company, Yili International Development Co., Limited, Deutsche Bank AG, Hong Kong Branch, Deutsche Securities Asia Limited, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, HSBC Corporate Finance (Hong Kong) Limited, UBS AG, Hong Kong Branch, UBS Securities Hong Kong Limited, Investec Capital Asia Limited, Jefferies Hong Kong Limited and CIMB Securities Limited, details of which are included in the section headed "Cornerstone Investors" of this prospectus;

(h) a cornerstone investment agreement dated September 7, 2013 entered into among our Company, Bao Hua Investments Limited, Deutsche Bank AG, Hong Kong Branch, Deutsche Securities Asia Limited, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, HSBC Corporate Finance (Hong Kong) Limited, UBS AG, Hong Kong Branch, UBS Securities Hong Kong Limited, Investec Capital Asia Limited, Jefferies Hong Kong Limited and CIMB Securities Limited, details of which are included in the section headed "Cornerstone Investors" of this prospectus; and

(i) the Hong Kong Underwriting Agreement.

2. INTELLECTUAL PROPERTY RIGHTS OF THE GROUP

(a) Trademarks

i. Trademarks registered or applied by our Group in the PRC

As of the Latest Practicable Date, we had registered or had applied for the registration of the following trademarks in the PRC which we consider to be or may be material to the business of our Group:

No.	Trademark	Registrant / Applicant	Class	Status
1.	杰茜金皇后	Liaoning Huishan Dairy	29	Registered
2.	Huishan 1951	Liaoning Huishan Dairy	1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 33, 34, 36, 37, 38, 39, 44, 45	Registered
3.	Huishan	Liaoning Huishan Dairy	5, 29, 30, 31, 32, 35, 40, 41, 42	Registered
4.	辉山	Liaoning Huishan Dairy	29	Registered
5.	辉山	Liaoning Huishan Dairy	29, 30, 43	Registered

No.	Trademark	Registrant / Applicant	Class	Status
6.	鲜博士	Liaoning Huishan Dairy	29, 30, 32	Registered
7.	Dr.Fresh	Liaoning Huishan Dairy	29	Registered
8.	辉山 博士	Liaoning Huishan Dairy	29, 30, 32	Registered
9.	元生牧场	Liaoning Huishan Dairy	29	Registered
10.	辉山 老口味	Liaoning Huishan Dairy	29	Registered
11.	辉山妙酸乳	Liaoning Huishan Dairy	29	Registered
12.		Liaoning Huishan Dairy	29	Registered
13.		Liaoning Huishan Dairy	29	Registered
14.		Liaoning Huishan Dairy	29	Registered
15.	星 恩	Liaoning Huishan Dairy	5, 29	Registered
16.	元生牧场	Liaoning Huishan Dairy	5	Pending Application
17.	辉山生态牧场	Liaoning Huishan Dairy	32	Pending Application
18.		Liaoning Huishan Dairy	5, 29, 30, 31, 32, 35	Pending Application
19.	星 恩	Liaoning Huishan Dairy	30	Pending Application
20.		Liaoning Huishan Dairy	29, 35	Pending Application

No.	Trademark	Registrant / Applicant	Class	Status
21.	JERSEY QUEEN	Liaoning Huishan Dairy	5, 29, 30, 32	Pending Application
22.	Huishan 十天	Liaoning Huishan Dairy	29	Pending Application
23.	辉山金皇后	Liaoning Huishan Dairy	5, 29	Pending Application
24.	珍优 鲜博士	Liaoning Huishan Dairy	29	Pending Application
25.	杰茜牧场	Liaoning Huishan Dairy	1, 5, 29, 30, 32, 43	Pending Application
26.	杰茜牧场	Liaoning Huishan Dairy	1, 5, 29, 30, 32, 43	Pending Application

ii. **Trademarks applied by our Group in Hong Kong**

As of the Latest Practicable Date, we had applied for the registration of the following trademarks in Hong Kong which we consider to be or may be material to the business of our Group:

No.	Trademark	Applicant	Class	Status
1.	Huishan	Liaoning Huishan Dairy	5, 29,30,31,32	Pending Application
2.	Huishan 1951	Liaoning Huishan Dairy	5, 29,30,31,32	Pending Application
3.	鲜博士	Liaoning Huishan Dairy	5, 29,30	Pending Application
4.	JERSEY QUEEN	Liaoning Huishan Dairy	5, 29,30	Pending Application
5.	杰茜金皇后	Liaoning Huishan Dairy	5, 29,30	Pending Application
6.	辉山金皇后	Liaoning Huishan Dairy	5, 29,30	Pending Application

No.	Trademark	Applicant	Class	Status
7.	辉山自营牧场	Liaoning Huishan Dairy	5, 29,30,31,32	Pending Application
8.	辉山生态牧场	Liaoning Huishan Dairy	5, 29,30,31,32	Pending Application
9.	辉山有机牧场	Liaoning Huishan Dairy	5, 29,30,31,32	Pending Application

iii. **Trademarks licensed to us for our use in connection with our operations**

As of the Latest Practicable Date, Liaoning Holdings had applied for the transfer of certain trademarks (which had been registered or applied to be registered under the name of Liaoning Holdings) in the PRC to Liaoning Huishan Dairy including the following trademark which we consider to be or may be material to the business of our Group. Before the effective transfer of such trademark, Liaoning Holdings, as licensor, entered into a trademark license agreement with Liaoning Huishan Dairy, as licensee, pursuant to which Liaoning Holdings agreed to license such trademark to Liaoning Huishan Dairy for our use in connection with our operations on an exclusive and royalty-free basis. For further details, please refer to the section "Connected Transactions - Trademark Licensing Agreements" in this prospectus.

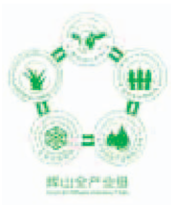
No.	Trademark	Registrant / Applicant	Class	Status	Transferee
1.	辉山自营牧场	Liaoning Holdings	5, 32	Pending Application	Liaoning Huishan Dairy

(b) Patents

As of the Latest Practicable Date, we are the registered owner of the following patents which we consider to be or may be material to the business of our Group in the PRC:

No.	Patent Name	Registration No.	Owner	Type	Duration
1.	Yogurt bottle (酸奶瓶)	ZL 201230575920.8	Liaoning Huishan Dairy	Design Patent	2012.11.26-2022.11.26
2.	Packaging box (包裝盒)	ZL 201230499531.1	Liaoning Huishan Dairy	Design Patent	2012.10.19-2022.10.19

As of the Latest Practicable Date, we are the registered owner of the following copyrights which we consider to be or maybe material to the business of our Group in the PRC:

No.	Copyright Name	Registration No.	Owner	Date of Registration
1.		國作登字 -2013-F-00080371	Liaoning Huishan Dairy	2013.01.21
2.		國作登字 -2013-F-00080372	Liaoning Huishan Dairy	2013.01.21

(c) Software copyright

As of the Latest Practicable Date, we are the registered owner of the following computer software copyright which we consider to be or maybe material to the business of our Group in the PRC:

No.	Software Description	Registration No.	Class No.	Owner	Version No.	Date of Registration
1.	Management system for the owned dairy farm operated under a group structure (集團化奶牛自營牧場管理系統)	2013SR032421	30106-0000	Liaoning Huishan Dairy	V1.0	2013.04.09

(d) Domain names

As of the Latest Practicable Date, the following domain names were registered and principally used by our Group in its business operations:

No.	Domain Name	Registrant	Place of Registration	Date of Registration	Expiry Date
1.	huishangroup.com	Liaoning Huishan Dairy	PRC	2011.01.15	2018.02.12
2.	huishandairy.com	Liaoning Huishan Dairy	PRC	2007.10.11	2017.10.11

Save as disclosed herein, there are no other patents, trademarks or other intellectual or industrial property rights which are material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. DIRECTORS

(a) Disclosure of interest — interests and short positions of the Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the Exchangeable Bonds having been exchanged in full and the completion of the Global Offering at the mid-point of the Offer Price range (but without taking into account any Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the interest or short position of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company, once the Shares are listed are as follows:

(i) Interest in our Company

Name of Director	Nature of Interest	Number and class of Shares	Approximate percentage of shareholding
Mr.Yang(1)(2)	Interest in controlled corporation	7,164,421,000	49.73%
Ms. Ge(3)	Interest in controlled corporation	7,164,421,000	49.73%

(ii) Interest in associated corporation

Name of Director	Name of associated corporation	Number of shares	Percentage Shareholding
Mr. Yang(4)	Champ Harvest	10,000	100%
Ms. Ge(4)	Champ Harvest	10,000	100%

Notes:

(1) Champ Harvest directly holds 6,417,294,000 Shares. Mr. Yang directly holds 70% of the total issued share capital of Champ Harvest, and indirectly holds 20% of the total issued share capital of Champ Harvest through King Pavilion Limited, a company wholly-owned by Mr. Yang. Accordingly, Mr. Yang is deemed to have interest in the 6,417,294,000 Shares held by Champ Harvest which is a substantial shareholder of our Company.

(2) Talent Pool directly holds 747,127,000 Shares. Mr. Yang indirectly holds the entire issued share capital of Talent Pool through Mighty Global Limited, a company wholly-owned by Mr. Yang. Accordingly, Mr. Yang is deemed to have interest in the 747,127,000 Shares held by Talent Pool and the 6,417,294,000 Shares held by Champ Harvest.

(3) Ms. Ge indirectly holds 10% of the total issued share capital of Champ Harvest through Gain Excellence Limited, a company wholly-owned by Ms. Ge. Ms. Ge is holding the economic interest in such shares in Champ Harvest on Mr. Yang's behalf. Ms. Ge, being the concert party of Mr. Yang, is deemed to have interest in 7,164,421,000 Shares which Mr. Yang is deemed to have interest in.

(4) Mr. Yang directly holds 7,000 Shares in Champ Harvest, being 70% of the total issued share capital, and indirectly holds 2,000 shares in Champ Harvest, being 20% of the total issued share capital. Ms. Ge indirectly holds 1,000 shares in Champ Harvest, being 10% of the total issued share capital and holds the economic interest in such shares on behalf of Mr. Yang. Ms. Ge and Mr. Yang, being the concert parties, are deemed to have interest in 10,000 shares in Champ Harvest.

(b) Particulars of service contracts

Each of the executive Directors has entered into a service contract with our Company for a term of 3 years commencing from the Listing Date, which may be terminated in accordance with the terms of the service agreements.

Each of the non-executive Directors has entered into a service contract with our Company for a term of 3 years commencing from the Listing Date, which may be terminated in accordance with the terms of the service agreements.

Each of the independent non-executive Directors has entered into a service contract with our Company for a term of 3 years commencing from the Listing Date, which may be terminated in accordance with the terms of the service agreements.

(c) Directors' remuneration

The aggregate amount of fees, salaries, contributions to pension scheme, discretionary bonuses, housing and other allowances and other benefits in kind granted to the Directors in respect of each of the three years ended March 31, 2011, 2012 and 2013 were approximately RMB461,000, RMB453,000, and RMB3,003,000, respectively.

Under the arrangements in force at the date of this prospectus, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending March 31, 2014, is expected to be approximately RMB11,000,000 in aggregate.

None of the Directors or any past Directors or the five highest paid individuals of any members of our Group has been paid any sum of money for the three years ended March 31, 2013 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended March 31, 2013.

2. SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the Exchangeable Bonds having been exchanged in full and the completion of the Global Offering at the mid-point of the Offer Price range (but without taking into account any Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the following persons (other than the

Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Shareholder	Name of interest	Number of Shares	Percentage of shareholding[(5)]
Mr. Yang[(1)(2)]	Interested in controlled corporation	7,164,421,000	49.73%
Ms. Ge[(3)]	Interested in controlled corporation	7,164,421,000	49.73%
Champ Harvest	Beneficial owner	6,417,294,000	44.54%
Well Ease[(4)]	Beneficial owner	1,668,771,049	11.58%

Note:

(1) Champ Harvest will directly hold 6,417,294,000 Shares. Mr. Yang directly holds 70% of the total issued share capital of Champ Harvest and indirectly holds 20% of the total issued share capital of Champ Harvest through King Pavilion Limited, a company wholly-owned by Mr. Yang. Accordingly, Mr. Yang is deemed to have interest in the 6,417,294,000 Shares to be held by Champ Harvest which is a substantial shareholder of our Company.

(2) Talent Pool directly will hold 747,127,000 Shares. Mr. Yang indirectly holds the entire issued share capital of Talent Pool through Mighty Global Limited, a company wholly-owned by Mr. Yang. Accordingly, Mr. Yang is deemed to have interest in the 747,127,000 Shares to be held by Talent Pool.

(3) Ms. Ge indirectly holds 10% of the total issued share capital of Champ Harvest through Gain Excellence Limited, a company wholly-owned by Ms. Ge. Ms. Ge is holding the economic interest in such shares in Champ Harvest on Mr. Yang's behalf. Ms. Ge, being the concert party of Mr. Yang, is deemed to have interest in 7,164,421,000 Shares which Mr. Yang is deemed to have interest in.

(4) Well Ease is 80% owned by Chow Tai Fook Nominee Limited which is wholly-owned by Dato' Dr. Cheng Yu Tung, and 20% owned by Crown Castle Investment Holdings Limited which is held under trust for the benefit of Ms. Law Mei Ling Katherine, the daughter of Mr. Law Siu Wah Eddie.

(5) Assuming the Over-allotment Option is not exercised.

3. AGENCY FEES OR COMMISSIONS RECEIVED

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

4. PERSONAL GUARANTEES

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to us.

5. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the two years immediately preceding the date of this prospectus, our Company has engaged in the material related party transactions as described in the Accountants' Report set out in Appendix I to this prospectus. Details of the connected transactions are set out in the section entitled "Connected Transactions" in this prospectus.

6. DISCLAIMERS

Save as disclosed herein:

(a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;

(b) none of our Directors or experts referred to under the heading "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(f) none of the experts referred to under the heading "Consents of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) save as disclosed in this prospectus, so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders. The terms of the Share Option Scheme comply with the provisions of Chapter 17 of the Listing Rules. The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the Shares in issue as on the date of Listing; and Mr. Yang, Ms. Ge and So Wing Hoi (acting together) have been authorised to determine the grant of options under, and pursuant to the terms of, the Share Option Scheme shortly after Listing representing up to 5% of the Shares in issue as on the date of Listing and to determine the grantees, number of options to be granted to each grantee and the terms and conditions of such grants pursuant to the terms of the Share Option Scheme.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to incentivize and reward the Participant (as defined in sub-paragraph (b) below) for their contribution to our Company and the subsidiaries and associated companies of our Company and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

(b) Who may join

The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to the Directors and employees, who the Board considers, in its sole discretion, has contributed or will contribute to our Company or any subsidiaries or associated companies of our Company (collectively, the ''**Participant**'').

(c) Maximum number of Shares in respect of which options may be granted

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any options granted under any other share option schemes of our Company must not in aggregate exceed 10% of the Shares in issue as at the Listing Date (the ''**Scheme Mandate Limit**''), excluding for this purpose options lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company, provided that:

(i) our Company may at any time as the Board think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit save that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the Scheme Mandate Limit shall not exceed 10% of the Shares in issue as at the date on which the shareholders of our Company approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the relevant scheme) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our shareholders a circular containing the information required under Chapter 17 of the Listing Rules;

(ii) our Company may seek separate approval from our Shareholders in general meeting for granting options to any Eligible Person specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. Our Company shall send to our Shareholders a circular containing, among other things, a generic description of the specified Eligible Person who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Person with an explanation as to how the terms of the options serve such purpose and such other information required under Chapter 17 of the Listing Rules; and

(iii) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company shall certify in writing to the Board to be fair and reasonable, in the event of any alteration to the capital structure of our Company whether by way of capitalization of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, subdivision of shares, or reduction of the share capital of our Company but shall not in any event exceed the limits imposed by the Listing Rules.

(d) Maximum entitlement of each individual

No options shall be granted to any Eligible Person which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all Options granted to him (including exercised, cancelled and outstanding Options) in the 12- month period up to and including the date of offer, exceeds 1% of the Shares in issue at such date. Any further grant of options in excess of this 1% limit shall be subject to the approval of our shareholders in general meeting with such Eligible Person and his associates (as defined in the Listing Rules) abstaining from voting. Our Company shall send to our shareholders a circular containing the identity of the Eligible Person, the numbers and terms of the options to be granted (and options previously granted to such Eligible Participant) and such other information required under Chapter 17 of the Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before our shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

(e) Grant of options to connected persons

Any grant of options to a Director (including an independent non-executive Director), chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates (as defined in the Listing Rules), under the Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of the Company, or any of their respective associates (as defined in the Listing Rules), will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1 % of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, such further grant of options by the Board must be approved by the shareholders of our Company. Any shareholder of our Company who is a connected person (as defined in the Listing Rules) of our Company must abstain from voting on the resolution to approve such further grant of options, except that such a connected person (as defined in the Listing Rules) may vote against such resolution subject to the requirements under Chapter 17 of the Listing Rules. Our Company shall send to our shareholders a circular containing the details and information required under Chapter 17 of the Listing Rules.

(f) Acceptance of an offer of options

An offer of options shall be open for acceptance for such period (not exceeding 14 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

(g) Exercise price

The exercise price in respect of any option shall be such price as determined by the Board and notified to an option holder and which shall not be less than the higher of:

(i) the closing price of the Shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of offer;

(ii) the average closing price of the Shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer; and

(iii) the nominal value of the Shares.

(h) Duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme.

(i) Time of vesting and exercise of options

Any option shall be vested on an option holder immediately upon his acceptance of the offer of options. Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed 10 years from the offer date of the option (the ''**Option Period**'').

An option shall be subject to such terms and conditions (if any) as may be determined by the Board at the date of offer and specified in the offer of the option. Notwithstanding the above, there is no minimum period for which any option must be held before it can be exercised and no performance target which need to be achieved by an option holder before the option can be exercised.

(j) Restriction on the time of grant of options

Our Company may not grant any options after inside information has come to its knowledge until such inside information has been published in accordance with the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option may be granted. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(k) Ranking of the Shares

Shares allotted and issued on the exercise of an option will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(l) Rights are personal to the option holders

Except for the transmission of an option on the death of an option holder to his personal representatives, neither the option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any option holder to any other person or entity. If an option holder transfers, assigns or disposes of any such option or rights, whether voluntarily or involuntarily, then the relevant option will immediately lapse.

(m) Rights on a general offer

If as a result of any general offer made to the holders of Shares, the Board becomes aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of our Company has or will become vested in the offeror, any company controlled by the offeror or any person associated with or acting in concert with the offeror (''**Change of Control**''), the Board will notify every option holder of this within 14 days of becoming so aware or as soon as practicable after any legal or regulatory restriction on such disclosure no longer applies. Each option holder will be entitled to exercise his options (to the extent not already exercised) during the one month starting on the later of (i) the date of the Board's notification to the option holders; and (ii) the date on which the person making the offer obtains control of the Company. All options not exercised before the end of such period will lapse.

(n) Rights on winding up

In the event a notice is given by our Company to its shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving the voluntarily winding up of our Company, our Company shall on the same date as or soon after it despatches such notice to its Shareholders give notice thereof to all option holders and each option holder (or his personal representative) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time no later than seven business days prior to the proposed general meeting of our Company. Our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the option holder credited as fully paid.

(o) Rights on company reconstructions

In the event of a compromise or arrangement, our Company shall give notice to all option holders on the same date as it gives notice of the meeting to its shareholders or creditors to consider such a compromise or arrangement and each option holder may at any time thereafter, but before such time as shall be notified by the Company, exercise all or any of his options (to the extent not already exercised), and subject to our Company receiving the exercise notice and the exercise price, our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the option holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options not so exercised will lapse.

(p) Lapse of option

An option will lapse automatically and not be exercisable (to the expense not already exercised) on the earliest of: (a) the expiry of the option period; (b) the expiry of any of the period referred to in sub-paragraphs (m) to (n); and (c) subject to sub-paragraph (o), the date of the commencement of the winding-up of the Company.

(q) Effect of alteration to capital

In the event of any alteration to the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, subdivision of shares, or reduction of share capital of our Company, such corresponding adjustments (if any) shall be made to the number of Shares, the subject matter of the option (insofar as it is unexercised) and/or the price at which the options are exercisable, as the auditors of our Company or an independent financial advisor appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable. Notice of any adjustments shall be given by our Company to an option holder.

Any such adjustments shall be made on the basis that an option holder shall have the same proportion of the issued share capital of our Company as that to which he was entitled prior to such adjustments. No such adjustments shall be made the effect of which would enable any Share to be issued at less than its nominal value or to increase the proportion of the issued share capital of our Company for which any option holder would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustments.

The auditors selected by the Company (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to paragraph 17.03(13) of the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Hong Kong Stock Exchange.

(r) Cancellation of options

Unless an option holder agrees, the Board may only cancel an option (which has been granted but not yet exercised) if, at the election of the Board, either;

(i) the Company pays to the option holder an amount equal to the fair market value of the option at the date of cancellation as determined by the Board at its absolute discretion, after consultation with the auditors of our Company or an independent financial advisor appointed by the Board;

(ii) the Board offers to grant to the option holder replacement options (or options under any other share option scheme) or makes such arrangements as the option holder may agree to compensate him for the loss of the option; or

(iii) the Board makes such arrangements as the option holder may agree to compensate him for the cancellation of the option.

(s) Termination of the Share Option Scheme

The Share Option Scheme will expire automatically on the day immediately preceding the tenth anniversary of the Listing Date. The Company may by resolution in general meeting or the Board may at any time terminate the Share Option Scheme, upon which no new offers to grant options under the Share Option Scheme will be made and any options which have been granted but not yet exercised shall either (i) continue subject to the Share Option Scheme; or (ii) be cancelled in accordance with sub-paragraph (r).

(t) Alteration of the Share Option Scheme

The Board may amend any of the provisions of the Share Option Scheme at any time except the following, which shall be approved by our Shareholders in general meeting:

(i) any amendments which are to the advantage of present or future option holders in respect of matters contained in Rule 17.03 of the Listing Rules;

(ii) any amendments to the terms and conditions of the Share Option Scheme which are of a material nature or any amendments to the terms of any options granted;

(iii) any amendments to the terms of options granted to an option holder who is a substantial shareholder (as defined in the Listing Rules) of our Company or an independent non-executive Director, or any of their respective associates (as defined in the Listing Rules) and the resolution to approve the amendment must be taken on a poll and any connected person (as defined in the Listing Rules) of our Company must abstain from voting on the resolution to approve such amendment, except that such a connected person may vote against such resolution; and

(iv) any change to the authority of the Board in relation to any amendment of the rules of the Share Option Scheme.

The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant provisions of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option scheme).

(u) Conditions of the Share Option Scheme

The adoption of the Share Option Scheme is conditional upon:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme;

(ii) the commencement of the dealings in the Shares on the Hong Kong Stock Exchange; and

(iii) our Shareholders approve the adoption of the Share Option Scheme.

If the permission referred to in sub-paragraph (i) is not granted within 365 days after the date the Share Option Scheme was conditionally adopted:

(iv) the Share Option Scheme shall forthwith determine;

(v) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;

(vi) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Share Option Scheme or any option; and

(vii) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

E. OTHER INFORMATION

1. LITIGATION

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

2. PAST NON-COMPLIANCE WITH SECTIONS 122(1) AND (1A) OF THE COMPANIES ORDINANCE

Pursuant to sections 122(1) and (1A) of the Companies Ordinance, the directors of a Hong Kong company must cause the profit and loss account and balance sheet of the company to be made up and laid before the company and its shareholders at each of its annual general meeting and such accounts shall be made up to a date falling not more than nine months before the date of the relevant annual general meeting. Huishan Holdings (Hong Kong) failed to lay its audited accounts for the period from January 5, 2010 to December 31, 2010 before the annual general meeting in accordance with the Companies Ordinance. Huishan Investments (Hong Kong) failed to lay its audited accounts for the period from January 5, 2010 to December 31, 2010 and the period from January 1, 2011 to March 31, 2012 before the annual general meetings in accordance with the Companies Ordinance.

Pursuant to applications made to the Court of First Instance of the High Court of Hong Kong by Huishan Holdings (Hong Kong) and Huishan Investments (Hong Kong) respectively on June 11, 2013, the High Court of Hong Kong has agreed to grant orders to extend the time for the laying of the relevant accounts pursuant to section 122(1B) of the Companies Ordinance. Accordingly, the above non-compliance with sections 122(1) and (1A) of the Companies Ordinance has been rectified.

3. JOINT SPONSORS

Each of the Joint Sponsors has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme).

4. PRELIMINARY EXPENSES

The estimated preliminary expenses incurred in connection with the incorporation of our Company are approximately HK$18,000 and are payable by our Company.

5. NO MATERIAL ADVERSE CHANGE

Saved as disclosed in this prospectus, the Directors confirm that there has been no material adverse change in our Group's financial or trading position since March 31, 2013.

6. PROMOTER

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. COMPLIANCE ADVISOR

Our Company has appointed Halcyon Capital Ltd as the compliance advisor upon Listing in compliance with Rule 3A.19 of the Listing Rules.

8. TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

9. QUALIFICATION OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualifications
Deutsche Securities Asia Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on future contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities under the SFO
Goldman Sachs (Asia) L.L.C.................	a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities under the SFO
HSBC Corporate Finance (Hong Kong) Limited	a licensed corporation to conduct type 6 (advising on corporate finance) regulated activities under the SFO
UBS Securities Hong Kong Limited	Licensed under the SFO to conduct types 1, 6 and 7 regulated activities under the SFO
KPMG	Certified Public Accountants
Jingtian & Gongcheng...........................	PRC legal advisors
Walkers..	Cayman Islands attorneys-at-law

10. CONSENTS OF EXPERTS

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

11. INTERESTS OF EXPERTS IN OUR COMPANY

None of the persons named in paragraph 9 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

12. BINDING EFFECT

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

13. MISCELLANEOUS

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in our Company or any of our subsidiaries;

(b) save as disclosed in this prospectus, there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(d) the principal register of members of our Company will be maintained in the Cayman Islands by Offshore Incorporations (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be registered on the principal register of members in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;

(e) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(f) our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company does not contravene the Companies Law;

(g) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures; and

(h) there is no arrangement under which future dividends are waived or agreed to be waived.

14. BILINGUAL PROSPECTUS

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

15. PARTICULARS OF THE SELLING SHAREHOLDERS AND THE OPTION GRANTORS

I. Particulars of the Selling Shareholders as at the Latest Practicable Date are set out as follows:

(a)	Name:	Champ Harvest Limited
	Description:	Corporation
	Registered office:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
	Shareholder(s):	Yang Kai, Gain Excellence Limited and King Pavilion Limited
	Number of Sale Shares:	582,707,000

Each of Mr. Yang Kai and Ms. Ge Kun, being a Director, is interested in such Sale Shares through his or her interest in Champ Harvest Limited.

(b)	Name:	Spring Harvest Limited
	Description:	Corporation
	Registered office:	33 Garden Road, Central, Hong Kong
	Shareholder(s):	Hero Beteiligungen AG
	Number of Sale Shares:	122,262,000

(c)	Name:	Well Ease Limited
	Description:	Corporation
	Registered office:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
	Shareholder(s):	Chow Tai Fook Nominee Limited and Crown Castle Investment Holdings Limited
	Number of Sale Shares:	138,606,000
(d)	Name:	An Yu Investments Limited
	Description:	Corporation
	Registered office:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
	Shareholder(s):	Eager Info Investments Limited and Spring Eminent Limited
	Number of Sale Shares:	30,487,000

II. Particulars of the Option Grantors as at the Latest Practicable Date are set out as follows:

(a)	Name:	Spring Harvest Limited
	Description:	Corporation
	Registered office:	33 Garden Road, Central, Hong Kong
	Shareholder(s):	Hero Beteiligungen AG
	Maximum number of Shares to sell:	106,686,000
(b)	Name:	Well Ease Limited
	Description:	Corporation
	Registered office:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
	Shareholder(s):	Chow Tai Fook Nominee Limited and Crown Castle Investment Holdings Limited
	Maximum number of Shares to sell:	241,273,000

(c)	Name:	Alpha Spring Limited
	Description:	Corporation
	Registered office:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
	Shareholder(s):	Nantong Zongyi Investment Co., Ltd* (南通綜藝投資有限公司)
	Maximum number of Shares to sell:	83,556,000
(d)	Name:	An Yu Investments Limited
	Description:	Corporation
	Registered office:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
	Shareholder(s):	Eager Info Investments Limited and Spring Eminent Limited
	Maximum number of Shares to sell:	53,070,000
(e)	Name:	Investec Bank plc
	Description:	Corporation
	Registered office:	2 Gresham Street, London EC2V 7QP, United Kingdom
	Shareholder(s):	Investec 1 Limited and Investec Holding Company (Nominees) Limited
	Maximum number of Shares to sell:	83,556,000

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) copies of the material contracts referred to the section headed "Statutory and General Information — Further Information About the Business — Summary of Material Contracts" in Appendix V to this prospectus;

(c) the written consents referred to in the section headed "Statutory and General Information — Other Information — Consents of Experts" in Appendix V to this prospectus; and

(d) the statement of particulars of the Selling Shareholders and the Option Grantors.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Clifford Chance, 28th Floor, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association of our Company;

(b) the Accountants' Report and the report on the unaudited pro forma financial information prepared by KPMG, the texts of which are set out in Appendices I and II to this prospectus;

(c) the audited consolidated financial statements of our Company for the years ended March 31, 2012 and 2013;

(d) the legal opinions issued by Jingtian & Gongcheng, our PRC legal adviser, dated September 13, 2013 in respect of certain aspects of the Group and the property interests of the Group;

(e) the letter of advice prepared by Walkers, our Cayman legal adviser, summarizing certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;

(f) the material contracts referred to the section headed "Statutory and General Information — Further Information About the Business — Summary of Material Contracts" in Appendix V to this prospectus;

(g) the written consents referred to in the section headed "Statutory and General Information — Other Information — Consents of Experts" in Appendix V to this prospectus;

(h) service contracts entered into between the Company and each of the Directors;

(i) the Cayman Islands Companies Law;

(j) the rules of the Share Option Scheme; and

(k) a list of particulars of the Selling Shareholders and the Option Grantors as set out in the section headed "Other information — Particulars of the Selling Shareholders and the Option Grantors" in Appendix V to this prospectus.

Huishan