輝山 Huishan 1951

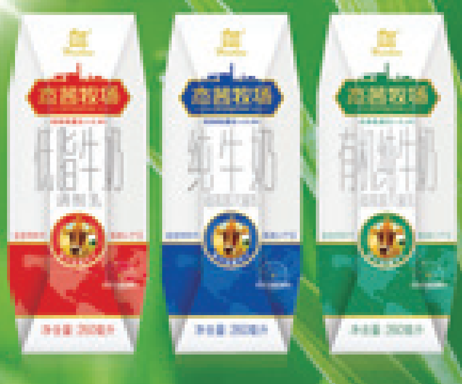
杰茜牧场 JerseyCow

3.6克乳蛋白

好奶是种出来的!

珍稀娟姗乳牛 起源英伦杰茜岛

Annual Report 2014

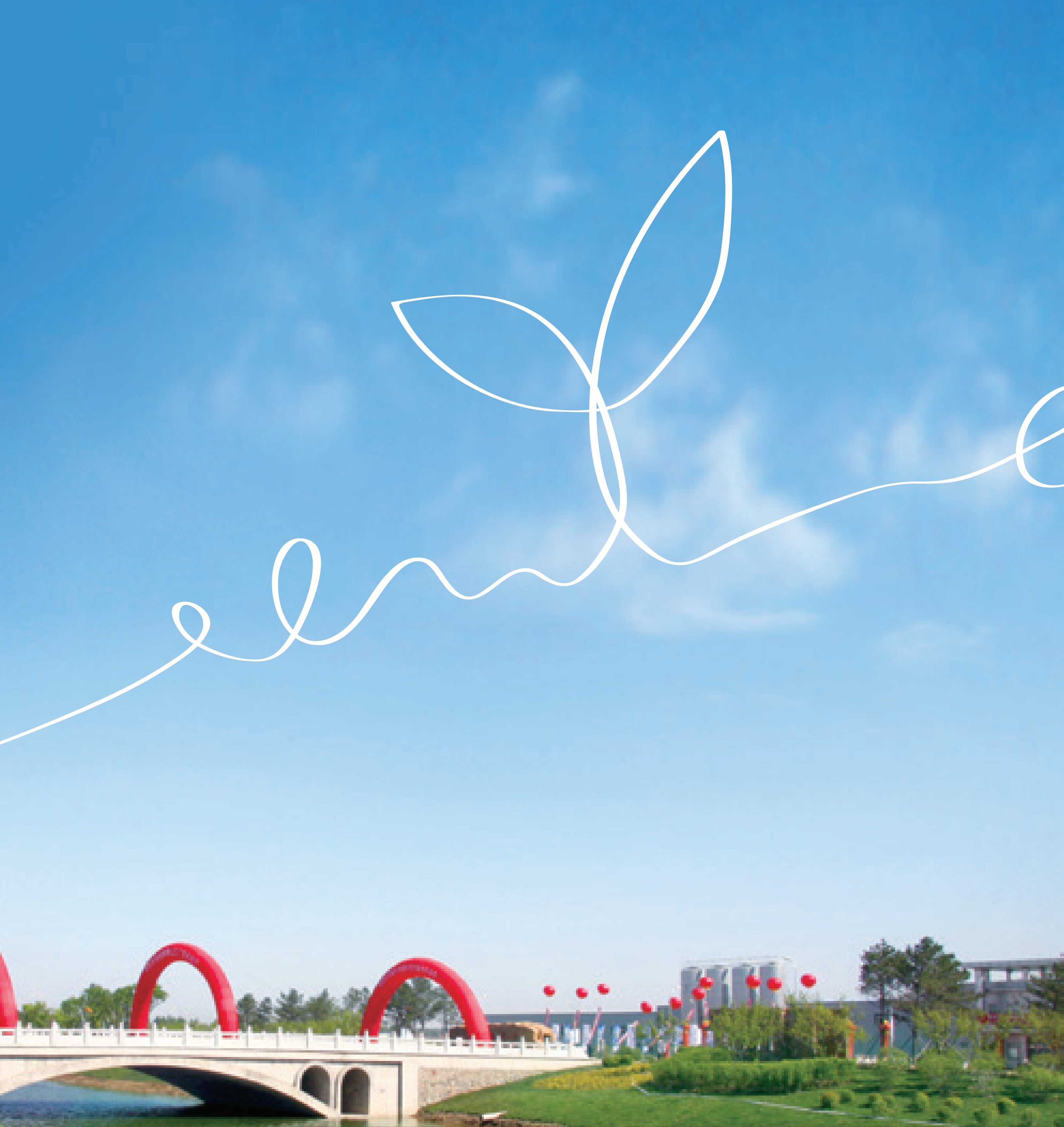


中國輝山乳業控股有限公司

China Huishan Dairy Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

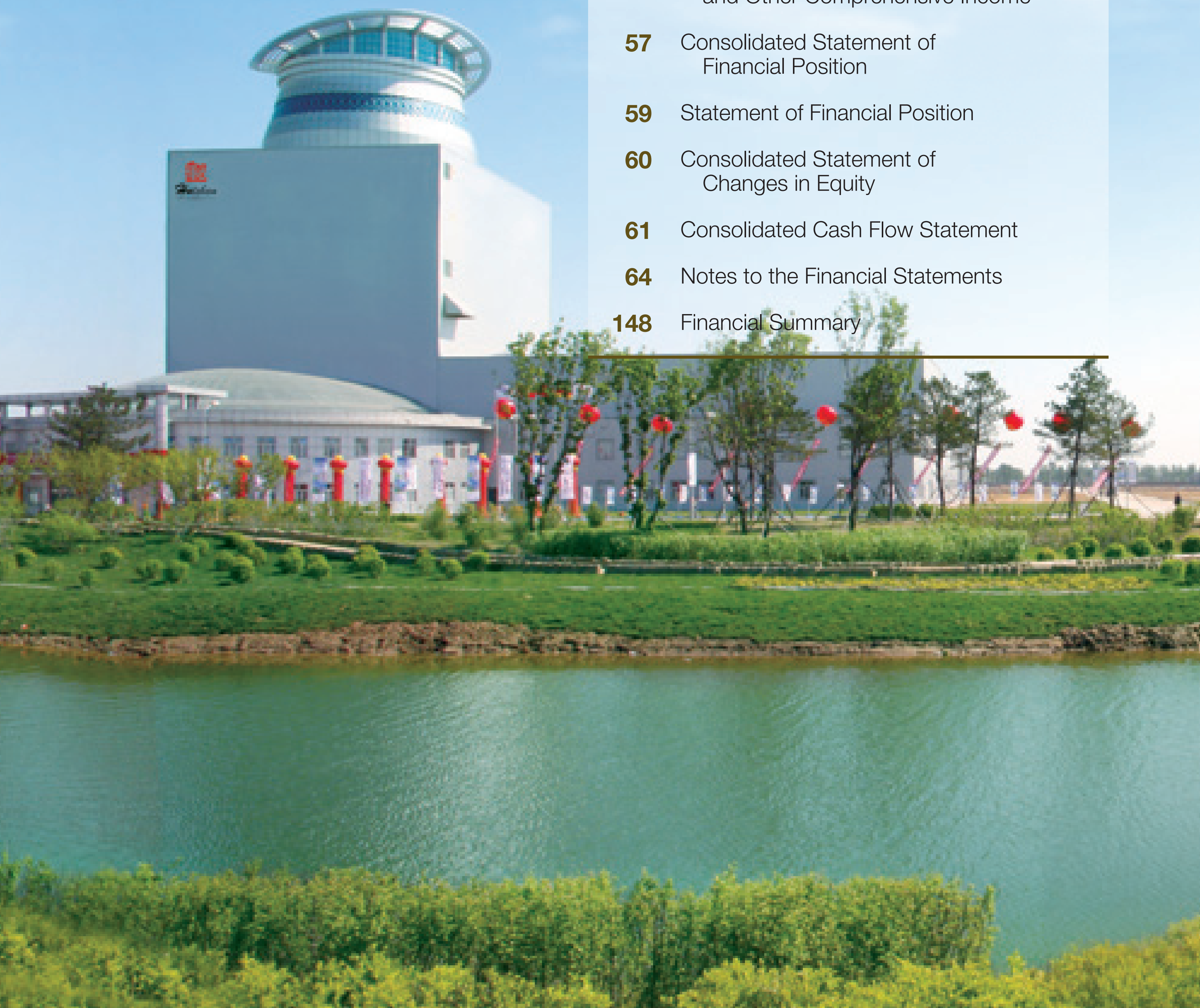
Stock code : 06863



ABOUT US

We are a leading and the most vertically integrated dairy company in China. Our business model covers the entire dairy industry value chain from growing and processing of alfalfa and supplementary feeds, processing of concentrated feeds, dairy farming and manufacturing and sales of dairy products under the "Huishan" brand. Currently, we are the only company in China capable of satisfying 100% of raw milk required for the production of liquid milk and milk powder products with raw milk produced by our self-operated farms. Our impeccable product safety records and high quality products stand behind a brand worth the trust of consumers in China.

CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Kai *(Chairman and Chief Executive Officer)*
Ms. Ge Kun
Mr. So Wing Hoi
Mr. Xu Guangyi
Mr. Kwok Hok Yin

Non-Executive Directors

Mr. Cheng Chi Heng
Mr. Li Kar Cheung

Independent Non-Executive Directors

Mr. Siu Wai Keung
Mr. Song Kungang
Mr. Gu Ruixia
Mr. Tsui Kei Pang

SENIOR MANAGEMENT

Mr. Yin Dongli
Mr. Wang Jinpeng
Ms. Wang Xinyu
Mr. Chou, Michael *(Company Secretary)*

STOCK CODE

Hong Kong Stock Exchange 6863

INVESTOR RELATIONS CONTACT

Mr. Chou, Michael
Unit 02, 29th Floor
Far East Finance Centre
No. 16 Harcourt Road
Hong Kong
Email: ir@huishangroup.com
Website: www.huishandairy.com

PLACE OF BUSINESS IN HONG KONG

Unit 02, 29th Floor
Far East Finance Centre
No. 16 Harcourt Road
Hong Kong

REGISTERED OFFICE AND PRINCIPAL SHARE REGISTRAR

Floor 4, Willow House
Cricket Square
PO Box 2804
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

101 Huishan Broad Road
Shenbei District
Shenyang 110163
PRC

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISOR

Reed Smith Richards Butler
20th Floor Alexandra House
18 Chater Road
Central
Hong Kong

PRINCIPAL BANK

Bank of China, Shenyang Branch
No. 253 Shifu Road
Shenhe District
Shenyang 110013
PRC

AUDITOR

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Charter Road
Central
Hong Kong

PUBLIC RELATIONS CONSULTANT

Wonderful Sky Financial Group
6/F, Nexxus Building,
41 Connaught Road
Central
Hong Kong

COMPLIANCE ADVISOR

Halcyon Capital Limited
11/F, 8 Wyndham Street
Central
Hong Kong

ANNUAL RESULTS HIGHLIGHTS

FINANCIAL HIGHLIGHTS

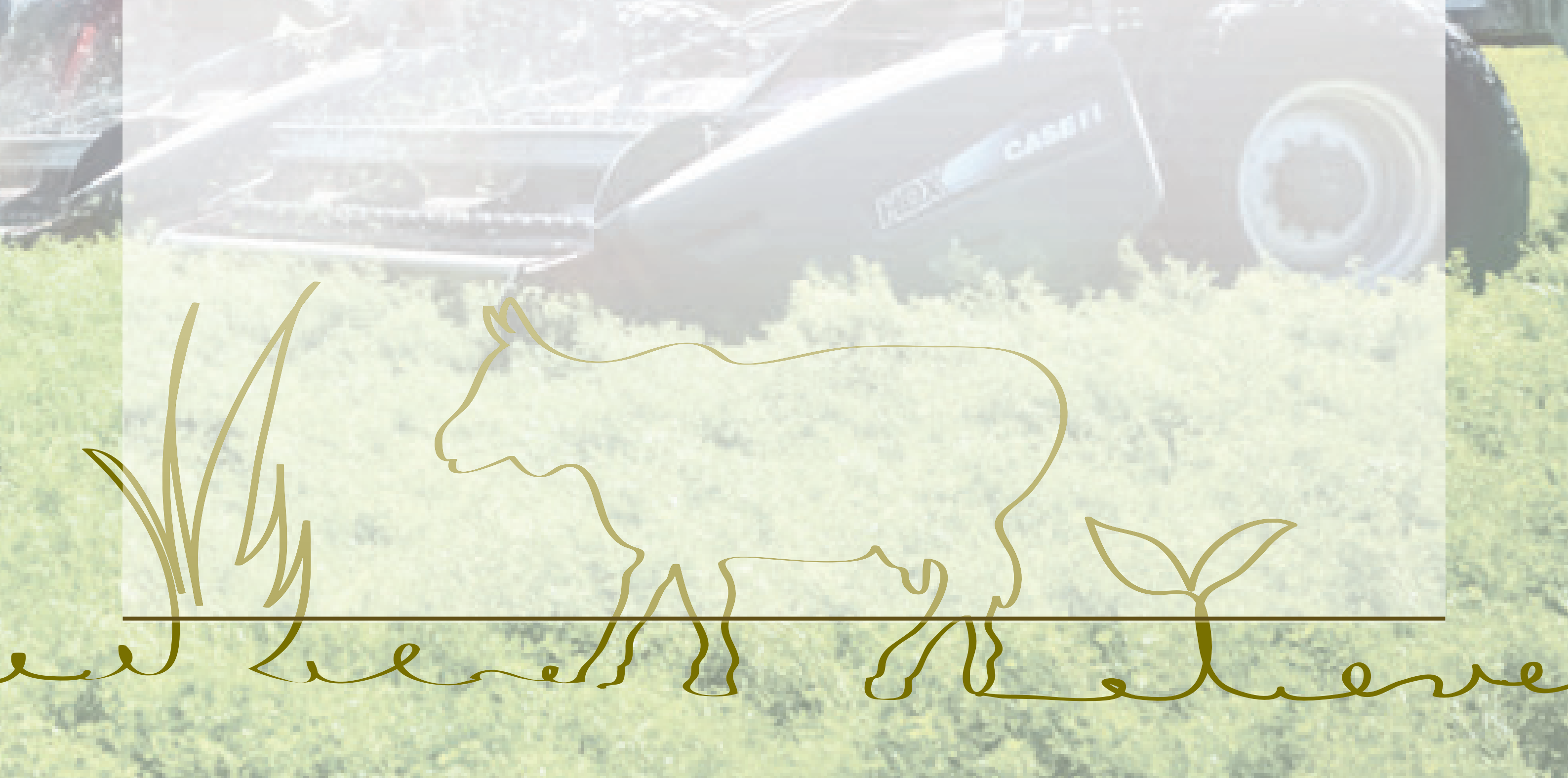
Results

	Years ended March 31,			
	2014		2013	
	Results before biological fair value adjustments RMB'000	**Results after biological fair value adjustments RMB'000**	Results before biological fair value adjustments RMB'000	Results after biological fair value adjustments RMB'000
Turnover	**3,530,419**	**3,530,419**	2,552,438	2,552,438
Gross margin	**62.4%**	**20.1%**	54.0%	17.3%
Operating profit(1)	**1,401,489**	**1,401,308**	1,022,132	953,613
Profit for the year	**1,249,410**	**1,249,229**	1,013,889	945,370
Earnings per share (RMB)(2)		**0.10**		0.08
Proposed dividend per share (RMB)		**2.16 cents**		—

- Turnover increased by 38.3% from the corresponding period in 2013
- Operating profit increased by 46.9% from the corresponding period in 2013
- Profit for the year increased by 32.1% from the corresponding period in 2013

(1) *Operating profit represents the profit for the year before charging equity-settled share option expenses and initial public offering expenses. Equity-settled share option expenses are non-cash in nature and initial public offering expenses are non-recurring in nature.*

(2) *Please refer to Note 13(a) on page 94 for calculation of earnings per share.*



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Huishan Dairy Holdings Company Limited (the "Company"), together with its subsidiaries (the "Group" or "Huishan"), I am pleased to present the audited consolidated annual results of the Group for the year ended March 31, 2014 (the "Reporting Year") to all shareholders ("Shareholders").

BUSINESS REVIEW

With the increase in disposable income and purchasing power of Chinese consumers, their demand for dairy products continues to grow. Meanwhile, more Chinese consumers start to pursue a healthy lifestyle and quality of life and to pay more attention to food safety, which stimulates their growing demand for high-end dairy products. Recent years saw frequent occurrence of dairy safety incidents, which cast lingering shadows on consumption of domestically-produced dairy products and endlessly damage the confidence of consumers. We have always believed that "the conscientiousness of dairy companies can only be practically fulfilled through good milk produced from well-controlled milk sources". Over years of practice, we are among the first dairy companies to establish a fully vertically integrated business model in China's dairy industry with our whole self-controlled process covering from large scale feeds plantation, customized feeds processing, scientific dairy farming, fine dairy production and high-freshness dairy delivery, we have set a successful example for solving dairy products safety problems in China's dairy industry by addressing the root cause. In 2013, the prices of dairy products soared due to insufficient supply of raw milk, new policies on the quality and safety of infant milk formula promulgated by the Chinese government triggered an industry reshuffle, and all those proved that it is necessary to practise our fully vertically integrated business model and it is the right approach to establish an innovative, resource-controlling dairy industry operation model.

Our past Reporting Year is a year of great achievements. We not only successfully entered into the Hong Kong capital market and were awarded the Best IPO Award in 2013 by AsiaMoney magazine, but also received lots of attention after successfully listing as we were included in three FTSE indexes, namely FTSE All-World Index, FTSE All-Emerging Index, FTSE China (HK Listed) Index as well as MSCI China Index.

Our business model enables us to maintain excellent quality and safety records, and even gain industry-leading profit through optimized cost structure. We made great progress in our business segments during the Reporting Year. As compared with the corresponding year in 2013, during the Reporting Year, our turnover increased from RMB2,552 million by 38.3% to RMB3,530 million, our operating profit increased from RMB954 million by 46.9% to RMB1,401 million, and our profit for the year increased from RMB945 million by 32.1% to RMB1,249 million.

As at March 31, 2014, we have had 144,191 heads of Holsteins and Jerseys, put into operation of 59 modern dairy farms, over 240,000 mu of feeds plantation areas, 9 tonnes of unit yield of dairy cows. During the Reporting Year, the total volume of raw milk reached 501,700 tonnes, the average price of raw milk reached RMB5,017 per tonne.

Leveraging on our raw milk source, we are capable of meeting our consumers' demand for diversified and healthy dairy products and continuing to optimize product structure through research and development of differentiating products. During the Reporting Year, we launched several diversified liquid dairy products to the market including premium UHT products series comprising organic products under the name "Jersey Dairy Farm (傑茜牧場)" processed by using jersey cow raw milk with protein content reaching 3.6%, premium yogurt products under the name "Sharing Global Flavors (全球甄享)" and yogurt products with additive-free and natural-taste features under the name "10 Days (10天)". From the end of November in 2013, our liquid dairy products began to reach markets beyond Northeastern China; we completed our initial deployment in new regional markets in Shandong, Hebei, Sichuan, etc. During the Reporting Year, our sales volume of liquid milk reached 287,528 tonnes, representing an increase of 16.8% as compared with last year, the average selling price of liquid dairy products increased from RMB6,935 per tonne in the year ended March 31, 2013 to RMB7,957 per tonne , our sales of liquid dairy products reached RMB2,288 million. According to Frost & Sullivan's report, in 2013, in terms of retail sales, our market share of liquid dairy products increased to 19.5% from 13.7% in 2012, Huishan ranked 5th in China's liquid dairy retail market.

In early 2013, leveraging on our own premium milk source, advanced milk powder formula and high-standard milk powder processing plant, we introduced several Huishan's IMF series simultaneously, including "Huishan Gold Queen" (輝山金皇后) and "Huishan Gold Label" (輝山金裝), which officially announced that we embarked on the development strategy of entering into IMF competition and deploying across the country. During the Reporting Year, we were committed to developing domestic IMF market with good potential and expanding sales network, we started the initial set up in Hebei, Shandong, Henan, etc. According to Frost & Sullivan's report, our IMF products had a 9% market share in Liaoning region in terms of retail sales in 2013, the fifth largest market share in Liaoning.

In January 2014, our IMF products were introduced at "New Domestic Infant Milk Powder Products Presentation" organized by China Dairy Industry Association, which further encouraged us to continue to improve our competitiveness through strengthening the construction of milk sources, technological research and development as well as quality control, in order to best take up market share released by the new round of industry consolidation and elimination.

OUTLOOK

According to Frost & Sullivan's report, total sales of China's dairy market increased from RMB174.4 billion in 2008 to RMB300.0 billion in 2013. However, as one of the countries with the largest dairy product consumption, China has a per capita dairy product consumption level of merely 28.9 kilogram, lagging far behind developed countries. With China's increasing disposable income per capita, urbanization level and more lenient birth-control policy, there is vast room for the development of the dairy industry in China. It is forecasted that total sales of China's dairy market will exceed RMB500.0 billion by 2018, and high-end dairy product will rise noticeably to a consumption share of nearly 40%.

In the 21st century, with the development of life sciences, people are becoming more and more aware of the virtue of proteins as basic elements of life, and the attention paid on the quality of protein has been increasing. Dairy products derived from raw milk as its ingredient are not only food that is rich in protein, but even more importantly are sources of inexpensive yet high quality protein. Definition of protein in dairy products will affect the level of dairy nutrition, dairy consumption and the future of dairy market development. Competition in providing high quality protein is likely to be one of the most prominent changes in the competitive landscape in the future of the dairy industry.

"Those who own milk sources control the market", a judgment call that is proven ever more true under the above-mentioned development trend. We formulate and implement our core development strategies by constantly adhering to our operation philosophy "good cows, good grass and good milk". Looking to the future, we will leverage on the geographical advantage of Liaoning being a prime location for cow-raising and corn-growing, we will continue to expand the size of our upstream self-operated production base and reinforce and amplify our strength in controlling resources brought by our fully-vertically integrated business model. We will set world-class new standards for high quality dairy product through continuous research and development and improvement of the quality of raw milk, whilst maintaining industry-leading cost structure and ensuring consistent commitment to quality and safety. We will build ourselves into a globally-competitive producer of high quality protein and a provider of integrated dairy services to meet Chinese consumers' pursuit of health and high-quality dairy protein and to become a market-dominating brand that the Chinese people are proud of.

To realize our brand vision, we will devise our plan and product marketing strategies on the following core ideas: Firstly, to leverage on quality fresh milk sources from our self-operated dairy farms as the cornerstone to achieve our competitive differentiation; secondly, to take advantage of our edge on unique Jersey cow herd and our upstream resources in setting technical barriers that are difficult to leap over by our competitors, such as the new standard of "3.6% of protein in milk"; and finally, for dairy product processing, to pioneer China's dairy industry's upgrade through technological innovations and by elevating key quality indicators for large-scale milk sources.

To achieve this vision, we will implement strategies throughout our liquid milk and milk powder market development as follows:

At present, we derive income and profits primarily from the liquid milk business. We will further expand this business in two major directions namely by further expanding within the Northeastern market and targeting key areas across China. On penetration within the Northeastern market, leveraging on the advantage of "輝山" brand (Huishan), which is the No. 1 brand in the Northeastern region, we will continue to make great efforts to grow in the Northeastern market — our home market, with our pasteurized milk and yogurt products; we plan to penetrate more deeply into communities and special channels by building "Freshness Delivery" (新鮮送) home delivery services brand and setting up Huishan dairy direct-sale stores; to continuously maintain and increase our market share in Northeastern market by expanding our home delivery services. Regarding the nationwide market, we will gradually expand into Northern and Eastern China markets focusing on approximately 15 key provinces/areas besides the Northeastern market. Our products for these markets are mainly high-end products with 3.6g protein. For expanding into markets beyond the Northeastern market, we will highlight our Huishan brand image of safe and high-quality products produced from a fully vertically integrated business model.

IMF business is also a focus of our dairy business development. In respect of our IMF retail business, we deploy a multi-channel and multi-brand strategy by focusing on the establishment of four major distribution channels (namely conventional channels, modern trade channels, mother-and-baby stores and e-commerce), and meanwhile, targeting consumer groups in third-tier to sixth-tier cities and focusing on developing products with higher nutritional value and functionality to enrich our product portfolio. We will use 100% fresh milk, prepared through both wet and dry processing to better digestion and absorption by infants and toddlers, for all product development. On the premise of establishing a positive brand influence, we are confident in becoming one of the leading domestic IMF enterprises.

Supplying innovative, high-quality dairy ingredient products globally is the development direction of our dairy ingredient business. Currently, we supply dairy ingredients such as whole milk powder and D90 whey powder, non-dairy creamer, etc. In future we will improve level of technological sophistication of our products through technical innovations, and offer better dairy ingredient products of quality and thus amplify our market coverage in catering and food processing industries.

APPRECIATION

The Reporting Year saw our extraordinary development and outstanding performance, which are attributable to our staff's diligence, unity and dedication. I would like to express my gratitude to all our staff, shareholders and business partners for your long-term support and confidence in Huishan. And we look forward to continuing to cooperate with all of you, jointly building and witnessing new brilliance of our fully vertically integrated business model!

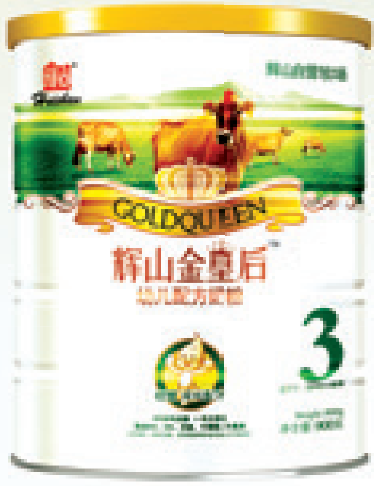
Yang Kai
Chairman and Chief Executive Officer

Hong Kong, June 11, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

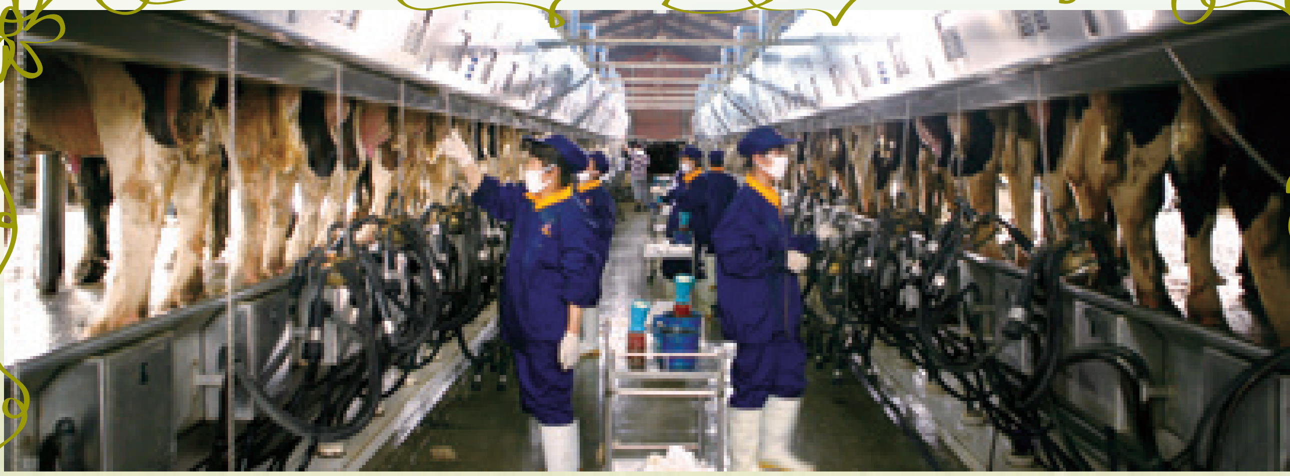
The China's dairy market has been growing rapidly in recent years. Following the increasing health consciousness and the acceleration of urbanization, the demand for quality and healthy dairy products from Chinese consumers has been increasing, thus creating an enormous development opportunity for the China's dairy industry. In contrast to the rapid development of the downstream dairy market, however, the pace of construction and the supply of upstream raw milk sources have been slow. The undersupply of raw milk is becoming prominent. The gap between supply and demand of raw milk is further widened in some regions during the second half of 2013 due to a number of factors, including abnormal climate, the rapid withdrawal of individual dairy farmers from the industry, and the temporary prohibition of the import of milk powders from New Zealand. The "scarcity of raw milk" is no longer a cyclical but a structural problem. To combat the problem, the consensus amongst the industry operators is to expand the domestic farming scale and to speed up the construction of raw milk production bases. The scalability of dairy farming operations is limited by the smoothness and sufficiency of dairy cow import channels, breeding experience of the operators, and the abundant supply of feeding materials plantation bases. These factors are also the fundamental determinants of the cost competitiveness of the operators. In order to conform to the industry development trend, large-scale dairy companies must plan ahead to cope with the raw milk shortage.



Dairy consumption of China's urban households comprises mainly liquid milk. According to Frost & Sullivan's report, retail sales of liquid milk in China increased at a CAGR of 10.7% from approximately RMB87.0 billion in 2008 to approximately RMB144.8 billion in 2013. The liquid milk market in Northeastern China also experienced steady growth over the past few years, retail sales of liquid milk increased at a CAGR of approximately 8.3% from approximately RMB10.9 billion in 2008 to approximately RMB16.2 billion in 2013. With favourable macro-economic development in Northeastern region, both the disposable income per capita of urban households and the level of urbanization are expected to grow continuously, which may drive the growth in dairy consumption per capita in this region. According to Frost & Sullivan's report, from 2013 to 2018, retail sales of liquid milk in Northeastern region are expected to increase at a possible CAGR of 10.6% to reach RMB26.8 billion in 2018.

In reaction to the rising health consciousness of consumers and their growing demand for high-end dairy products, the product mix in liquid milk market has evolved accordingly at an increasing pace to reflect the growing popularity of high price and high value-added products. Within this new product mix, pasteurized milk and yogurt have become the new growth point. In Northeastern China, the demand for pasteurized milk has continued to increase over the past five years as a result of rising health consciousness and changes in consumption preference. With the increase of disposable income and continued urbanization process, the growth is expected to continue at an even faster pace than the growth of the overall liquid milk market. Similarly, the market share of yogurt has also increased to become the second largest category of the liquid milk market in Northeastern China. In 2013, the market share of yogurt in Northeastern China was 24.7%. Amongst the three provinces in Northeastern China, Liaoning recorded the highest level of market share of pasteurized milk and yogurt at 11.4% and 27.0%, respectively. The development of the pasteurized milk market is largely dependent on the regional economy and people's living standard. Market share of pasteurized milk in the Eastern China region is generally higher than that in the Northeastern China region. Especially, in Shanghai region, pasteurized milk accounts for nearly half of the liquid milk market in terms of retail sales.

In 2013, the implementation of a new policy of allowing a couple among which either the husband or wife is an only child to have two children has a profound impact on the milk powder industry, and many dairy companies wish to capture this market opportunity. In 2013, in order to restore consumers confidence on domestic IMF brands, the Chinese government promulgated a number of new regulations on infant milk formula (IMF) production with the intention to rectify market order. During 2013, a number of detailed measures were subsequently issued by various ministries and bureaus covering the raising of the industry's entry barriers, phasing out OEM (original equipment manufacturers) production companies and regulating the industry with reference to regulations applied under Law on Administration of Pharmaceuticals. Regulators strengthened the level of supervising activities such as prohibiting production of IMF products by way of sub-packaging, sub-contracting; requesting that IMF production enterprises which use raw milk as their main ingredients to have all raw milk supplied by self-constructed and self-controlled raw milk supply base and thereby gradually guaranteeing raw milk from wholly-owned or controlled dairy farms. These new policies and regulations are expected to help consolidate the domestic milk powder sector, build well-known brands with proprietary intellectual property and competitive power at international level, and improve the concentration level of milk powder industry. Meanwhile, these new policies and regulations brought huge development opportunities to dairy companies with strong control of raw milk sources, advanced production process, standardized management procedures and comprehensive tracing system through the release of market share by eliminating small market participants. In addition, according to the Announcement of General Administration of Quality Supervision, Inspection and Quarantine on Strengthening the Administration on Imports of IMF (《質檢總局關於加強進口嬰幼兒配方乳粉管理的公告》), which was issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC on September 23, 2013, a series of regulations on forbidding the import of IMF from unregistered oversea manufacturers would be strictly implemented from May 1, 2014. The above measures on overseas dairy companies can cut off the imports of milk powder produced overseas that do not meet China's quality standards to China. This can also further clean up the domestic milk powder market environment, and help form healthy competition in the milk powder sector. May 31, 2014 is the deadline for IMF sector to renew their production license whereby a facility will not be able to continue to manufacture or sell IMF product if it fails the renewal assessment. And as improvement costs required are substantial for many companies, a large number of small-scale companies directly forfeited their application for new production licenses due to insufficient funding. According to public information at the end of May 2014, one third of the dairy companies may not be able to obtain their new licenses, and may face cessation of production or elimination from the market.



Huishan Dairy, The Most Original

Recent years saw gradual shift of focus on newsworthy dairy safety events, which showed signs of extending into the upstream end of the industry value chain, and this was consistent with “the key of food safety is at the origin”, a judgment made by the central government. Enhancing traceable dairy safety control system from “grass to glass” is needed to resolve dairy safety problems.

BUSINESS REVIEW

We are a leading and the most vertically integrated dairy company in China. Our business model covers the entire dairy industry value chain from growing and processing of alfalfa and supplementary feeds, processing of concentrated feeds, dairy farming and manufacturing and sales of dairy products under the “Huishan” brand. Currently, we are the only company in China capable of satisfying 100% of raw milk required for the production of liquid milk and milk powder products with raw milk produced by our self-operated farms. Our impeccable product safety records and high quality products stand behind a brand worth the trust of consumers in China.

During the Reporting Year, we continued to strengthen our upstream operations and resources advantages by importing dairy cows on large-scale, expanding plantation areas of feeds for dairy cows and increased total production of raw milk whilst maintaining cost advantage. Leveraging on our own high quality raw milk resources, we were able to introduce new downstream products according to consumers’ preferences, upgrade product mix and produce higher value-added products with high gross margin. Leveraging on the same resources, we improved our capability in developing specific products for specific geographical markets. Through strengthening brand and the construction of distribution network, we were able to penetrate into additional geographical end-markets beyond Northeastern region while further expanding our market share in Northeastern region.

Turnover of the Group reached RMB3,530 million for the year ended March 31, 2014, representing a growth of 38.3% from RMB2,552 million in the corresponding period in 2013. This was primarily attributable to growth of our herd size, product mix enhancement and market expansion, which also resulted in significant increase of sales volume and average selling price of our products during the reporting period.

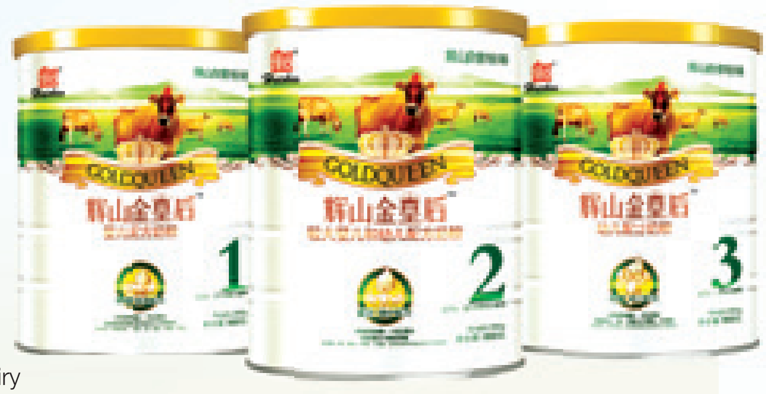
During the Reporting Year, we operated in three principal business segments:[1] (i) dairy farming business, under which we mainly produced and sold raw milk; (ii) liquid milk business, under which we mainly produced and sold liquid milk products; and (iii) milk powder business, under which we mainly produced and sold milk powder products and dairy ingredients.

Dairy Farming

- Herd size

	At March 31, 2014 Head	At March 31, 2013 Head
Milkable cows	**61,286**	49,889
Heifers and Calves	**82,905**	62,962
	144,191	112,851

As at March 31, 2014, we operated the largest number of dairy farms in China with 59 standardized dairy farms and a herd size of 144,191 of dairy cows in Liaoning Province compared to 50 standardized dairy farms as at March 31, 2013 with a total herd size of 112,851 dairy cows.



In recent years, Chinese dairy companies have gradually realized the importance of the construction of upstream resources by importing dairy cows, but the scarcity of import sources of dairy cows posed the largest bottleneck encountered in the importing process. Through years of cooperation, we have maintained a good relationship with international dairy cow exporters, which provides a solid backing for our planned import of dairy cows in large volume. As we have been importing dairy cows in large quantity for several years, we are more popular than small domestic dairy farmers among shipping companies and domestic quarantine farms. We are also one of their preferred partners as a large-scale dairy company with creditability. Our dairy cow importing processes are smooth and well-implemented. We are among the first dairy companies to conduct large-scale dairy farming business in China, thus we have a "first mover" advantage in dairy cow importing.

- Milk yield

  We produced an aggregate of 501,700 tonnes of raw milk for the year ended March 31, 2014, representing an increase of 37.4% from 365,100 tonnes for the corresponding period in 2013. Such results are attributable to the increase in number of milkable cows and the advanced and effective herd management.

[1] *We discontinued our grain processing business on January 25, 2011 and our grain trading business on March 28, 2013.*

We recorded an average milk yield per milkable cow of 9.0 tonnes during the Reporting Year, which was close to that of the corresponding period in 2013. Our herd includes Holsteins and Jerseys. The milk yield varies between different breeds of dairy cows. Jerseys, the smaller-sized dairy cows originating from the island of Jersey of the English Channel, produce lower milk yield as compared with Holsteins. Prominent features of raw milk produced by Jersey cows are milky and rich in fat and protein. The high quality raw milk produced by our Jerseys is utilized for processing high-end liquid milk products under Huishan brand instead of being sold externally to other dairy companies.

- Average selling price of raw milk

  The widening gap between supply and demand for raw milk in China and, in particular, the demand for premium raw milk drove the base selling price of our raw milk. Our average selling price of raw milk amounted to RMB5,017 per tonne for the year ended March 31, 2014 from RMB4,515 per tonne for the corresponding period in 2013.

- Forage grass and feeds growing and concentrated feeds processing

  Feeds are crucial in determining the cost of raw milk and also the "first factor" affecting the raw milk quality produced by dairy cows. To build milk sources, the frontier of the industry value chain such as growing of feeds and feeds processing provide fundamental protection for raw milk safety and quality. As a fully vertically integrated dairy company that operates on the foundation of our scaled "self-operated farm" model, we strive to follow the philosophy of starting from the origin and ensure the wellbeing of Huishan dairy cows are in the hands of Huishan people. In the Third Plenary Session of 18th Central Committee, the new policy on agriculture industry accelerated the establishment of new operating systems for agricultural activities. It also promoted the transfer of contract and management rights to professional large-scale operators, family-run farms, farmer cooperatives and agriculture enterprises in open market. We leased a vast area of agricultural land for large-scale planting activities, this was consistent with the development trend and specific requirements of the modern agriculture industry of the PRC. For our dairy cows, we can ensure the supply of self-controlled feed materials, whose quality are fundamentally secured. This can also help with mitigating the risk of rising prices of feed materials in the future.

  During the Reporting Year, our alfalfa plantation field increased by 20,000 mu from approximately 120,000 mu to an aggregate area of over 140,000 mu. As the largest commercial alfalfa plantation field in China, 40,000 mu of our alfalfa plantation field was awarded the "National Demonstrative Area for High Yield and Quality Alfalfa". During the Reporting Year, we harvested alfalfa three times, with a total production volume of approximately 140,000 tonnes. The cost of production for alfalfa during the year was US$92 per tonne, representing an increase from that of the corresponding period in 2013 due to higher rent for the newly added 20,000 mu of plantation field. However, as we grew our own alfalfa, we were able to save on import customs duties, freight costs and intermediaries' profit retention. Therefore, our production cost was still substantially lower than the average CIF (cost, insurance and freight) price of imported alfalfa of close to US$400 per tonne during the Reporting Year. In addition, as our alfalfa plantation fields and our cow farms were located close together thanks to our scientifically well laid-out production bases, we also saved on alfalfa domestic transportation cost of an estimated RMB600–800 per tonne.

  In June 2013, an on-site conference of "Plan of Dairy Industry Revitalization and Alfalfa Development" (振興奶業苜蓿發展行動現場會) organized by Ministry of Agriculture of China (農業部) took place at one of our Linghai alfalfa plantation fields in Jinzhou, Liaoning Province. The vice-minister of Ministry of Agriculture, attended the conference. Our large-scale alfalfa plantation and high-standard fully vertically integrated business model received highly favorable remarks from conference participants.

At the Fifth Session of China's Alfalfa Development Convention (第五屆中國苜蓿發展大會) organized by China Animal Agriculture Association (中國畜牧業協會) held on August 24, 2013, our alfalfa was awarded "Premium" rating with the highest score in accordance with China's quality standards for alfalfa hay.

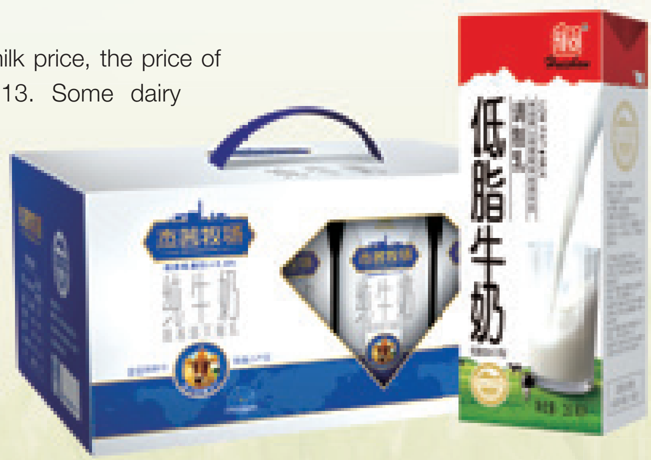
Apart from the above alfalfa plantation fields, in May 2013, we planted other feeds for dairy cows including corn silage in Liaoning Province, China on approximately 100,000 mu of land with fixed rents. Corn silage is an essential quality forage for dairy cows, representing 60%-70% of the total consumption of forage. The advantages of corn silage include high production volume, good quality, long storage period and simple processing procedure. It could extend the milk production period of dairy cows. Corn silage has the highest feeds value among the top three crops in China. Our self-planted corn silage not only further strengthens the safety of our milk source from the origin, but also provides cost advantages and ensure quality and stable supply through fixed rent costs combined with implementation of large-scale mechanical operation and introduction of Mexican advanced corn silage plantation technology. During the Reporting Year, the area of our feeds plantation fields (including the abovementioned alfalfa plantation fields) was over 240,000 mu.

During the Reporting Year, approximately 280,000 tonnes of concentrated feeds was processed by our two concentrated feeds plants, which satisfied substantially all of our demand for concentrated feeds. With sufficient feeds supply and the total mixed ration feeding system, all weather feeding can be achieved to ensure the safety and high quality of raw milk at origin.

The Minister of Ministry of Agriculture, visited our company in March 2014. He highly recognized and appreciated our fully vertically integrated business model.

Liquid Milk

Due to the shortage in raw milk supply and the rise in raw milk price, the price of domestic liquid milk products generally increased in 2013. Some dairy companies even suspended their production because of insufficient raw milk supply, resulting in out-of-stock situations in the market. On the other hand, given the insufficient milk source, dairy manufacturers reduced the production of pure milk products while increased the production of flavored milk and milk beverage in order to maintain their market share. We are the first large-scale dairy company in China which sources all raw milk from our own standardized farms. Our competitive advantages on



raw milk source were best reflected during the "scarcity of raw milk". More importantly, leveraging on our sufficient, safe and quality milk source, we are better equipped to develop liquid milk products and provide customers with new products suitable for their taste through technological innovation. We will develop more additive-free, natural and healthy products with high protein content.

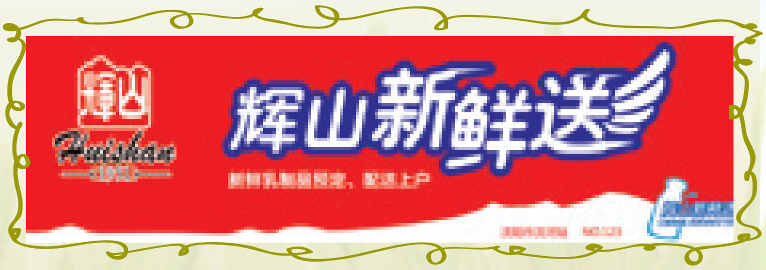
- **Optimizing Liquid Milk Product Mix**

  During the Reporting Year, we were engaged in producing and selling a variety of liquid milk products in four categories: pasteurized milk, ultra-high temperature (UHT) milk, yogurt and milk beverages. Leveraging on our industry-leading upstream resources, we optimized and upgraded our product mix by introducing new products with competitive advantages through research and development. In 2013, we entered into uncharted territory of yogurt market space with regards to short shelf life by introducing a yogurt product called "10 Days (十天)", which was named based on its shelf life. Thanks to its additive-free and natural features and its great taste, the yogurt product received positive response from consumers since its introduction. Its total retail value reached RMB100 million during the Reporting Year. The product received recognition as Provincial Science and Technology Research Result by the Liaoning Provincial Department of Science and Technology. The premium UHT products under the "Jersey Dairy Farm (傑茜牧場)" series, which was introduced in September 2013, come from Jersey cows, a rare breed dubbed "Golden Queen — Jersey Cattle" in England. Products under the Jersey Farm series fully reflect the feature of high milk-solid content and protein with rich milk quality. The protein content reaches 3.6% (as compared with 3.3% in similar products in the market), providing consumers with a new consumption experience. In May 2014, this series of products won the gold prize in the International Organic and Green Food Expo. The premium yogurt products named "Sharing Global Flavors (全球甄享)" were introduced in October 2013 with two flavors currently on offer, "Greece Paros (希臘帕洛斯)" and "Italy Unica (意大利優妮卡)", and are popular among consumers, especially young consumers. The pure milk product under the "Huishan Dairy Farm (輝山牧場)" series, which was introduced at the end of 2013, is a premium UHT liquid milk product. It utilizes raw milk from Holsteins and has protein content of 3.3% (industry standard was 2.9%). This not only strengthens our high-end product mix, but also provides tasty, full-flavoured and healthy drinking experience for consumers.

- **Market Expansion**

  During the Reporting Year, we extended our reach to markets beyond the Northeastern China region. As at March 31, 2014, our distribution network comprised 400 distributors and 392 supermarkets. We started the set up for new regional markets in Shandong, Hebei, Sichuan etc. In November 2013, we despatched our products into key regional markets, our first step under our strategy of expanding beyond the Northeastern market. At present, we are selectively cooperating with major distributors in key cities in these new regions. In the future, we will gradually increase the number of these key cities and distributors to increase our market share in these new regions. According to Frost and Sullivan's report, we had the largest market share in liquid milk products in Northeastern China in 2013 in terms of retail sales, our market share increased to 19.5% from 13.7% in 2012. Huishan ranked fifth in the retail market of liquid milk in China in terms of products' retail value.

  We also focused on entrenching our leading position in the Northeastern market. We improved our management on home delivery services. Based on our regional strategy, we established our unique "Freshness Delivery" (新鮮送) brand covering the whole Northeastern region. Currently, our home delivery services cover half of all cities in Liaoning Province, and have started extending into Jilin Province.



We continued to strengthen our traditional distribution channels while improving distribution resources. All of our distributors in the Northeastern region had been equipped with cold storage warehousing facilities and refrigerated trucks, realizing an all-rounded cold transportation chain. We also focused on expanding special distribution channels in addition to traditional ones. We have started to implement our special distribution channel strategy.

As a result of product mix enhancement and market expansion, our sales revenues, average selling price and gross margin for our liquid milk products all improved. Our sales of liquid milk products reached RMB2,288 million for the year ended March 31, 2014, representing an increase of 34.0% from RMB1,707 million for the corresponding period in 2013. During the Reporting Year, our gross margin for our liquid milk was 65.5% (after elimination of internal supplies of raw milk) as compared with 54.0% for the corresponding period in 2013.

- Production Capacity Enhancement

  We have completed our capacity upgrade for the production line of our liquid milk processing plant in Jinzhou, Liaoning. The capacity of Jinzhou processing plant increased from 90,000 tonnes to 260,000 tonnes. Our aggregate processing capacity for liquid milk products reached 375,000 tonnes.

Milk Powder — IMF and Dairy Ingredients

- Distribution Network

  In January 2013, we successfully held a conference to launch China's very first IMF products produced by using raw milk from self-operated farms under complete control. During the conference, we introduced several Huishan's IMF series, including Huishan Gold Queen (輝山金皇后) and Huishan Gold Label (輝山金裝). During the Reporting Year, we dedicated to developing the domestic IMF market and expanding our distribution network. At present, we have approximately 418 distributors (March 31, 2013: 69 distributors); we started the initial set up in Heibei, Shandong and Henan etc. At present, we are selecting major distributors in key cities for cooperation in above-mentioned provinces. In future, we will gradually increase the number of these cities and distributors to increase our product coverage. We sold an aggregate of 1,416 tonnes of IMF products for the year ended March 31, 2014. According to Frost & Sullivan's report, our IMF products have 9% market share in Liaoning region in terms of retail sales in 2013, the fifth largest market share in Liaoning.

  On January 22, 2014, the China Dairy Industry Association conducted a new product launch conference in Beijing, China. Following stringent assessments on areas including corporate management, quality control, reputation and influence among consumers, we were selected by the China Dairy Industry Association in the second batch of companies to introduce new domestic-made IMF products. This enhanced Huishan's brand awareness and corporate reputation, will thus benefit our long term development.

We participated in the Mother-Infant-Child Products Expo (孕嬰童產品博覽會) in 2013 and 2014 held in Shanghai and Beijing, respectively. Our exhibition area attracted a large number of distributors and consumers to visit and inquire about our IMF products. Distributors at the expo showed great amount of interests in our fully vertically integrated business model. Since the government attached great importance to the safety of IMF products and imposed clear requirements on enterprises' self-established and self-controlled milk source, distributors were more cautious in selecting milk powder brands, and the ability of establishing milk source was one of their most important selection criteria. By actively participating in these events, we reached understanding to cooperate with various distributors while increasing our brand's influence, and we have rapidly established sale channels for our products.

In March 2014, we successfully launched the new IMF series, "Huishan Red Label" (輝山紅裝). We sold products directly to mother-and-baby stores without any marketing and intermediaries to enhance the profitability of mother-and-baby stores. This sales model fully utilized the advantages of the mother-and-baby stores' direct exposure to huge customer base, and achieved results in market development and channel establishment exceeding our expectation. We aim to have over 2,000 mother-and-baby stores for direct sale in the coming year, and continue to grow in the future.

- Dairy Ingredients

  During the Reporting Year, we produced dairy ingredients, including non-dairy creamer, D90 whey powder and whole-milk powder, of 7,471 tonnes in total having started from scratch. Our major customers included FrieslandCampina of the Netherlands, one of the top five dairy companies in the world.

Quality Control

Our core value lies in the safety and quality of our products. Leveraging on our fully vertically integrated business model we resolved issues arising from competing economic interests between participants along key areas of industry value chain. During the Reporting Year, we maintained our excellent safety records. We will continue to improve our quality control in different areas of the integrated industry value chain.

We have engaged SGS (a leading firm providing innovative inspection, verification, testing and certification services around the world, generally regarded as the leader and pioneer in this field), to conduct assessment on the quality and food safety of

our fully vertically integrated business model. The assessment aims to evaluate the quality and food safety management, identify risks, provide improvement measures, establish specific training and instructions on potential issues identified, and to optimize and improve our quality management system.

To objectively verify and understand the quality of our raw milk, we have devised a detailed inspection plan on our raw milk and engaged testing companies to conduct regular inspection. Among these, we have specially engaged SGS to undertake quarterly testing on somatic cells of our raw milk in accordance with the European Union's standards, as there is currently no such testing standard in China. We are a leader of comprehensive and systematic raw milk inspections in the industry.

Our milk powder and liquid milk processing plants in Faku and Jinzhou, Liaoning Province have both obtained the good manufacturing practice (GMP) certificates. GMP is a mandatory standard in the food industry and the certification evidences our excellent manufacturing equipment, optimized production process, sound quality control and strict inspection systems, thereby ensuring the compliance of quality of our products, including food safety and hygiene, with regulatory requirements.

Pursuant to requirements of Rules for the Examination of Licensing Criteria for Enterprise Producing Formula Milk Powder of Infant Use (《嬰幼兒配方乳粉生產許可審查細則》) issued by the China Food and Drug Administration, all IMF manufacturers in China must re-apply, and obtain, milk powder production license before May 31, 2014. By virtue of our strict quality control and advanced production, we were the first and only enterprise to have obtained such new license in Liaoning.

Brand Building

In 2013, adhering to our strategy of the "fully vertically integrated business model", we forged a brand image of "reliability" and "Safe New Power in the Dairy Industry" by joining hands with leading professional brand consultancy and strategy advisors in China. After a year of "all-around and three-dimensional" brand advertising, Huishan reaped fruitful results for the brand building efforts. Through advertising on Central media and other major media platforms in major regions, including Liaoning, Jilin, Shandong and Henan, we successfully conveyed the message our fully integrated business model strategy and corporate core strengths, significantly increasing our brand awareness, reputation and influence in the industry, media and the public. The influence of public awareness on Huishan brand and our products has gradually expanded to a nation-wide level, laying the foundation for us to expand in the country in future. The consolidated advertisement and comprehensive awareness-enhancing campaign have built a sound image for our brand and our products. At present, the Huishan brand and our products, which feature premium position in the market and safety, have become the core competitive advantage.

We successfully invited four famous TV anchors from the Mainland, Hong Kong and Taiwan, namely CHEN Luyu (陳魯豫) (from Hong Kong), Kevin Tsai (蔡康永) (from Taiwan), HU Qiaohua (胡喬華) (from the Mainland) and ZHU Dan (朱丹) (from the Mainland), to be the spokespersons of the Huishan brand.

We also filmed a TV commercial titled "Safe New Power in China's Dairy Industry" (中國乳業安全新力量), showing our unique "grass to glass" fully integrated business model, reflecting our fully vertically integrated business model is safe and controllable, and our brand image wins trust by consumers. The commercial is now broadcasting on different local TV channels and relevant print media in Liaoning, Chongqing, Shandong, Henan and other regions. This is crucial for our brand and products to expand beyond the Northeastern China region, especially for establishing sales channels and winning consumer confidence. Under the long-term endorsement agreement, Huishan will be the only dairy brand for which they will be spokespersons for. The four TV anchors will each join consumer-interactive activities across the country to show their endorsement of the business model and brand value of Huishan.

We continued to enhance our sense of service to build exclusive Huishan brand. In July 2013, a "400-customer service centre" was set up, aiming to better serve consumers with meticulous and attentive inquiries services. The "Huishan Growth Post", a professional parenting platform, was established with an aim to provide mothers with full professional parenting guidance. The Post, by solving mothers' problems during their course of parenting and helping them to learn scientific parenting, has been popular among and well received by mothers.

FINANCIAL OVERVIEW

Turnover

The following table sets out the breakdown of our consolidated turnover by our four operating segments for the years ended March 31, 2014 and 2013:

	Years ended March 31,					
	2014			2013		
	External Sales RMB'000	**Internal Supplies RMB'000**	**Subtotal RMB'000**	External Sales RMB'000	Internal Supplies RMB'000	Subtotal RMB'000
Dairy farming business	**988,862**	**1,431,699**	**2,420,561**	680,608	910,387	1,590,995
Liquid milk business	**2,287,789**	**—**	**2,287,789**	1,707,132	—	1,707,132
Milk powder business	**253,768**	**—**	**253,768**	88,052	—	88,052
Grain processing and trading	**—**	**—**	**—**	76,646	—	76,646
Consolidated turnover	**3,530,419**			2,552,438		

Our turnover increased by 38.3% from RMB2,552.4 million for the year ended March 31, 2013 to RMB3,530.4 million for year ended March 31, 2014 primarily due to significant increase in our sales of raw milk, liquid milk products and milk powder business.

- **Dairy farming business**

  Turnover from our dairy farming business increased substantially primarily due to strong growth of our cow herd and increase in average selling price of our high quality raw milk as a result of the shortage of raw milk in the market.

  The following table sets out the sales amount, sales volume and average selling price per tonne of our raw milk for same period of the years indicated:

	Years ended March 31,					
	2014			2013		
	Sales Amount RMB'000	**Sales Volume Tonne**	**ASP RMB/Tonne**	Sales Amount RMB'000	Sales Volume Tonne	ASP RMB/Tonne
Raw Milk						
External Sales	**988,862**	**196,119**	**5,042**	680,608	151,431	4,495
Internal Supplies	**1,431,699**	**286,309**	**5,001**	910,387	200,980	4,530
Subtotal	**2,420,561**	**482,428**	**5,017**	1,590,995	352,411	4,515

  Turnover attributable to the internal use of raw milk increased substantially due to strong growth of our liquid milk business and milk powder business.

- **Liquid milk business**

  Turnover from our liquid milk business increased by 34.0% from RMB1,707.1 million for the year ended March 31, 2013 to RMB2,287.8 million for the year ended March 31, 2014, which accounted for 64.8% and 66.9% of our consolidated turnover for the years ended March 31, 2014 and 2013.

  The strong growth of our liquid milk business was a result of strong market demand for our liquid milk products and change in the product mix. The total volume of liquid milk sold increased by 16.8% from 246,162 tonnes for the year ended March 31, 2013 to 287,528 tonnes for the year ended March 31, 2014, primarily due to strong demand of our pasteurized milk and UHT milk products. The following table sets out the breakdown of sales amount, sales volume and average selling price per tonne of our liquid milk products for the periods indicated:

	Years ended March 31,					
	2014			2013		
	Sales Amount RMB'000	**Sales Volume Tonne**	**ASP RMB/Tonne**	Sales Amount RMB'000	Sales Volume Tonne	ASP RMB/Tonne
Liquid Milk Products	**2,287,789**	**287,528**	**7,957**	1,707,132	246,162	6,935

- **Milk powder business**

  Turnover from milk powder business increased by 188.1% from RMB88.1 million for the year ended March 31, 2013 to RMB253.8 million for the year ended March 31, 2014, representing 7.2% of consolidated turnover.

  The following table sets out the breakdown of sales amount, sales volume and average selling price per tonne of our milk powder products for years indicated.

	Years ended March 31,					
	2014			2013		
	Sales Amount RMB'000	Sales Volume Tonne	ASP RMB/Tonne	Sales Amount RMB'000	Sales Volume Tonne	ASP RMB/Tonne
Milk powder products	**253,768**	**4,875**	**52,055**	88,052	759	116,011

Gross profit and gross margin

The following table sets forth the breakdown of our gross profit by our four operating segments, as well as their respective gross margin, for the years indicated:

	Years ended March 31,			
	2014		2013	
	Gross Profit RMB'000	Gross Margin	Gross Profit RMB'000	Gross Margin
Dairy farming business				
Before elimination	**1,504,303**	**62.1**	951,995	59.8
After elimination	**613,557**	**62.0**	399,446	58.7
Liquid milk business				
Before elimination	**652,431**	**28.5**	377,278	22.1
After elimination	**1,499,118**	**65.5**	922,113	54.0
Milk powder business				
Before elimination	**47,877**	**18.9**	45,642	51.8
After elimination	**91,936**	**36.2**	53,356	60.6
Grain processing and trading	**—**	**—**	3,255	4.2

- **Dairy farming business**

  Gross profit of our dairy farming business (before elimination of internal supplies of raw milk) increased by 58.0% from RMB952.0 million for the year ended March 31, 2013 to RMB1,504.3 million for the year ended March 31, 2014. Gross profit of our dairy farming business (after elimination of internal supplies of raw milk) increased by 53.6% from RMB399.4 million for the year ended March 31, 2013 to RMB613.6 million for the year ended March 31, 2014. The increase was primarily due to the substantial increase in the sales volume and the average selling price of our raw milk.

  Gross margin of our dairy farming business (before elimination of internal supplies of raw milk) remained at a high level at 62.1% for the year ended March 31, 2014 compared to 59.8% for the year ended March 31, 2013. The slight increase was primarily due to the large sales volume of raw milk and the increase of average selling price of raw milk.

- Liquid milk business

  Gross profit of our liquid milk business (before elimination of internal supplies of raw milk) increased by 72.9% from RMB377.3 million for the year ended March 31, 2013 to RMB652.4 million for the year ended March 31, 2014. Gross profit of our liquid milk business (after elimination of internal supplies of raw milk) increased by 62.6% from RMB922.1 million for the year ended March 31, 2013 to RMB1,499.1 million for the year ended March 31, 2014. The increase was primarily due to the increase in sales volume and increase in average selling price of our liquid milk products, as a result of our product mix enhancement.

  Gross margin of our liquid milk business (before elimination of internal supplies of raw milk) increased from 22.1% for the year ended March 31, 2013 to 28.5% for the year ended March 31, 2014. The increase was primarily due to the increase in average selling price as a result of product mix enhancement.

- Milk powder business

  Milk powder business includes IMF and dairy ingredients. Gross profit of our milk powder business (before elimination of internal supplies of raw milk) increased by 4.9% from RMB45.64 million for the year ended March 31, 2013 to RMB47.88 million for the year ended March 31, 2014. Gross profit of our liquid milk business (after elimination of internal supplies of raw milk) increased by 72.3% from RMB53.36 million for the year ended March 31, 2013 to RMB91.94 million for the year ended March 31, 2014. The increase was primarily due to the increase in sales volume of our milk powder products.

  Gross margin of our milk powder business (before elimination of internal supplies of raw milk) decreased from 51.8% for the year ended March 31, 2013 to 18.9% for the year ended March 31, 2014. The decrease was primarily due to the significant increase in the proportion of the sales volume of dairy ingredients in the total sales volume of milk powder business, and the average selling price of dairy ingredients was far lower than that of IMF products.

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 63.9% from RMB954.2 million for the year ended March 31, 2013 to RMB1,563.9 million for the year ended March 31, 2014, primarily due to the substantial increase in production volume of our raw milk and agricultural produce.

Changes in fair value less costs to sell of biological assets

We recorded losses arising from changes in fair value less costs to sell of biological assets, which amounted to RMB68.43 million and RMB86.78 million for the years ended March 31, 2014 and 2013, respectively, primarily due to the culling of milkable cows with lower milk production level on a regular and systematic basis.

Other net income

Other net income includes government grants and other income. Government grants are generally provided in relation to our agricultural activities. Government grants we recognised for the years ended March 31, 2014 and 2013 amounted to RMB14.03 million and RMB6.82 million, respectively.

Operating expenses

	Years ended March 31,	
	2014	2013
	RMB'000	RMB'000
Distribution costs	**344,228**	105,688
Administrative expenses		
— Equity-settled share option expenses (non-cash)	**117,040**	—
— IPO expenses	**35,039**	8,243
— Others	**217,468**	83,219
Total operating expenses	**713,775**	197,150

Our operating expenses increased from RMB197.2 million for the year ended March 31, 2013 to RMB713.8 million for the year ended March 31, 2014, primarily due to the increase in the sales volume of raw milk, liquid milk and milk powder, and the increase in transportation, marketing and promoting expenses, and administrative expenses from the deployment of our liquid milk and milk powder products in certain provinces across the country.

On September 27, 2013, 680,085,000 share options were granted to our employees under employee share option scheme, equity-settled share option expenses of RMB117 million was recorded in administrative expenses during the Reporting Year according to assessment results by the independent third party valuer CBRE Limited.

IPO expenses of RMB35.04 million and RMB8.24 million, respectively, were recorded in administrative expenses during the years ended March 31, 2014 and 2013.

Net finance costs

Our net finance costs increased by 45.3% from RMB141.6 million for the year ended March 31, 2013 to RMB205.7 million for the year ended March 31, 2014 as a result of an increase in our interest expenses on bank loans, which was the result of higher outstanding balance of our bank loans as result of our capital expenditure during the year.

Current ratio and debt ratio

As of March 31, 2014, our current ratio (current assets/current liabilities) was approximately 2.49 compared to 0.85 as of March 31, 2013. As of March 31, 2014, the Group's debt ratio was 4.4% compared to 34.6% as of March 31, 2013. Debt ratio was calculated by net debt (aggregated bank loans and other borrowings net of cash and cash equivalents, pledged deposits and restricted cash and amounts receivable from banks for wealth management products purchased) over the equity attributable to owners of the Company.

Liquidity and capital resources

During the Reporting Year, we financed our operations primarily through cash from our operations, investments from equity investors, and proceeds from bank loans. On September 27, 2013, proceeds of RMB5,983.3 million were received upon the issuance of shares by initial public offering. As of March 31, 2014, we had RMB5,062.6 million in cash and cash equivalents, substantially all of which were denominated in Renminbi, HK dollars and US dollars. Our cash and cash equivalents primarily consist of cash on hand and bank deposits.

Capital Expenditures

We had capital expenditures of RMB4,660.5 million and RMB761.6 million for the years ended March 31, 2014 and 2013, respectively. Our capital expenditures were used primarily to purchase property, plant and equipment, pay for land leases and purchases of dairy cows.

Working capital

As of March 31, 2014, we had net current assets of RMB4,363.4 million (March 31, 2013: net current liabilities of RMB346.1 million).

Indebtedness

The Group's borrowings during the Report Year are mainly denominated in Renminbi, US dollars and European dollars. As of March 31, 2014, our outstanding short-term bank loans, including the current portion of long-term bank loans and borrowings, amounted to RMB1,641.2 million. The interest rate on our short-term bank loans ranged from 3.55% to 6.60%. As of March 31, 2014, our outstanding long-term bank loans (net of amount due within one year) amounted to RMB4,679.2 million. Please refer to note 28 to the Financial Statements for further information on the maturity profile of our bank loans. The interest rate on our long-term bank loans ranged from 3.76% to 7.58%. Of which, fixed interest bank borrowings were approximately RMB4,244.9 million.

The management believes that the existing financial resources will be sufficient to meet current operations, current and future expansion plans and, if necessary, we will be able to obtain additional financing with favourable terms. There is no material effect of seasonality on our borrowing requirements.

For the year ended March 31, 2014, we were not subject to significant exposures to interest rate risk. Hence, no financial instrument for hedging was employed.

The book value of our land use rights and property, plant and equipment that were used to secure our long-term bank loans was RMB3,921.6 million as of March 31, 2014. In addition, some of our long-term bank loans were guaranteed by our related parties and/or other third parties.

Contingent liabilities

As of March 31, 2014, we did not have significant contingent liabilities.

Capital commitments

Details of capital commitments are set out in note 36 to the Financial Statements.

Foreign currency risk

The directors of the Company do not consider the currency risks as disclosed in note 35(d) to the Financial Statements are material to the Group's financial performance for the year ended March 31, 2014 and therefore, did not carry out any financial instruments like forward foreign currency exchange contracts to hedge such risks.

Use of Proceeds from Listing

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on September 27, 2013. Net proceeds from the global offering amounted to approximately HK$7,544.6 million.

As at March 31, 2014, such net proceeds have been applied in uses as disclosed in the prospectus of the Company dated September 13, 2013, where RMB526.1 million was used in importing dairy cows and constructing cow farms, RMB392.3 million in leasing land and acquisition of machinery and equipment, RMB99.47 million in advertising and expanding distribution network, RMB87.15 million as working capital, and the balances have been deposited to licensed financial institutions in Hong Kong and China. We currently do not have any intention to change its plan for the use of proceeds as stated in the prospectus of the Company dated September 13, 2013.

HUMAN RESOURCES

We had 9,181 employees in Mainland China and Hong Kong as at March 31, 2014. During the Reporting Year, total staff cost, including the parts accounted in the profit and loss statement and capitalised to assets excluding independent non-executive Directors' fees, was approximately RMB352.7 million as compared with RMB173.2 million for the corresponding period in 2013.

Our remuneration policies aim to attract, retain and incentivize talents to ensure competency of our team in implementing our business strategies and to maximize shareholder value. We will regularly review our remuneration policies and employee benefits with reference to market practices and performance of individual employees. Our employees' and Directors' remuneration is determined by reference to, among other things, their responsibilities, professional qualification, industry experience and performance.

School-enterprise cooperation is a fundamental safeguard for the implementation of our talent pool building strategy. In cooperation with 42 agriculture and husbandry institutes in China, we established a recruitment base. We have also set up an off-campus internship and training base and on-campus "Huishan classes" with respectively 20 and 7 Agriculture and Dairy Farming institutions. In order to meet our ongoing managerial talent requirements, we have partnered with Liaoning-based educational institutions, namely Liaoning Agricultural College, Liaoning Vocational College, and the Netherland Aeres Group in establishing a Huishan vocational education program. This program developed all its on-campus training plans and education schemes in accordance with the standards for cultivating dairy industry talents, with its teaching objectives set based on our employment demand, and with the aim to train its students into professionals in the dairy cow farming industry with an international perspective. We will provide employment priority to graduates of this project. These measures provide a reliable guarantee for our rapid development in future as to the quantity and quality of talents required.

In consultation with Aon Hewitt, an internationally renowned human resources consulting company, we streamlined and refined our organization structure and position hierarchy in order to define our functions and management models, duties of departments and positions, re-plan our core business processes and continually enhance the institutionalized and standardized processes of our management; a dedication survey was launched for the whole workforce to find out the aspects of our Group should be improved, providing directions and guidance for improving and enhancing human resources management.

In order to improve skills of our workforce and to promote long-term career development for our employees, we launched an online training system named "Huishan Online Academy" (輝山網絡學院), which provides systematic, advanced and content-rich educational training resources, also offers tailor-made training programs and courses according to needs of students for their professional development.

For its employees in the PRC, the Group participates in defined contribution benefit plans and social insurance plans organised by the relevant local governmental authorities. For its employees in Hong Kong, the Group participates in the mandatory provident fund scheme with contributions calculated in accordance with the provisions under the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong). Details of such plans or schemes are set out in note 7(e) to the Financial Statements.

At the beginning of 2014, we ranked amongst the top 10 best employers in Shenyang region by Zhaopin.com and received award on outstanding human resources management by www.51job.com.

CORPORATE SOCIAL RESPONSIBILITY

We use active and effective advertising to convey relevant information to the public in an open and transparent way. We care about the society and have been striving to contribute to it.

In July 2013, we took part in “Action 120: Mother and Infant Wellbeing Project”, a project initiated by the China Foundation for Poverty Alleviation with the goal of supporting poor mothers and babies and reducing fatality rate of pregnant mothers and infants, by donating Huishan Gold Queen IMF to Huade County, a poverty region identified by the Foundation.

In 2013, we also became the sole title sponsor for Chongqing Satellite TV’s reality programme “Miracle Audition” (”奇跡夢工廠”). We agreed with the programme’s production company to use caring for lone elders and public welfare as one of the evaluation criteria of the contestants, with a view to remind the public of their social responsibilities.

In addition, we launched elderly home visit and various public welfare seminars in different areas. We kept a low profile but were practical towards contributing to public welfare through positively assuming our corporate social responsibilities. We strived to make every dollar and every action count, and received wide recognition and active participation from the public.

In March 2014, Huishan Dairy was honored with a “2013 poverty caring award” (2013扶貧愛心獎) at the 2013 Donor Assembly (捐贈人大會) organized by the China Foundation for Poverty Alleviation at China Convention Centre in Beijing by virtue of our outstanding contribution made to social welfare in the past year.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. YANG Kai (楊凱), aged 56, 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 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. From 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 39, 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 45, 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 37, 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 and 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 36, 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 55, 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 Hong Kong special member at the Research Institute of Culture and History of the People's Government of Guangdong Province (廣東省人民政府文史研究館香港特聘館員) 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. 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 2000, 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 holds independent non-executive director positions at various listed companies, including Beijing Hualian Hypermarket Co., Ltd (stock code 600361), listed on Shanghai Stock Exchange; Hop Hing Group (Stock code 0047), Shunfeng Photovoltaic International Limited (Stock code 1165), CITIC Pacific Limited (stock code 267) and China Communications Services Corporation Limited (stock code 0552), all listed on the Stock Exchange; GuocoLand Limited (stock code F17), a company listed on the Singapore Exchange. Mr. Siu was an independent non-executive director of Hua Xia Bank Co., Limited (stock code 600015), a company listed on the Shanghai Stock Exchange, before his cessation to act with effect from February 27, 2014. 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 65, was appointed as independent non-executive Director on September 5, 2013. Mr. Song 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 51, was appointed as independent non-executive Director on September 5, 2013. Mr. Gu has been engaged in the dairy products business 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 deputy director, 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 specializes 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.

SENIOR MANAGEMENT

Mr. YIN Dongli (尹東利), aged 38, joined our Group in February 2011 as vice president mainly 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 38, 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 40, 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 (周曉思), 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 served as the Group's Head of Corporate Finance.

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving sound corporate governance, in order to protect shareholders' interests and enhance investors' confidence, thus paving the way for Company's future development. Save as set out below, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year ended March 31, 2014. Pursuant to Rule A.2.1 of the Listing Rules, the roles of Board's chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Yang Kai is the chairman of the Board and the Chief Executive Officer and he is principally responsible for the overall strategic planning and business development of the Company. The Board considers such structure beneficial to the Group as the Board believes that Mr. Yang Kai, who has extensive experience in the industry, can provide the Company with strong and consistent leadership and vision and also allows for effective and efficient planning and implementation of business decisions and strategies. He can also ensure timeliness of information flow between the Board and management. In addition, the Board are of the view that the balanced composition of executive and non-executive Directors (including the independent non-executive Directors) on the Board and the various committees of the Board (primarily comprising independent non-executive Directors) in overseeing different aspects of the Company's affairs would provide adequate safeguards to ensure a balance of power and authority. In addition, during the period from September 27, 2013 when the Company was listed on the Stock Exchange, to February 2014, the Company had been updating the non-executive Directors and independent non-executive Directors with the Company's financial position on a bi-monthly basis. Since February 2014, the Company has been providing monthly updates on the Company's financial position performance to all members of the Board. The Company will continue to commit itself to enhancing its corporate governance standard, promoting sustainable development of the Company and adding value.

BOARD OF DIRECTORS AND MANAGEMENT

The Board is responsible and has general power for the management and conduct of the Group's business. The Board consists of eleven Directors, comprising five executive Directors, namely Mr. Yang Kai (being the chairman of the Board and Chief Executive Officer of the Company), Ms. Ge Kun, Mr. So Wing Hoi, Mr. Xu Guangyi and Mr. Kwok Hok Yin, two non-executive Directors, namely Mr. Cheng Chi Heng and Mr. Li Kar Cheung, and four independent non-executive Directors, namely Mr. Siu Wai Keung, Mr. Song Kungang, Mr. Gu Ruixia and Mr. Tsui Kei Pang. Biographical details of the directors of the Company are set out in the "Directors and Senior Management" on pages 27 to 31.

The Board is responsible for establishing the Group's strategic goals, leading the Group's development, and achieving established strategic goals. The principal duties of the Board are to manage and decide on the Group's strategic plans, management structures, investment and financing, financial control, human resources, and so forth. Significant matters of the Group which require approval by the Board include the following:

- developing the Company's development plan;
- developing the Company's management and business strategies;
- approving financial statements;
- developing and approving the internal control and risk management systems;
- developing and reviewing the Company's corporate governance policies and practices;
- developing, reviewing and monitoring the code of conduct and compliance manual for employees and Directors;

- reviewing and monitoring training and continuous professional development of Directors and senior management;
- reviewing the Company's compliance with the Corporate Governance Code under the Listing Rules of the Stock Exchange and disclosure as set out in the corporate governance report included in annual reports of the Company; and
- reviewing and monitoring the Company's policies and practices regarding compliance with law and regulations.

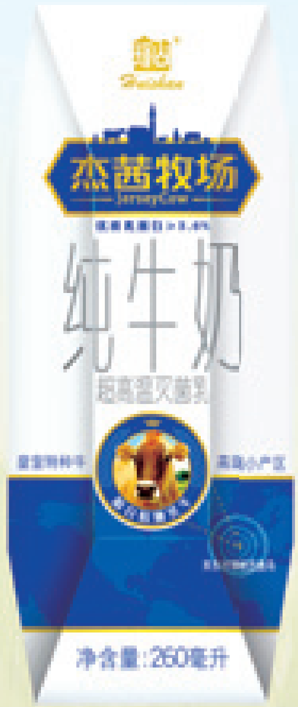
The Board delegates its functions on the Group's day-to-day operation and administrative to the management.

BOARD MEETINGS

The Board meets regularly. During the period from September 27, 2013, from which the shares of the Company were listed on the Stock Exchange of Hong Kong Limited from (the "Listing Date"), to March 31, 2014 (the "Relevant Period"), there were two Board meetings held at approximately quarterly intervals.

The Board is responsible for leading and managing the Company. It is primarily responsible for formulating the general strategies and policies of the Company, setting performance and management objectives, assessing operational performance and monitoring the performance of the management. It delegates part of its management and administration functions to the management to manage and operate the Company. The management is responsible for implementing strategies and policies as determined by the Board, and perform their duties within the framework as determined by the Board specified in any written procedures and directions. The following matters were considered and approved at Board meetings during the Relevant Period:

- to consider and approve acquisition and merger proposals;
- to consider and approve proposals to optimize liquidity of the Group;
- to consider and approve guarantees in connection with bank borrowings;
- to consider and approve capital expenditures;
- to consider and approve internal control policies;
- to consider and approve the announcement of financial results; and
- to consider and approve other disclosures specifically required by or matters as specifically mentioned under the Listing Rules.



BOARD COMMITTEES

In order to assist the Board in discharging its duties in a more efficient manner, the Board has established four specialized committees, namely the audit committee, nomination committee, remuneration committee and food quality and safety advisory committee. Each committee has its terms of reference and is responsible to make recommendations to the Board. All of the committees are allocated with resources sufficient for the performance of their respective duties.

Audit Committee

The audit committee consists of three independent non-executive Directors, being Mr. Siu Wai Keung, Mr. Song Kungang and Mr. Tsui Kei Pang. The chairman of the committee is Mr. Siu Wai Keung. Details of the terms of reference of the committee are set out on the Company's website (www.huishandairy.com) and the website of the Stock Exchange (www.hkexnews.hk). The principal duties of the committee include but not limited to the following:

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor of the Company, to approve the remuneration and terms of engagement of the external auditor, and any matters in connection with the resignation or dismissal of the auditor; to discuss with the external auditor on the nature and scope of the audit work prior to the commencement of the audit work;
- to discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- to review the Group's financial and accounting policies and practices;
- 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;
- to monitor integrity of the financial statements of the Company and the Company's annual reports and accounts and half-year reports and consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts;
- to review the Company's financial control, internal control and risk management systems; and
- to review the arrangements for employees to raise concerns about improprieties in financial reporting, internal control and other respects.

During the Relevant Period, the audit committee held one meeting and work done during which included the following:

- reviewing the interim results for the six months ended September 30, 2013;
- confirming the related disclosures in the financial statements were complete, accurate and fair and recommending the same to the Board for approval;
- approving the auditor's fees for audit of interim financial report for the six months ended September 30, 2013;
- approving the PRC statutory auditor's fee for auditing of domestic companies for the accounting year ended December 31, 2013;

- approving the Hong Kong Listed Company auditor's fee for the accounting year ended March 31, 2014;
- recommending on the re-appointment of the auditor; and
- reviewing the relevant procedures of financial control, internal control and risk management.

The audit committee met the auditor of the Company once in the absence of the management.

Nomination Committee

The nomination committee consists of three executive Directors, being Mr. Yang Kai, Mr. So Wing Hoi and Ms. Ge Kun, and four independent non-executive Directors, being Mr. Song Kungang, Mr. Siu Wai Keung, Mr. Gu Ruixia and Mr. Tsui Kei Pang. The chairman of the committee is Mr. Song Kungang. Details of the terms of reference of the committee are set out on the Company's website (www.huishandairy.com) and the website of the Stock Exchange (www.hkexnews.hk). The principal duties of the committee include but not limited to the following:

- to review the structure, size, composition and diversity (including gender, age, cultural and education background, ethnicity, skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to be Directors, to select and nominate Director candidates and make recommendations to the Board on the same;
- to assess the independence of independent non-executive Directors; and
- 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.

During the Relevant Period, the nomination committee held one meeting and work done during which included the following:

- reviewing the structure, size, composition and diversity (including gender, age, cultural and education background, ethnicity, skills, knowledge and experience) of the Board and agreed that such measurable goals may facilitate diversity of Board members and thus improve corporate strategies and business development of the Group;
- assessing the independence of independent non-executive Directors; and
- supervising the company secretary on his arrangement and record of continuous training for Directors

Appointment of Directors

Each director of the Company (including directors, non-executive directors and independent non-executive directors) entered into a service contract with the Company for a term of three years commencing from the Listing Date, being September 27, 2013, and is subject to retirement by rotation but is eligible for re-election at the annual general meeting in accordance with the articles of association of the Company. None of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company's articles of association have specify that all new directors of the Company appointed to fill a vacancy or during the year shall retire, and are eligible for re-election, at the first annual general meeting after appointments. Each director shall be subject to retirement by rotation at least once every three years pursuant to the Company's articles of association.

Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the diversity on the Board in accordance with the Company's board diversity policy, which includes but is not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Training and Development of Directors

The executive Director, namely Mr. Yang Kai, Ms. Ge Kun, Mr. So Wing Hoi, Mr. Xu Guangyi and Mr. Kwok Hok Yin, the non-executive Directors, namely Mr. Cheng Chi Heng and Mr. Li Kar Cheung, and the independent non-executive Directors, namely Mr. Siu Wai Keung, Mr. Song Kungang, Mr. Tsui Kei Pang and Mr. Gu Ruixia, took part in various continuous training with respect to directors duties through regularly receiving latest information and updates in relation to the Listing Rules and related regulations, participating in relevant training programmes or through regularly taking note of industrial updates, attending relevant seminars or perusing reading materials, magazines and updated information in relation to business and industrial development. The following table sets out a summary of the types of training our Directors received:

Director	Training Category
Executive Director	
Mr. Yang Kai *(Chairman and Chief Executive Officer)*	A, B, C, D
Ms. Ge Kun	A, B, C, D
Mr. So Wing Hoi	A, B, D
Mr. Xu Guangyi	A, B, C, D
Mr. Kwok Hok Yin	A, B, C, D
Non-executive Director	
Mr. Cheng Chi Heng	A, B
Mr. Li Kar Cheung	A, B
Independent non-executive Director	
Mr. Siu Wai Keung	A, C
Mr. Song Kungang	C, D
Mr. Tsui Kei Pang	A, B
Mr. Gu Ruixia	A, B, C, D

A *Attending training and/or reading materials relevant to the Directors' duties and responsibilities*
B *Reading materials relevant to the Listing Rules and other regulations*
C *Attending industry seminars/or meetings/conference*
D *Visiting enterprises in the same industry at home and abroad/or attending meetings*

Remuneration Committee

The remuneration committee consists of two executive Directors, being Ms. Ge Kun and Mr. So Wing Hoi, and three independent non-executive Directors, namely Mr. Siu Wai Keung, Mr. Gu Ruixia and Mr. Tsui Kei Pang. The chairman is Mr. Siu Wai Keung. Details of the terms of reference of the committee are set out on the Company's website (www.huishandairy.com) and the website of the Stock Exchange (www.hkexnews.hk). The principal duties of the committee include but not limited to the following:

- to make recommendations to the Board on the general policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual executive directors and senior management;
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment; and
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct.

The emoluments payable to executive directors of the Company are determined by reference to their experiences and duties with the Company and the fees payable to non-executive directors are determined by reference to the estimated time spent by them on the Company's matters. The remuneration committee makes recommendations to the Board on the remuneration packages of Directors and senior management, which are determined by the Board.

During the Relevant Period, the remuneration committee held one meeting and work done during such meeting included the following:

- assessing and reviewing the remuneration packages and overall benefits of Directors of the Company and made recommendations thereon to the Board;
- making recommendations on evaluation standards for remuneration of senior managements employed by the Company in the ordinary of business;
- proposing to the Company to submit any bonus payment proposal to the committee for discussion and approval; and
- considering share option grant proposals and training progress report in respect of those employees who have been granted such options

Directors and Senior Management emoluments

For the year ended March 31, 2014, the emoluments of the employees who are members of the senior management within the following bands:

	Years ended March 31, 2014
HK$5,000,001 — HK$5,500,000	1
HK$8,000,001 — HK$8,500,000	3
	4

Pursuant to appendix 16 of the Listing Rules, the emoluments of the employees who are directors and who are amongst the five highest paid individuals are set out in note 9 and 10 to the Financial Statements.

Food Quality and Safety Advisory Committee

The food quality and safety advisory committee consists of five executive Directors, namely Mr. Yang Kai, Mr. So Wing Hoi, Ms. Ge Kun, Mr. Xu Guangyi and Mr. Kwok Hok Yin, and four independent non-executive Directors, being Mr. 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 Kai. The primary duties of the food quality and safety advisory committee include, but are not limited to, the following:

- to establish a comprehensive and effective quality control system; to review and assess the overall hygienic condition of the Group's food products at least twice a year or as and when required;
- 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;
- to check whether our products have achieved all quality inspection standards and/or quality system certification; and
- 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.

During the Relevant Period, the food quality and safety advisory committee reviewed and assessed the quality control process of the Company, considered and examined reports on the results of the Company's quality control process; reviewed recent significant safety incidents in the dairy industry; and making recommendations to strengthen its supervisory function.

ATTENDANCE RECORDS OF BOARD AND BOARD COMMITTEE MEETINGS HELD DURING THE RELEVANT PERIOD

Details of the Directors' attendance at the Board meetings and committee meetings held during the Relevant Period are set out in the following table:

	Number of Meetings Attended/Number of Meetings Held				
Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Food Quality and Safety Advisory Committee Meeting
Mr. Yang Kai	2/2	——	1/1	——	1/1
Ms. Ge Kun	2/2	——	1/1	1/1	1/1
Mr. So Wing Hoi	2/2	——	1/1	1/1	1/1
Mr. Xu Guangyi	2/2	——	——	——	1/1
Mr. Kwok Hok Yin	2/2	——	——	——	1/1
Mr. Cheng Chi Heng	2/2	——	——	——	——
Mr. Li Kar Cheung	2/2	——	——	——	——
Mr. Siu Wai Keung	2/2	1/1	1/1	1/1	1/1
Mr. Song Kungang	2/2	1/1	1/1	——	1/1
Mr. Gu Ruixia	1/2	——	0/1	0/1	0/1
Mr. Tsui Kei Pang	2/2	1/1	1/1	1/1	1/1

The Board is regularly provided with brief reports containing balanced and comprehensible evaluation on the Group's performance, status and prospects to keep it abreast of the Group's affairs and facilitate the Directors' performance of their obligations under the relevant requirements of the Listing Rules.

INDEPENDENCE

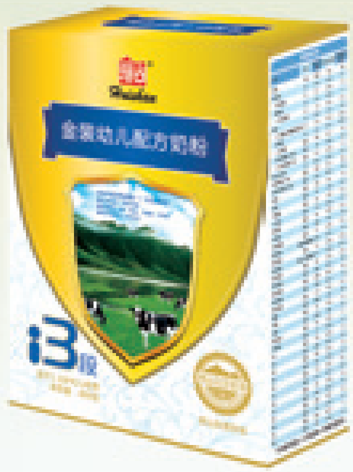
The Board has received from each independent non-executive Director a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all independent non-executive Directors are independent pursuant to the requirements as set out in the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by Directors. Upon specific enquiries made by the Company, all Directors have confirmed that they have complied with the required standards for security transactions by directors as set out in the Model Code since the Listing Date up to the date of this annual report.

INSURANCE ON DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for liability insurance cover to indemnify the Directors and certain members of the senior management of the Company. Purchase of liability insurance for the directors of the Company can enhance the Company's ability to reduce exposure to risks. The insurance coverage is reviewed on an annual basis.



FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing financial statements that give a true and fair view of the financial position, results and cash flow of the Group.

The Board and the audit committee conducted an annual review on the adequacy of resources, qualifications and experience of staff for the Company's accounting and financial reporting function, their training programmes and related budget.

The reporting responsibilities of the Directors and the external auditor are further set out in the independent auditor's report in the annual report.

AUDITORS AND THEIR REMUNERATIONS

During the Reporting Year, the fees paid and payable to the Company's auditor, KPMG, for audit services was approximately RMB5,858,000.

During the Reporting Year, RMB400,000 and RMB1,300,00 was paid to the Beijing branch of KPMG Advisory (China) Limited for annual tax advisory service and an internal control agreed upon procedure professional service respectively.

INTERNAL CONTROL

During the Relevant Period, the Board has conducted a review of the effectiveness of the internal control system of the Group. The review has covered the financial, operational and compliance controls and risk management aspects of the Group.

COMPANY SECRETARY

The Company has appointed the company secretary who is responsible for providing secretarial services to the Board and ensuring that the operation of the Company is in compliance with Hong Kong listed companies' regulatory requirements as well as enhancing its corporate governance standards. Minutes of Board meetings and meetings of all specialized committees under the Board are recorded by the company secretary (who is also the secretary of each of the specialized committees) in sufficient detail on the matters considered by all directors and decisions reached, including any concerns raised by directors of the Company or any dissenting views expressed. Draft minutes of Board meetings and meetings of all specialized committees under the Board are provided to relevant Directors for their comments and the final version of the same is given to relevant Directors for their records within a reasonable time.

The Board is of the view that Mr. Michael Chou, the company secretary and also an employee of the Company, is qualified and has appropriate experience to discharge his duties. From the Listing Date up to March 31, 2014, Mr. Chou has received 15 hours of relevant professional training. The Company will provide Mr. Chou with sufficient resources to receive not less than 15 hours of professional training for every financial year as required by Rule 3.29 of the Listing Rules.

SHAREHOLDERS' COMMUNICATION POLICY AND RIGHTS

Shareholders are provided with information of the Company for their evaluation on the Company's overall results and informed exercise of their rights to establish close relations with the Company.

Relevant information is communicated to Shareholders through the Company's corporate communications including interim reports, press releases, annual general meetings and other general meetings which may be convened. All disclosures of the Company submitted to the Stock Exchange, together with other corporate communications and other materials, are available on the Company's website.

Convening of Extraordinary General Meetings on Requisition of Shareholders

Pursuant to the articles of association of the Company, a recognized stock exchange (or its nominee), as a Shareholder, or any two or more Shareholders holding not less than one-tenth of the paid-up share capital of the Company with voting right at general meetings of the Company as at the date of such requisition is made is entitled to, at any time, requisition the Board in writing to convene an extraordinary general meeting to process any matter as specified in such written requisition.

The written requisition (i) must state the purposes(s) of the meeting, and (ii) must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong for the attention of the company secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified by the Company's share registrar and upon its confirmation that the requisition is proper and in order, the company secretary will make arrangements in accordance with the relevant laws and regulations for the Board to convene an extraordinary general meeting by serving sufficient notice to all Shareholders.

Procedures of Enquiry to the Board

Shareholders may make direct enquiry to the Company's share registrar as regards their shareholdings. Shareholders and public investors may at any time make enquiry for information of the Company by writing to the head office of the Company in Hong Kong by way of post, facsimile or email at the contact information as provided on the website of the Company, provided that such information is open to public.

The Board undertakes that it listens to and takes note of Shareholders' opinion, and Shareholders are welcome to raise questions or concerns as to the management and governance of the Group. They may at any time send their questions or concerns to the company secretary by post at Unit 02, 29th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong, which will be forwarded to the Board.

Constitutional Documents of the Company

There has been no material change to the constitutional documents of the Company since the Listing Date.

DIRECTOR'S REPORT

The Board herein presents to Shareholders its report for the Reporting Year.

THE GROUP'S REORGANIZATION AND INITIAL PUBLIC OFFERING

The Company is a company incorporated in the Cayman Islands on March 31, 2011 with limited liability. Following the reorganization of the structure of the Group in preparation for its initial public offering and listing of its shares, the Company became the holding company of subsidiaries comprising the existing Group. Shares of the Company were subsequently listed on the Stock Exchange from September 27, 2013. Details of the reorganization during the Reporting Year are set out in note 34 to the Financial Statements.

PRINCIPAL ACTIVITIES

The Group principally operates three business segments: (i) dairy farming business, under which we produced and sold raw milk; (ii) liquid milk business, under which we produced and sold liquid milk products; and (iii) milk powder business, under which we produced and sold infant milk formula ("IMF") products and dairy ingredient products. Details of principal activities of the subsidiaries of the Company are set out in note 18 to the Financial Statements.

RESULTS OF THE GROUP

The Group's results for the Reporting Year and the state of affairs of the Company and the Group as at March 31, 2014 are set out in the Financial Statements on pages 55 to 147.

DIVIDEND

The Board recommended a final dividend of RMB2.16 cents per share for the Reporting Year. The total dividend amounted to approximately RMB311 million.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last four reporting years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 148 of the annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Reporting Year are set out in note 33 to the Financial Statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period between the Listing Date and March 31, 2014, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Reporting Year are set out in note 33 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at March 31, 2014, the Company's reserves available for distribution to shareholders, comprising retained profits, if any, and share premium, amounted to approximately RMB8,913.2 million (March 31, 2013: RMB4,091.8 million). The share premium of the Company may be distributed in the form of fully paid bonus shares.

PROPERTY, PLANT AND EQUIPMENT

Details of the changes in the property, plant and equipment of the Group during the Reporting Year are set out in note 14 to the Financial Statements.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company during the Relevant Period.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, the largest customer and supplier of the Group accounted for approximately 18.9% and 5.1% of the Group's total revenue and total purchases, respectively, and the five largest customers and five largest suppliers of the Group accounted for approximately 30.6% and 18.2% of the Group's total revenue and total purchases.

None of our Directors or any of their associates or any Shareholders (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest customers and suppliers.

DIRECTORS

The directors of the Board of the Company (the "Directors") during the financial year and up to the date of this report were:

Executive Directors

Mr. YANG Kai *(Chairman of the Board and the Chief Executive Officer)*
Ms. GE Kun
Mr. SO Wing Hoi
Mr. XU Guangyi
Mr. KWOK Hok Yin

Non-executive Directors

Mr. CHENG Chi Heng
Mr. LI Kar Cheung

Independent non-executive Directors

Mr. SIU Wai Keung
Mr. SONG Kungang
Mr. GU Ruixia
Mr. TSUI Kei Pang

In accordance with Article 104(1) of the articles of association of the Company, Mr. Yang Kai, Ms. Ge Kun, Mr. Xu Guangyi and Mr. Cheng Chi Heng will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election as Directors.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as set out in the section headed "RELATED PARTY TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS", none of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the financial year or at the end of the financial year.

As at March 31, 2014, no contract of significance had been entered into between the Company, or any of its subsidiaries, and the controlling shareholders of the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the reporting period and up to the date of this annual report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group, none of the Directors and controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Group during the reporting period and up to the date of this annual report.

DIRECTORS' INTERESTS IN SECURITIES

The interests in shares of the Company held by the Directors are separately disclosed in the sections headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SHARE OPTION SCHEME" of the annual report. Other than as disclosed in the section headed "SHARE OPTION SCHEME", at no time during the financial year was the Company or any of its fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities including debentures of, the Company or any other corporations, and none of the Directors, Chief Executives or their spouse or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such rights.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") at an extraordinary general meeting held on September 5, 2013. The Scheme is valid and effective for a period of 10 years commencing on September 27, 2013, i.e. the Listing Date of the Company. The purpose of the Scheme is to incentivize and reward the Participant (as defined 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. 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").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any options granted under any other share option schemes of our Company is 1,440,778,800 shares, representing approximately 10% of the issued share capital of the Company as at the Listing Date. Pursuant to the Scheme, no options shall be granted to any Participant which, if exercised, would result in such Participant 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 of the Company (the "Share(s)") 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 Participant and his associates (as defined in the Listing Rules) abstaining from voting.

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 Participant 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. 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. There is no minimum period for which any option must be held before it can be exercised.

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:

- 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;
- 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
- the nominal value of the Shares of the Company.

During the financial year, a total of 680,085,000 share options (the "Share Options") exercisable into the same number of ordinary shares of HK$0.10 each in the shares of the Company were granted to certain directors (total 236,250,000 Share Options) and qualified employees (total 443,835,000 Share Options) of the Company (the "Grantees"), subject to acceptances of the Grantees. Summary of the Share Options granted as follows:

Date of grant:	September 27, 2013
Total number Share Options granted:	680,085,000 Share Options (each Share Option shall entitle the holder of the Share Option to subscribe for one Share)
Exercise price of the Share Option granted:	HK$2.67 per Share, representing the higher of (i) HK$2.59, being the closing price of per Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) HK$2.67, being the issue price of the Shares; and (iii) HK$0.1, being the par value of the Shares
Validity period of the Share Options:	Six years from the date of grant (i.e. September 27, 2013)
Vesting schedules of the Share Options granted to each Grantee:	(i) 30% of the Share Options were vested on the date of grant; (ii) 20% of the Share Options will be vested upon the first anniversary of the date of grant; (iii) 15% of the Share Options will be vested upon the second anniversary of the date of grant; (iv) 15% of the Share Options will be vested upon the third anniversary of the date of grant; and (v) 20% of the Share Options will be vested upon the fourth anniversary of the date of grant.

	Number of Share Options							
Name or Category of Participant	As at March 31, 2013	Exercised during the period	Granted during the period	Lapsed/ Cancelled during the period	As at March 31, 2014	Date of grant of Share Options	Exercise period of Share Options (both dates inclusive)	Exercise price of Share Option (HK$)
So Wing Hoi	Nil	Nil	101,250,000	Nil	101,250,000	September 27, 2013	September 27, 2013 to September 27, 2019	2.67
Xu Guangyi	Nil	Nil	101,250,000	Nil	101,250,000	September 27, 2013	September 27, 2013 to September 27, 2019	2.67
Kwok Hok Yin	Nil	Nil	33,750,000	Nil	33,750,000	September 27, 2013	September 27, 2013 to September 27, 2019	2.67
Other Employees	Nil	Nil	443,835,000	Nil	443,835,000	September 27, 2013	September 27, 2013 to September 27, 2019	2.67

No Participant of the Scheme was granted options in excess of the individual limit stated above during the year ended March 31, 2014. Save as disclosed above, no option was granted, exercised, cancelled or lapsed during the year ended March 31, 2014.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at March 31, 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Long positions ("L") and Short positions ("S") in the shares of the Company/associated corporation:

(i) Interest in our Company

Name of Director	Nature of Interest	Numbers of Shares/ Underlying Shares	Approximate percentage in the issued share capital of the Company
Mr. Yang Kai [(1)(2)]	Interest in controlled corporation	7,386,138,388 (L)	51.26%
Ms. Ge Kun [(3)]	Interest in controlled corporation	7,386,138,388 (L)	51.26%
Mr. So Wing Hoi [(4)]	Beneficial owner	101,250,000 (L)	0.70%
Mr. Xu Guangyi [(4)]	Beneficial owner	101,250,000 (L)	0.70%
Mr. Kwok Hok Yin [(4)]	Beneficial owner	33,750,000 (L)	0.23%
Mr. Siu Wai Keung	Beneficial owner	800,000 (L)	0.01%

(ii) Interest in associated corporation

Name of Director	Name of associated corporation	Number of shares	Percentage in the associated corporation's issued share capital
Mr. Yang Kai [(5)]	Champ Harvest Limited ("Champ Harvest")	10,000 (L)	100%
Ms. Ge Kun [(5)]	Champ Harvest	10,000 (L)	100%

Notes:

(1) As at March 31, 2014, Champ Harvest directly held 6,639,011,388 Shares. Mr. Yang Kai 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 wholly-owned by Mr. Yang Kai. In light of the above, Mr. Yang Kai is deemed to have interest in the 6,639,011,388 Shares held by Champ Harvest, which is a substantial shareholder of our Company.

(2) As at March 31, 2014, Talent Pool Holdings Limited ("Talent Pool") directly held 747,127,000 Shares. Mr. Yang Kai indirectly held 100% equity interest of Talent Pool through Mighty Global Limited, a company wholly-owned by Mr. Yang Kai. In light of the above, Mr. Yang Kai is deemed to have interest in the 747,127,000 Shares held by Talent Pool and the 6,639,011,388 Shares held by Champ Harvest.

(3) *As at March 31, 2014, Ms. Ge Kun indirectly held 10% of the total issued share capital of Champ Harvest through Gain Excellence Limited, a company wholly-owned by Ms. Ge Kun. Ms. Ge Kun held the economic interest in such shares in Champ Harvest on behalf of Mr. Yang Kai. Ms. Ge Kun, being the concert party of Mr. Yang Kai, is deemed to have interest in 7,386,138,388 Shares held by Mr. Yang Kai.*

(4) *Mr. So Wing Hoi, Mr. Xu Guangyi and Mr. Kwok Hok Yin were granted an aggregate of 101,250,000, 101,250,000 and 33,750,000 Share Options respectively, on September 27, 2013. Upon exercise of the Share Options, Mr. So Wing Hoi, Mr. Xu Guangyi and Mr. Kwok Hok Yin will acquire an aggregate of 101,250,000, 101,250,000 and 33,750,000 Shares respectively.*

(5) *As at March 31, 2014, Mr. Yang Kai directly held 7,000 Shares in Champ Harvest, being 70% of its total issued share capital, and indirectly held 2,000 shares in Champ Harvest, being 20% of its total issued share capital. Ms. Ge Kun indirectly held 1,000 shares in Champ Harvest, being 10% of its total issued share capital and held the economic interest in such shares on behalf of Mr. Yang Kai. Ms. Ge Kun and Mr. Yang Kai, being the concert parties, are deemed to have interest in 10,000 shares in Champ Harvest.*

Saved as disclosed above, as at March 31, 2014, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at March 31, 2014, the interests and short positions of persons (other than the Directors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO were as follows:

Long positions ("L") and Short positions ("S") in the Shares

Name of shareholder	Nature of Interest	Total Number of Shares	Approximate percentage in the issued share capital of the Company
Champ Harvest [1]	Beneficial owner	6,639,011,388 (L)	46.08%
Mighty Global Limited ("Mighty Global") [2]	Interest in controlled corporation	747,127,000 (L)	5.18%
Talent Pool [2]	Beneficial owner	747,127,000 (L)	5.18%
Cheng Yu Tung [3]	Interest in controlled corporation	1,293,922,409 (L)	8.98%
Chow Tai Fook Nominee Limited [3]	Interest in controlled corporation	1,293,922,409 (L)	8.98%
Well Ease Limited [3]	Beneficial owner	1,293,922,409 (L)	8.98%
JPMorgan Chase & Co. [4]	Interest in controlled corporation	48,388,000 (L)	0.34%
	Custodian-corporation/	20,470,000 (S)	0.14%
	approved lending agent	679,533,000 (L)	4.71%
Norges Bank	Beneficial owner	720,390,000 (L)	5.00%

Notes:

(1) As at March 31, 2014, Champ Harvest directly held 6,639,011,388 Shares. Mr. Yang Kai 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 wholly-owned by Mr. Yang Kai. Ms. Ge Kun indirectly held 1,000 shares of Champ Harvest and economic interest thereof on behalf of Mr. Yang Kai, being 10% of its total issued share capital of Champ Harvest. Mr. Yang Kai and Ms. Ge Kun, being concert parties, are deemed to held 10,000 shares of Champ Harvest.

(2) As at March 31, 2014, Talent Pool directly held 747,127,000 Shares. Mr. Yang Kai indirectly held the entire issued share capital of Talent Pool through Mighty Global Limited, a company wholly-owned by Mr. Yang Kai.

(3) As at March 31, 2014, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, Well Ease Limited was owned as to 80% by Chow Tai Fook Nominee Limited , a company wholly-owned by Dato' Dr. Cheng Yu Tung, and 20% owned by Crown Castle Investment Holdings Limited , a company held under trust for the benefit of Ms. Law Mei Ling Katherine, the daughter of Mr. Law Siu Wah Eddie. Well Ease Limited beneficially held 1,293,922,409 shares.

(4) As at March 31, 2014, JPMorgan Chase & Co. held a total of 727,921,000 Shares (L) and 20,470,000 Shares (S) through its controlled subsidiary. Amongst all the Shares (L) held, 48,388,000 Shares were beneficially held by JPMorgan Chase & Co. through its controlled subsidiary. In addition, JPMorgan Chase & Co., 679,533,000 Shares held through its direct subsidiary JPMorgan Chase Ban, N.A. were available for lending.

Save as disclosed above, as at March 31, 2014, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

RELATED PARTY TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of significant related party transactions of the Group (including those which constitute connected transactions or continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) are set out in note 37 to the Financial Statements. Matters required to be disclosed pursuant to the requirements under Chapter 14A of the Listing Rules are set out as follows:

As at March 31, 2014, Shenyang Dairy Co., Ltd. ("Shenyang Dairy") was in aggregate wholly-owned by Mr. Yang and Ms. Ge, our Controlling Shareholders and Directors. Shenyang Dairy is therefore an associate of Mr. Yang and Ms. Ge and a connected person of our Company for the purpose of the Listing Rules. Shenyang Dairy, as landlord, entered into the following dairy farm leases (as amended) (the "Dairy Farm Leases with Shenyang Dairy") with certain subsidiaries of our Company, as tenants, pursuant to which Shenyang Dairy agreed to lease to out Group the dairy farms, premises, machinery and facilities for dairy livestock farming. Accordingly, the Dairy Farm Leases with Shenyang Dairy constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. In relation to the leases entered into by Liaoning Huishan Group Taiping Farming Co., Ltd* ("Taiping Farming"), Liaoning Huishan Group Yushu Farming Co., Ltd* ("Yushu Farming"), Liaoning Huishan Group Pengjia Farming Co., Ltd* ("Pengjia Farming") and Liaoning Shiling Farming Co., Ltd* ("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 RMB7,500,000. 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 are RMB7,500,000, RMB7,500,000 and RMB7,500,000, respectively. For each of the years ended March 31, 2011, 2012, 2013 and 2014, the total annual rent for leasing the above farmlands amounted to RMB3,125,000, RMB7,500,000, RMB7,500,000 and RMB7,500,000, respectively.

The Company confirmed that it has complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions (including continuing connected transactions) entered into by the Group during the financial year and up to the date of the annual report.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out herein, and have confirmed that, during the year ended March 31, 2014:

(1) Such transactions were entered into in the ordinary and usual course of business of the Company;

(2) Such transactions were entered into on normal commercial terms or on terms no less favorable to the Company than terms available to or from independent third parties (as the case may be); and

(3) Such transactions were entered into in accordance with the relevant agreements in all material aspects governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Our Company's auditor was engaged to report on the group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and with reference to Practice Note 740 'Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules' issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 50 to 52 of the annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by us to the Hong Kong Stock Exchange.

POST BALANCE SHEET EVENTS

Details of post balance sheet events of the Group are set out in note 38 to the Financial Statements.

DONATIONS

During the financial year, the Group made charitable and other donations amounted to approximately RMB1,000,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

ON BEHALF OF THE BOARD

Yang Kai
Chairman

Hong Kong, June 11, 2014

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the shareholders of
China Huishan Dairy Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Huishan Dairy Holdings Company Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 55 to 147, which comprise the consolidated and the Company's statements of financial position as at March 31, 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at March 31, 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

June 11, 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended March 31, 2014

(Expressed in Renminbi)

	Note	Year ended March 31, 2014			Year ended March 31, 2013		
		Results before biological fair value adjustments RMB'000	Biological fair value adjustments RMB'000	Total RMB'000	Results before biological fair value adjustments RMB'000	Biological fair value adjustments RMB'000	Total RMB'000
Turnover	*4, 5*	3,530,419	—	3,530,419	2,552,438	—	2,552,438
Cost of sales	*5, 7(a)*	(1,325,808)	(1,495,629)	(2,821,437)	(1,174,268)	(935,927)	(2,110,195)
Gross profit		2,204,611	(1,495,629)	708,982	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	*7(b)*	—	1,563,881	1,563,881	—	954,187	954,187
Loss arising from changes in fair value less costs to sell of biological assets	*7(c)*	—	(68,433)	(68,433)	—	(86,779)	(86,779)
Other net income	*6*	9,298	—	9,298	41,528	—	41,528
Distribution costs		(344,228)	—	(344,228)	(105,688)	—	(105,688)
Administrative expenses (including equity-settled share option expenses of RMB117,040,000 *(Note 31)* and initial public offering expenses of RMB35,039,000 for the year ended March 31, 2014, RMBNil and RMB8,243,000 for the year ended March 31, 2013, respectively)		(369,547)	—	(369,547)	(91,462)	—	(91,462)
Profit from operations		1,500,134	(181)	1,499,953	1,222,548	(68,519)	1,154,029
Finance income		60,522	—	60,522	4,336	—	4,336
Finance costs		(266,172)	—	(266,172)	(145,950)	—	(145,950)
Net finance costs	*7(d)*	(205,650)	—	(205,650)	(141,614)	—	(141,614)
Profit before taxation	*5, 7*	1,294,484	(181)	1,294,303	1,080,934	(68,519)	1,012,415
Income tax	*8(a)*	(45,074)	—	(45,074)	(67,045)	—	(67,045)
Profit for the year		1,249,410	(181)	1,249,229	1,013,889	(68,519)	945,370
Attributable to:							
Equity shareholders of the Company				1,249,229			945,370
Non-controlling interests				—			—
Profit for the year				1,249,229			945,370
Earnings per share							
— Basic and diluted (RMB)	*13*			0.10			0.08

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year ended March 31, 2014 are disclosed in Note 33(b).

The notes on pages 64 to 147 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended March 31, 2014

(Expressed in Renminbi)

		Years ended March 31,	
	Note	2014 RMB'000	2013 RMB'000
Profit for the year		**1,249,229**	945,370
Other comprehensive income for the year (after tax)			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation to presentation currency	*12*	**(17,956)**	(488)
Total comprehensive income for the year		**1,231,273**	944,882
Attributable to:			
Equity shareholders of the Company		**1,231,273**	944,882
Non-controlling interests		**—**	—
Total comprehensive income for the year		**1,231,273**	944,882

The notes on pages 64 to 147 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2014

(Expressed in Renminbi)

	Note	At March 31, 2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	*14*	**4,317,163**	3,636,753
Prepayments for acquisition of property, plant and equipment		**1,019,766**	195,143
Goodwill	*15*	**931,985**	931,985
Lease prepayments	*16*	**3,043,258**	521,309
Biological assets	*17*	**4,297,651**	3,241,872
Prepayments for acquisition of biological assets		**61,647**	—
Deferred tax assets	*32(b)*	**66,064**	37,784
		13,737,534	8,564,846
Current assets			
Inventories	*19*	**915,383**	446,618
Trade receivables	*20*	**220,375**	172,583
Deposits, prepayments and other receivables	*21*	**784,169**	501,095
Term deposits	*22*	**300,000**	—
Cash and cash equivalents	*23*	**5,062,619**	825,673
		7,282,546	1,945,969
Current liabilities			
Trade and bills payables	*24*	**737,711**	910,465
Receipts in advance	*25*	**26,059**	13,685
Accrued expenses and other payables	*26*	**489,664**	434,558
Amounts due to the Controlling Shareholder and his affiliates	*27*	**—**	14,702
Bank loans	*28*	**1,641,192**	908,534
Income tax payable	*32(a)*	**24,527**	10,147
		2,919,153	2,292,091
Net current assets/(liabilities)		**4,363,393**	(346,122)
Total assets less current liabilities		**18,100,927**	8,218,724

The notes on pages 64 to 147 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At March 31, 2014

(Expressed in Renminbi)

	Note	At March 31, 2014 RMB'000	At March 31, 2013 RMB'000
Non-current liabilities			
Bank loans	*28*	**4,679,156**	2,102,771
Derivative financial liability	*29*	**—**	16
Deferred income	*30*	**226,577**	232,993
		4,905,733	2,335,780
NET ASSETS		**13,195,194**	5,882,944
CAPITAL AND RESERVES			
Share capital	*33*	**1,142,619**	74
Reserves	*33*	**12,052,575**	5,882,870
Total equity attributable to equity shareholders of the Company		**13,195,194**	5,882,944
Non-controlling interests		**—**	—
TOTAL EQUITY		**13,195,194**	5,882,944

Approved and authorised for issue by the board of directors on June 11, 2014.

Yang Kai
Director

Ge Kun
Director

The notes on pages 64 to 147 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At March 31, 2014
(Expressed in Renminbi)

	Note	At March 31, 2014 RMB'000	2013 RMB'000
Non-current assets			
Investments in subsidiaries	18	8,723,825	1,185,760
Current assets			
Other receivables	21	15,243	2,902,599
Cash and cash equivalents	23	1,314,374	5,087
		1,329,617	2,907,686
Current liabilities			
Accrued expenses and other payables	26	12,353	6,277
Amounts due to the Controlling Shareholder and his affiliates	27	—	12,011
		12,353	18,288
Net current assets		1,317,264	2,889,398
Total assets less current liabilities		10,041,089	4,075,158
NET ASSETS		10,041,089	4,075,158
CAPITAL AND RESERVES			
Share capital	33	1,142,619	74
Reserves	33	8,898,470	4,075,084
TOTAL EQUITY		10,041,089	4,075,158

Approved and authorised for issue by the board of directors on June 11, 2014.

Yang Kai
Director

Ge Kun
Director

The notes on pages 64 to 147 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2014
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *Note 33(c)*	Share premium RMB'000 *Note 33(d)(1)*	Other reserves RMB'000 *Note 33(d)(2)*	PRC statutory reserves RMB'000 *Note 33(d)(3)*	Exchange reserve RMB'000 *Note 33(d)(4)*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance 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 *(Note 33(d)(1)(ii))*	–	907,446	–	–	–	–	907,446	–	907,446
Capitalisation of the advances from an affiliate of the Controlling Shareholder *(Note 33(d)(1)(iii))*	–	1,994,167	–	–	–	–	1,994,167	–	1,994,167
Acquisition of subsidiaries not under common control *(Note 33(d)(1)(i))*	9	1,190,214	–	–	–	–	1,190,223	–	1,190,223
Effect on equity arising from the group reorganisation *(Note 33(d)(2))*	–	–	(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
Balance at March 31, 2013	74	4,091,827	76,753	63,373	61,987	1,588,930	5,882,944	–	5,882,944
Balance at April 1, 2013	74	4,091,827	76,753	63,373	61,987	1,588,930	5,882,944	–	5,882,944
Changes in equity for 2014:									
Profit for the year	–	–	–	–	–	1,249,229	1,249,229	–	1,249,229
Other comprehensive income	–	–	–	–	(17,956)	–	(17,956)	–	(17,956)
Total comprehensive income	–	–	–	–	(17,956)	1,249,229	1,231,273	–	1,231,273
Appropriation to reserves	–	–	–	68,859	–	(68,859)	–	–	–
Capitalisation issue *(Note 33(c)(ii))*	911,486	(911,486)	–	–	–	–	–	–	–
Issuance of shares under initial public offering *(Note 33(c)(iii))*	231,059	5,938,216	–	–	–	–	6,169,275	–	6,169,275
Share issuance expenses *(Note 33(c)(iii))*	–	(205,338)	–	–	–	–	(205,338)	–	(205,338)
Equity-settled share-based transactions (share option) *(Note 31)*	–	–	117,040	–	–	–	117,040	–	117,040
Transactions with equity holders of the Group	1,142,545	4,821,392	117,040	68,859	–	(68,859)	6,080,977	–	6,080,977
Balance at March 31, 2014	1,142,619	8,913,219	193,793	132,232	44,031	2,769,300	13,195,194	–	13,195,194

The notes on pages 64 to 147 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended March 31, 2014

(Expressed in Renminbi)

		Years ended March 31,	
	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Profit for the year		**1,249,229**	945,370
Adjustments for:			
Depreciation and amortisation	7(f)	**163,679**	68,865
Loss arising from changes in fair value less costs to sell of biological assets	7(c)	**68,433**	86,779
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	7(b)	**(68,252)**	(18,260)
Changes in fair value of derivative financial liability	6	**(16)**	(16,029)
Interest income	7(d)	**(60,522)**	(4,336)
Interest expenses	7(d)	**238,368**	144,159
Foreign exchange loss	7(d)	**20,163**	535
Government grants recognised and amortised in profit or loss	6	**(14,027)**	(6,822)
Equity-settled share option expenses	7(f)	**117,040**	—
Investment income on wealth management products purchased from banks	6	**(1,423)**	—
Net loss on disposal of non-current assets	6	**1,344**	1,053
Income tax expense	8(a)	**45,074**	67,045
Changes in working capital:			
Increase in inventories		**(348,570)**	(6,369)
Increase in trade receivables		**(47,792)**	(22,477)
Increase in deposits, prepayments and other receivables		**(36,657)**	(49,603)
(Decrease)/increase in trade and bills payables		**(172,754)**	381,672
Increase/(decrease) in receipts in advance		**12,583**	(97,517)
Increase in accrued expenses and other payables		**56,524**	22,163
Cash generated from operating activities		**1,222,424**	1,496,228
Income tax paid	32(a)	**(70,390)**	(53,794)
Net cash generated from operating activities		**1,152,034**	1,442,434

The notes on pages 64 to 147 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended March 31, 2014
(Expressed in Renminbi)

	Note	Years ended March 31, 2014 RMB'000	2013 RMB'000
Investing activities			
Payments for purchase of property, plant and equipment		**(1,670,859)**	(488,448)
Lease prepayments		**(2,623,352)**	(75,722)
Payments for purchase of biological assets		**(366,335)**	(197,453)
Payments for breeding calves and heifers (breeding costs of calves and heifers capitalised other than depreciation and amortisation)		**(848,388)**	(805,760)
Payments for purchase of wealth management products from banks		**(801,500)**	—
Cash placed with banks as term deposits with initial term over three months		**(2,000,000)**	—
Proceeds from disposal of property, plant and equipment and lease prepayments		**22,933**	25,952
Proceeds from disposal of biological assets		**107,826**	56,592
Interest received		**33,455**	4,336
Cash received from government grants		**23,309**	77,104
Amounts received from banks for wealth management products purchased		**500,000**	—
Cash received from maturity of term deposits with initial term of over three months		**1,700,000**	—
Cash acquired through acquisition of subsidiaries	*34(a)*	**—**	35,906
Net cash used in investing activities		**(5,922,911)**	(1,367,493)

The notes on pages 64 to 147 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended March 31, 2014
(Expressed in Renminbi)

		Years ended March 31,	
	Note	2014 RMB'000	2013 RMB'000
Financing activities			
Cash received from contributions by investors of the Group	*33(d)(1)(ii)*	—	907,446
Proceeds from issuance of shares under initial public offering	*33(c)(iii)*	6,169,275	—
Proceeds from new bank loans		5,720,299	1,241,905
Repayments of bank loans		(2,405,466)	(856,018)
Interest paid		(262,833)	(190,831)
Payments for initial public offering expenses		(192,989)	—
Cash paid for acquisitions of the controlling equity interests in subsidiaries under common control	*34(b)*	(33,276)	—
Cash received/(paid) relating to other financing activities		71,748	(83,231)
Net decrease in advances granted by the Controlling Shareholder and his affiliates		(14,702)	(769,334)
Net cash generated from financing activities		9,052,056	249,937
Net increase in cash and cash equivalents		4,281,179	324,878
Cash and cash equivalents at the beginning of the year		825,673	512,865
Effect of foreign exchange rate changes		(44,233)	(12,070)
Cash and cash equivalents at the end of the year	*23*	5,062,619	825,673

The notes on pages 64 to 147 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 REPORTING ENTITY

China Huishan Dairy Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on March 31, 2011. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on September 27, 2013. These consolidated financial statements comprise the Company and its subsidiaries (collectively referred to as the "Group"). The Group is primarily involved in planting and growing alfalfa grass and other feed crops, processing feeds, breeding dairy cows and producing and selling raw milk, and manufacturing and selling dairy products.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations issued by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. (the "Listing Rules") and the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of these financial statements is the historical cost basis except for the following items in the statements of financial position:

- biological assets are measured at fair value less costs to sell (Note 2(k));
- agricultural produce are initially recognised as inventories at fair value less costs to sell at the point of harvest (Note 2(l)); and
- derivative financial instruments are measured at fair value (Note 2(h)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements 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 statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying transactions, events and conditions that are relevant to that entity (the "functional currency"). The Company's functional currency is Hong Kong dollars. These consolidated financial statements are presented in Renminbi Yuan ("RMB") in order to best present the Group's primary operations in the mainland of the People's Republic of China ("PRC"). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(d) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- *Annual Improvements to IFRSs 2009–2011 Cycle*
- Amendments to IFRS 7 — *Disclosures — Offsetting financial assets and financial liabilities*

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Changes in accounting policies (Continued)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the above new or amended IFRSs are discussed below:

Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements for this accounting period.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements*, relating to the preparation of consolidated financial statements and SIC-12, *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at April 1, 2013.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards.

The adoption of IFRS 12 does not have any material impact on the Group's financial statements because neither the subsidiaries of the Group have any non-controlling interests, nor the Group has any interests in joint arrangements, associates and unconsolidated structured entities during the reporting periods presented.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in Note 35. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Changes in accounting policies (Continued)

Annual Improvements to IFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (the "CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and segment liabilities in Note 5.

Amendments to IFRS 7 — Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation*, and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7 during the reporting periods presented.

(e) Business combinations

(i) Business combinations for entities under common control

Business combinations arising from transfers of equity interests in the entities that are under the control of the Controlling Shareholder of the Group, Mr Yang Kai (the "Controlling Shareholder"), are accounted for as if the acquisitions had occurred at the beginning of the earliest reporting period presented 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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group measures any non-controlling interests at fair value.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from 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 statement of profit or loss and the consolidated statement of profit or loss and other 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 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 interests and no gain or loss is recognised. In the circumstance, the adjustment of non-controlling interests includes a proportionate amount of the goodwill allocated to that subsidiary.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any 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 joint venture. On disposal of a subsidiary, any attributable amount of goodwill is included in the calculation of the gain or loss on disposal.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(o)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(o)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the gain or loss on disposal.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

(i) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see Note 2(o)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, and an appropriate proportions of production overheads and borrowing costs (see Note 2(y)).

Gains or losses arising from the disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of disposal.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Plant and buildings	20–40 years
Machinery and equipment	10–15 years
Office and other equipment	3–5 years
Motor vehicles	5–10 years

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(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 profit or loss 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.

The cost of acquiring land held under an operating lease is amortised to profit or loss 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 and other feed crops, 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 resulting gain or loss arising on initial recognition at fair value and from subsequent changes in fair value less costs to sell is charged to profit or loss 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 utility costs incurred for breeding 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 Note 2(l) below).

The sowing and plantation costs and other related costs such as staff costs, depreciation and amortisation expenses and utility costs incurred for growing alfalfa grass and other feed crops are capitalised and upon harvest, the costs incurred to bring the crops to harvest are transferred to inventories (see Note 2(l) below).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any writedown 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 writedown 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, alfalfa grass and other feed crops. 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 resulting 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 profit or loss in the period of harvest. Upon subsequent sales, such amount of the inventories initially recognised is recognised in profit or loss as cost of sales.

(m) Trade and other receivables

Trade and other receivables including the amounts receivable from banks for the wealth management products purchased with determinable returns are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(o)(i)), except where the receivables are interest-free loans made 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 Note 2(o)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, 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, having been within three months of maturity at acquisition.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period 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 measured 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 these receivables 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 profit or loss. 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 receivables directly, except for impairment losses recognised in respect of the 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 receivable 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 profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period 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;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— goodwill; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*
The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 profit or loss 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 first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if measurable).

— *Reversals of impairment losses*
In respect of asset other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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 profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(o)(i) and 2(o)(ii)).

(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 profit or loss 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 the employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Employee benefits (Continued)

(ii) Share-based payments (Continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(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 profit or loss except to the extent that they relate to 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 end of the reporting period, 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purpose, 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.

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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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 Company or 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 Company or 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company 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) Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

(v) 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 profit or loss as follows:

(i) Sale of goods

Revenue from sale of goods is recognised when the customer has accepted the goods and the related significant risks and rewards of ownership. Revenue excludes value added tax 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 in profit or loss as it accrues using the effective interest method.

(w) Government grants

An unconditional government grant related to a biological asset is recognised in profit or loss as other income when the grant becomes receivable. A conditional government grant related to a biological asset is recognised in profit or loss as other income when, and only when, the conditions associated with the government grant are met.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Government grants (Continued)

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are amortised to profit or loss as other income over the useful life of the asset.

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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 profit or loss when the profit or loss on disposal is recognised.

(y) 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.

(z) Research and development expenditure

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, 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 and geographical locations.

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.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 35(f) contains information about the assumptions relating to the fair values of bearer biological assets 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 Note 2(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.

4 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 value of products supplied to customers. The amount of each significant category of revenue recognised in turnover during the year ended March 31, 2014 is as follows:

	Years ended March 31,	
	2014 RMB'000	2013 RMB'000
Raw milk	**988,862**	680,608
Liquid milk products	**2,287,789**	1,707,132
Milk powder products	**253,768**	88,052
Grain products	**—**	76,646
	3,530,419	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 year ended March 31, 2014, turnover from sales of raw milk to this customer, amounted to approximately RMB666.29 million (year ended March 31, 2013: RMB519.28 million). Details of concentration of credit risk arising from this customer are disclosed in Note 35(a).

5 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 and other feed crops, processing feeds, and breeding dairy cows to produce and sell raw milk.
- Liquid Milk Products Production — producing and selling pasteurized milk, UHT milk, yoghurt and milk beverages.
- Milk Powders Production — producing and selling infant milk formula products and dairy ingredient products.
- Grain Processing and Trading — processing and selling grain products.

5 SEGMENT REPORTING (Continued)

(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 headoffice 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 changes in carrying amounts of 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.

5 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

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, 2014 and 2013 is set out below.

	Year ended March 31, 2014				
	Dairy Farming RMB'000	Liquid Milk Products Production RMB'000	Milk Powders Production RMB'000	Grain Processing and Trading RMB'000 *(Note (i))*	Total RMB'000
Revenue from external customers	988,862	2,287,789	253,768	–	3,530,419
Inter-segment revenue	1,431,699	–	–	–	1,431,699
Reportable segment revenue	2,420,561	2,287,789	253,768	–	4,962,118
Cost of sales related to revenue from external customers	375,305	1,635,358	205,891	–	2,216,554
Inter-segment cost of sales	540,953	–	–	–	540,953
Reportable segment cost of sales (cost of sales before biological fair value adjustments)	916,258	1,635,358	205,891	–	2,757,507
Reportable segment gross profit (gross profit before biological fair value adjustments)	1,504,303	652,431	47,877	–	2,204,611
Reportable segment profit/(loss) (adjusted EBITDA)	1,482,550	410,398	(43,512)	–	1,849,436
Interest income	3,824	5,482	1,586	–	10,892
Interest expenses	153,887	21,078	48,812	–	223,777
Depreciation and amortisation	105,733	14,308	43,282	–	163,323
Reportable segment assets	13,953,422	6,643,513	2,589,001	–	23,185,936
Increase in carrying amounts of non-current segment assets during the year	4,438,156	135,247	179,658	–	4,753,061
Capital expenditure	3,906,820	145,887	220,266	–	4,272,973
Reportable segment liabilities	9,064,279	852,676	1,510,217	–	11,427,172

Note:

(i) The Grain Processing and Trading business was previously conducted by one of the Group's entities incorporated in PRC. Such entity has ceased the processing and trading of various corn-based grain products and started to process corn-based cow's feeds to supply the intra-group dairy farming entities only. The results have been included in the Dairy Farming segment.

5 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	Year ended March 31, 2013				
	Dairy Farming RMB'000	Liquid Milk Products Production RMB'000	Milk Powders Production RMB'000	Grain Processing and Trading RMB'000	Total 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
Increase/(decrease) in carrying amounts of 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

5 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenue, cost of sales, gross profit, profit, assets and liabilities

	Years ended March 31, 2014 RMB'000	Years ended March 31, 2013 RMB'000
Revenue		
Reportable segment revenue	4,962,118	3,462,825
Elimination of inter-segment revenue	(1,431,699)	(910,387)
Consolidated turnover	3,530,419	2,552,438

	Years ended March 31, 2014 RMB'000	Years ended March 31, 2013 RMB'000
Cost of sales		
Reportable segment cost of sales	2,757,507	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	1,495,629	935,927
Elimination of inter-segment cost of sales	(1,431,699)	(910,387)
Consolidated cost of sales	2,821,437	2,110,195

	Years ended March 31, 2014 RMB'000	Years ended March 31, 2013 RMB'000
Gross profit		
Reportable segment gross profit	2,204,611	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	(1,495,629)	(935,927)
Consolidated gross profit	708,982	442,243

5 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenue, cost of sales, gross profit, profit, assets and liabilities (Continued)

	Years ended March 31, 2014 RMB'000	2013 RMB'000
Profit		
Reportable segment profit	1,849,436	1,290,248
Interest income	60,522	4,336
Interest expenses	(238,368)	(144,159)
Depreciation and amortisation	(163,679)	(68,865)
Unallocated headoffice and corporate expenses	(213,443)	(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	68,252	18,260
Loss arising from the changes in fair value less costs to sell of biological assets	(68,433)	(86,779)
Changes in fair value of derivative financial liability	16	16,029
Consolidated profit before taxation	1,294,303	1,012,415

	At March 31, 2014 RMB'000	2013 RMB'000
Assets		
Reportable segment assets	23,185,936	11,682,484
Goodwill	931,985	931,985
Deferred tax assets	66,064	37,784
Unallocated headoffice and corporate assets	7,047,149	5,494,202
Elimination between segments	(10,211,054)	(7,635,640)
Consolidated total assets	21,020,080	10,510,815

5 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenue, cost of sales, gross profit, profit, assets and liabilities (Continued)

	At March 31,	
	2014 RMB'000	2013 RMB'000
Liabilities		
Reportable segment liabilities	11,427,172	5,835,617
Derivative financial liability	—	16
Unallocated headoffice and corporate liabilities	6,608,768	2,103,428
Elimination between segments	(10,211,054)	(3,311,190)
Consolidated total liabilities	7,824,886	4,627,871

(c) Geographic information

Since all the revenue from external customers is derived from the customers located in the mainland of PRC and almost all the non-current assets are obtained and located in the mainland of PRC 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 the mainland of PRC provided to the Group's management.

6 OTHER NET INCOME

	Years ended March 31,	
	2014 RMB'000	2013 RMB'000
Government grants	14,027	6,822
Income from modification of production facilities	—	8,511
Income from providing consulting services	—	1,820
Net (loss)/gain from sales of raw materials	(3,685)	9,160
Changes in fair value of derivative financial liability *(Note 29)*	16	16,029
Net loss on disposal of non-current assets	(1,344)	(1,053)
Investment income on wealth management products purchased from banks	1,423	—
Donation	(1,000)	—
Others	(139)	239
	9,298	41,528

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Cost of sales:

	Years ended March 31, 2014 RMB'000	Years ended March 31, 2013 RMB'000
Plantation and breeding costs incurred to produce raw milk *(Note 17(b))**	**914,012**	639,000
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest *(Note 7(b))*	**1,495,629**	935,927
Production costs incurred for dairy and grain products*	**411,796**	535,268
Cost of inventories sold	**2,821,437**	2,110,195

* *Plantation and breeding costs incurred to produce raw milk and production costs incurred for dairy and grain products include, in aggregate, RMB280.49 million and RMB129.21 million for each of the years ended March 31, 2014 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 Note 7(e) and Note 7(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, 2014 RMB'000	Years ended March 31, 2013 RMB'000
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	**1,563,881**	954,187
Included in:		
— cost of sales for the year *(Note 7(a))*	**1,477,369**	935,927
— inventories at the year end#	**86,512**	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	**1,563,881**	954,187

In accordance with the accounting policy set out in Note 2(l), raw milk and alfalfa grass and other feed crops 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 profit or loss. As at March 31, 2014, the Group did not have any unsold or unused raw milk but had RMB156.13 million harvested but unused alfalfa grass and other feed crops with a respective gain of RMB86.51 million recognised upon harvest (March 31, 2013: RMB22.61 million harvested but unused alfalfa grass, which have been used up in the year ended March 31, 2014 with the respective gain of RMB18.26 million charged to the cost of sales for the year ended March 31, 2014).

7 PROFIT BEFORE TAXATION (Continued)

(c) Loss arising from changes in fair value less costs to sell of biological assets:

	Years ended March 31, 2014 RMB'000	2013 RMB'000
Loss arising from changes in fair value less costs to sell of biological assets *(Note 17(b))*	**68,433**	86,779

(d) Net finance costs:

	Years ended March 31, 2014 RMB'000	2013 RMB'000
Finance income — interest income	**(60,522)**	(4,336)
Interest expenses on bank loans		
— wholly repayable within five years	**239,541**	132,366
— repayable after five years	**24,823**	58,813
Less: interest expenses capitalised	**(25,996)**	(47,020)
Bank charges and other finance costs	**7,641**	1,256
Net foreign exchange loss	**20,163**	535
Finance costs	**266,172**	145,950
Net finance costs	**205,650**	141,614

* *The borrowing costs have been capitalised at a rate of 3.55% to 7.32% (year ended March 31, 2013: 3.76% to 9.17%) per annum.*

(e) Staff costs:

	Years ended March 31, 2014 RMB'000	2013 RMB'000
Salaries, bonuses and allowances	**128,090**	45,653
Pension insurance *(Note (i))*	**20,810**	6,513
Other social insurances *(Note (ii))*	**20,472**	4,523
Fees charged for hiring workers from labour dispatching companies	**103,814**	43,268
Staff welfare	**13,175**	10,577
	286,361	110,534

7 PROFIT BEFORE TAXATION (Continued)

(e) Staff costs: (Continued)

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 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 on a percentage of the average salary level in the PRC, from the above mentioned retirement schemes at their normal retirement age. The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000. Contributions to the MPF scheme vest immediately.*

(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 the 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, 2014 RMB'000	2013 RMB'000
Depreciation and amortisation	**163,679**	68,865
Initial public offering expenses	**35,039**	8,243
Equity-settled share option expenses *(Note 31)*	**117,040**	—
Auditors' remuneration — audit services	**5,858**	2,750
Consultants' remunerations	**6,007**	3,129

8 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	Years ended March 31, 2014 RMB'000	2013 RMB'000
Current taxation:		
PRC income tax *(Note 32(a))*	**73,354**	62,358
Deferred taxation:		
Origination and reversal of temporary differences *(Note 32(b))*	**(28,280)**	4,687
	45,074	67,045

8 INCOME TAX (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended March 31,	
	2014 RMB'000	2013 RMB'000
Profit before taxation	**1,294,303**	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))*	**324,879**	249,919
Effect of non-deductible expenses *(Note (iv))*	**30,703**	1,795
Utilisation of previously unrecognised tax losses	**(20)**	(3,074)
Effect of tax losses not recognised	**20,103**	5,566
Tax rate differential on deferred tax items *(Note (v))*	**(105,671)**	(76,677)
Effect of tax exemption *(Note (iii))*	**(224,920)**	(110,484)
Income tax	**45,074**	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 years ended March 31, 2014 and 2013.

(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, 2014 and 2013.

According to the PRC Enterprise Income Tax Law, the Group's income arising from agricultural activities such as dairy farming and crops growing is exempt from income tax.

(iv) Non-deductible expenses are mainly the share option expenses (see Note 31) recognised but cannot deduct the taxable income until the options are exercised or expired and the staff welfare and the entertainment expenses charged over the tax limit.

(v) This represents the net effect of the tax losses and other deferred tax items of the Group's PRC subsidiaries exempt from income tax (see note (iii) above).

9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) is as follows:

	Year ended March 31, 2014					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based payments RMB'000 *(Note (i))*	Total RMB'000
Executive directors						
Mr. Yang Kai	—	550	—	72	—	622
Ms. Ge Kun	—	737	—	71	—	808
Mr. Xu Guangyi	—	737	—	72	17,425	18,234
Mr. Wang Jinpeng (resigned on September 5, 2013)	—	613	—	72	5,808	6,493
Mr. So Wing Hoi	—	3,000	—	25	17,425	20,450
Mr. Kwok Hok Yin (appointed on September 5, 2013)	—	5,167	—	332	5,808	11,307
Independent non-executive directors						
Mr. Siu Wai Keung	204	—	—	—	—	204
Mr. Song Kungang	205	—	—	—	—	205
Mr. Gu Ruixia	205	—	—	—	—	205
Mr. Tsui Kei Pang	204	—	—	—	—	204
	818	10,804	—	644	46,466	58,732

	Year ended March 31, 2013				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total 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
Independent non-executive directors					
Mr. Siu Wai Keung	—	—	—	—	—
Mr. Song Kungang	—	—	—	—	—
Mr. Gu Ruixia	—	—	—	—	—
Mr. Tsui Kei Pang	—	—	—	—	—
	—	2,914	—	89	3,003

9 DIRECTORS' REMUNERATION (Continued)

Notes:

(i) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policy for share-based payment transactions as set out in Note 2(r)(ii) disregarding whether the options have been vested/exercised or not.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the section "Share Option Scheme" in the Directors' Report and Note 31 to these financial statements. No options were exercised during the year ended March 31, 2014.

(ii) No emoluments were paid or payable to these directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended March 31, 2014 and 2013.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (year ended March 31, 2013: one) are directors whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the remaining two (year ended March 31, 2013: four) individuals with the highest emoluments are as follows:

	Years ended March 31,	
	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	1,302	3,348
Discretionary bonuses	—	—
Share-based payments	11,616	—
Retirement scheme contributions	144	54
	13,062	3,402

The emoluments of the employees who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Years ended March 31,	
	2014	2013
HK$Nil — HK$1,000,000	—	3
HK$2,000,001 — HK$2,500,000	—	1
HK$8,000,001 — HK$8,500,000	2	—
	2	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 years ended March 31, 2014 and 2013.

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company for the year ended March 31, 2014 includes a loss of RMB1.26 million (year ended March 31, 2013: a loss of RMB3.78 million) which has been dealt with in the financial statements of the Company (see Note 33(a)).

12 OTHER COMPREHENSIVE INCOME

	Year ended March 31, 2014			Year ended March 31, 2013		
	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation to presentation currency	**(17,956)**	**—**	**(17,956)**	(488)	—	(488)

13 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended March 31, 2014 is based on the profit attributable to equity shareholders of the Company of RMB1,249.23 million (year ended March 31, 2013: profit of RMB945.37 million) and the weighted average of 12,978,958,997 (year ended March 31, 2013: 11,494,254,000) ordinary shares of the Company in issue during the year as calculated in Note 13(b).

(b) Weighted average number of ordinary shares

	Years ended March 31,	
	2014	2013
Issued ordinary shares at April 1	**11,494,254**	10,000
Effect of shares subdivision and shares conversion during the year (11,494,254 ordinary shares of US$0.001 each converted to 896,552 ordinary shares of HK$0.1 each)	**(10,597,702)**	(607,702)
Effect of shares issued during the year	**—**	1,494,254
Effect of capitalisation issue	**11,493,357,448**	11,493,357,448
Effect of shares issued under initial public offering	**1,484,704,997**	—
Weighted average number of ordinary shares	**12,978,958,997**	11,494,254,000

(c) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the years ended March 31, 2014 and 2013. For the year ended March 31, 2014, the share options as disclosed in Note 31 did not have any dilutive effect because the average market price of the Company ordinary shares during the year did not exceed the sum of the exercise price of the option and the fair value of the services to be received by the Group from the employees granted with the options (i.e. the value of the options at the date of grant), details of which are disclosed in Note 31.

14 PROPERTY, PLANT AND EQUIPMENT

The Group

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total 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 *(Note 34(a))*	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 *(Note 34(a))*	(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
Cost:						
At April 1, 2013	2,217,581	764,484	68,984	101,455	657,534	3,810,038
Additions	11,877	130,236	30,533	43,044	627,587	843,277
Transfer in/(out)	762,669	209,443	—	—	(972,112)	—
Disposals	—	(4,824)	(651)	(12,698)	—	(18,173)
At March 31, 2014	2,992,127	1,099,339	98,866	131,801	313,009	4,635,142
Accumulated depreciation and impairment losses:						
At April 1, 2013	(77,156)	(65,715)	(15,678)	(14,736)	—	(173,285)
Depreciation for the year	(57,303)	(64,233)	(11,641)	(14,603)	—	(147,780)
Impairment loss	—	—	—	—	—	—
Disposals	—	133	25	2,928	—	3,086
At March 31, 2014	(134,459)	(129,815)	(27,294)	(26,411)	—	(317,979)
Net book value:						
At March 31, 2014	2,857,668	969,524	71,572	105,390	313,009	4,317,163

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Changes in estimated useful lives

In the year ended March 31, 2014, during the annual review of the estimated useful lives of the Group's property, plant and equipment, management noted that due to the extensive regular maintenances carried out by the Group, most of the machinery and equipment and motor vehicles for liquid milk products and milk powders productions are in good conditions, and are expected to be utilised beyond their original estimated useful lives. As a result, the Group extended the estimated useful lives of its machinery and equipment for liquid milk products production and milk powders production from 14 to 15 years and the estimated useful lives of its motor vehicles for transportation of liquid milk products and milk powders products from 8 to 10 years.

These changes in accounting estimates have been accounted for prospectively from April 1, 2013. The directors do not consider the effect of these changes is material to the total actual and expected depreciation expenses of the Group in the current reporting period or any future periods.

(b) As at March 31, 2014, the aggregate net book value of the secured property, plant and equipment of the Group was RMB2,029.40 million (March 31, 2013: RMB164.21 million).

15 GOODWILL

	The Group Years ended March 31,	
	2014 RMB'000	2013 RMB'000
Cost:		
At the beginning of the year	931,985	—
Additions	—	931,985
At the end of the year	931,985	931,985
Accumulated impairment losses:		
At the beginning and the end of the year	—	—
Carrying amount:		
At the beginning of the year	931,985	—
At the end of the year	931,985	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., which represents the future economic benefits the Group expected to arise from the assets not individually identified and recognised in the combination. The details are disclosed in Note 34(a).

15 GOODWILL (Continued)

Impairment test for the cash-generating unit containing goodwill

For the purposes of impairment testing, the goodwill has been allocated to the following cash-generating unit (CGU):

	At March 31,	
	2014 RMB'000	2013 RMB'000
China Huishan Dairy Investments International Limited and its subsidiaries	**931,985**	931,985

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, which are based on the expectations of future outcomes taking into account the anticipated sales volume growth for the following five years. Cash flows beyond the period covered by the financial forecast are extrapolated perpetually with an estimated general long-term continuous growth rate of 3% (March 31, 2013: 3%) no more than the latest estimated inflation rate. The cash flows are discounted using a discount rate of 18.60% (March 31, 2013: 11.11%). The discount rates used are pre-tax and reflect specific risks relating to the relevant operating entities. The recoverable amounts as determined by using the above approach and key assumptions as at March 31, 2014 and 2013 were higher than the carrying amounts of the CGU as at the respective reporting period end dates.

16 LEASE PREPAYMENTS

	The Group Years ended March 31,	
	2014 RMB'000	2013 RMB'000
Cost:		
At the beginning of the year	568,762	446,036
Increase through acquisition of subsidiaries *(Note 34(a))*	—	90,145
Additions	2,639,961	32,581
Disposal	(7,188)	—
At the end of the year	3,201,535	568,762
Accumulated amortisation and impairment losses:		
At the beginning of the year	(47,453)	(28,530)
Increase through acquisition of subsidiaries *(Note 34(a))*	—	(4,845)
Amortisation for the year	(111,327)	(14,078)
Disposal	503	—
Impairment loss	—	—
At the end of the year	(158,277)	(47,453)
Net book value:		
At the end of the year	3,043,258	521,309

Lease prepayments represent the payments made on the acquisitions of the lands held under operating leases for alfalfa grass and other feed crops plantation fields, dairy farms and products production.

At March 31, 2014, the aggregate net book value of the lease prepayments with a lease term within 10 years was RMB214.34 million (March 31, 2013: RMBNil). The lease terms of the remaining lease prepayments are over 10 years but within 50 years.

At March 31, 2014, the aggregate net book value of the secured lease prepayments of the Group was RMB1,506.18 million (March 31, 2013: RMB147.14 million).

(Expressed in Renminbi unless otherwise indicated)

17 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 and other feed crops grown for feeding dairy cows. Dairy cows and alfalfa grass are categorised as bearer biological assets while the other feed crops are categorised as consumable biological assets given their attributes illustrated below.

The quantities of the dairy cows owned by the Group as at March 31, 2014 and 2013 are listed 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,	
	2014	2013
Milkable cows	61,286	49,889
Heifers	68,087	49,964
Calves	14,818	12,998
	144,191	112,851

In general, the heifers are inseminated when they reach approximately 14 months old. After a 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 in each lactation period and has as many as 6 lactation periods. 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.

Other feed crops, primarily corns, sugar beets, carrots and oats, are usually sown in spring and harvested in the autumn of the same year for feeding cows.

At March 31, 2014, the Group owned about 243,800 mu fields for planting alfalfa grass and other feed crops. (March 31, 2013: about 120,300 mu).

17 BIOLOGICAL ASSETS (Continued)

(a) Nature of the Group's agricultural activities (Continued)

The Group is exposed to a number of risks related to its biological assets. In addition to the financial risk as disclosed in Note 35(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 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, alfalfa grass and other feed crops are as below:

	Year ended March 31, 2013				
	Calves RMB'000	Heifers RMB'000	Milkable cows RMB'000	Alfalfa grass RMB'000	Total 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

17 BIOLOGICAL ASSETS (Continued)

(b) Value of the Group's biological assets (Continued)

	Year ended March 31, 2014					
	Calves RMB'000	Heifers RMB'000	Milkable cows RMB'000	Alfalfa grass RMB'000	Other feed crops RMB'000	Total RMB'000
At April 1, 2013	176,254	1,369,490	1,690,524	5,604	—	3,241,872
Add: purchase costs	—	299,986	—	1,758	2,944	304,688
Add: breeding costs#	191,656	738,847	914,012	—	—	1,844,515
Add: plantation costs	—	—	—	79,631	101,759	181,390
Transfer between groups:						
— transfer in	—	446,666	923,598	—	—	1,370,264
— transfer out	(446,666)	(923,598)	—	—	—	(1,370,264)
Changes in fair value less costs to sell of biological assets*	288,166	(147,005)	(208,478)	(1,116)	—	(68,433)
Gain arising on initial recognition of milk and grass and other feed crops at fair value less costs to sell upon milking and harvest	—	—	1,204,452	243,219	116,210	1,563,881
Transfer to inventories upon milking and harvest	—	—	(2,118,464)	(322,850)	(220,913)	(2,662,227)
Decrease due to disposal	(4,608)	(6,963)	(96,464)	—	—	(108,035)
At March 31, 2014	204,802	1,777,423	2,309,180	6,246	—	4,297,651

Breeding costs incurred for dairy cows include the plantation costs of the alfalfa grass and other feed crops fed to the cows after harvests, other feeding costs, staff costs, depreciation and amortisation expenses and utility costs incurred.

* *Changes in fair value less costs to sell of biological assets include the changes in fair value of the dairy cows disposed, i.e. the write-downs of the carrying amounts of such dairy cows to their market selling prices upon disposals.*

The Group's bearer biological assets, dairy cows and alfalfa grass, were independently valued by the independent valuers, Jones Lang LaSalle Sallmanns 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 Note 35(f).

17 BIOLOGICAL ASSETS (Continued)

(c) Quantity of the agricultural produce produced by the Group's biological assets

	Years ended March 31,	
	2014 Tonne	2013 Tonne
Raw milk produced	501,688	365,066
Alfalfa grass produced	137,510	113,440
Other feed crops produced	361,758	—

18 INVESTMENTS IN SUBSIDIARIES

	The Company Years ended March 31,	
	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost at April 1	1,185,760	7
Additions during the year	—	1,190,223
Exchange adjustments	(4,050)	(4,470)
Unlisted shares, at cost at March 31	1,181,710	1,185,760
Less: accumulated impairment losses	—	—
	1,181,710	1,185,760
Amounts due from subsidiaries	7,542,115	—
	8,723,825	1,185,760

The amounts due from subsidiaries are unsecured, interest-free and have no fixed term of repayment. The amounts are not expected to be recovered within one year.

(Expressed in Renminbi unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

The following list contains the particulars of subsidiaries of the Company. The class of shares held is ordinary unless otherwise stated:

Name of subsidiary	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
China Huishan Dairy Holdings International Limited***	British Virgin Islands	1,000 shares	100%	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	US$210,000,000	100%	—	100%	Feeds production and sales of dairy products
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	RMB65,000,000	100%	—	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	RMB65,000,000	100%	—	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	RMB20,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group (Fushun) Co., Ltd. 遼寧輝山乳業集團(撫順)有限公司**	The PRC	RMB260,000,000	100%	—	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	RMB100,000,000	100%	—	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	RMB70,000,000	100%	—	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	RMB62,000,000	100%	—	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	RMB65,000,000	100%	—	100%	Dairy farming

(Expressed in Renminbi unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
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	RMB90,000,000	100%	—	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	RMB75,000,000	100%	—	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	RMB60,000,000	100%	—	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	RMB45,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Shuangtaizi Farming Co., Ltd. 遼寧輝山乳業集團雙檯子牧業有限公司**	The PRC	RMB90,000,000	100%	—	100%	Dairy farming
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	RMB60,000,000	100%	—	100%	Dairy farming
Yixian Guanghua Farming Co., Ltd. 義縣光華牧業有限公司**	The PRC	RMB78,000,000	100%	—	100%	Dairy farming
Yixian Aohua Farming Co., Ltd. 義縣澳華牧業有限公司**	The PRC	RMB77,000,000	100%	—	100%	Dairy farming
Yixian Shengdao Farming Co., Ltd. 義縣勝道牧業有限公司**	The PRC	RMB48,000,000	100%	—	100%	Dairy farming
Yixian Longbang Farming Co., Ltd. 義縣龍邦牧業有限公司**	The PRC	RMB50,000,000	100%	—	100%	Dairy farming
Yixian Zhongao Farming Co., Ltd. 義縣中澳牧業有限公司**	The PRC	RMB72,610,000	100%	—	100%	Dairy farming
Yixian Heguang Farming Co., Ltd. 義縣荷光牧業有限公司**	The PRC	RMB46,000,000	100%	—	100%	Dairy farming

(Expressed in Renminbi unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Liaoning Huishan Group (Jinzhou) Co., Ltd. 遼寧輝山乳業集團(錦州)有限公司**	The PRC	RMB900,000,000	100%	—	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	US$50,000,000	100%	—	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	RMB30,000,000	100%	—	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	RMB110,000,000	100%	—	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	RMB5,000,000	100%	—	100%	Dairy farming
Zhangwu Youpin Agriculture Feedstock Co., Ltd. 彰武優品農牧飼料有限公司**	The PRC	RMB60,000,000	100%	—	100%	Feeds production
China Huishan Dairy Holdings (Hong Kong) Limited***	Hong Kong	10,000 shares	100%	—	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	RMB100,000,000	100%	—	100%	Alfalfa grass and other feed crops growing
Shenyang Fengle Life Agriculture Technology Co., Ltd. 瀋陽豐樂生態農業科技有限公司**	The PRC	RMB50,000,000	100%	—	100%	Alfalfa grass and other feed crops growing
Huishan Dairy (Shenyang) Sales Co., Ltd. 輝山乳業(瀋陽)銷售有限公司*	The PRC	RMB1,320,000,000	100%	—	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	RMB1,853,000,000	100%	—	100%	Sales of dairy products

(Expressed in Renminbi unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Liaoning Huishan Dairy Group (Shenyang) Co., Ltd. 遼寧輝山乳業集團(瀋陽)有限公司****	The PRC	US$225,000,000	100%	—	100%	Liquid milk products production
Liaoning Huishan Dairy Group (Fuxin) Co., Ltd. 遼寧輝山乳業集團(阜新)有限公司*	The PRC	RMB6,300,000	100%	—	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	RMB5,000,000	100%	—	100%	Research and consulting
Liaoning Huishan Group (Xiushui) Co., Ltd. 遼寧輝山乳業集團(秀水)有限公司*	The PRC	RMB588,000,000	100%	—	100%	Milk powders production
China Huishan Dairy Investments International Limited***	British Virgin Islands	58,800,000 shares	100%	100%	—	Investment holding
China Huishan Dairy Investments (Hong Kong) Limited***	Hong Kong	456,000,000 shares	100%	—	100%	Investment holding
Shenyang Maoyuan Grass Co., Ltd. 瀋陽茂源草業有限公司**	The PRC	RMB20,000,000	100%	—	100%	Alfalfa grass growing
Jinzhou Guhai Life Agriculture Technology Co., Ltd. 錦州穀海生態農業科技有限公司**	The PRC	RMB1,000,000	100%	—	100%	Alfalfa grass and other feed crops growing
Jinzhou Youpin Agriculture Feedstock Co., Ltd. 錦州優品農牧飼料有限公司**	The PRC	RMB300,000	100%	—	100%	Feeds Production
Liaoning Huishan Group Jinxing Farming Co., Ltd. 遼寧輝山乳業集團金星牧業有限公司**	The PRC	RMB100,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Fengyuan Farming Co., Ltd. 遼寧輝山乳業集團豐源牧業有限公司**	The PRC	RMB100,000,000	100%	—	100%	Dairy farming

(Expressed in Renminbi unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Tieling Shenghui Life Agriculture Technology Co., Ltd. 鐵嶺盛匯生態農業科技有限公司**	The PRC	RMB20,000,000	100%	—	100%	Alfalfa grass and other feed crops growing
Shenyang Guanlin Life Agriculture Technology Co., Ltd. 瀋陽冠林生態農業科技有限公司**	The PRC	RMB120,000,000	100%	—	100%	Alfalfa grass and other feed crops growing
Liaoning Huishan Group Jinqiu Farming Co., Ltd. 遼寧輝山乳業集團金秋牧業有限公司**	The PRC	RMB100,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Wangsheng Farming Co., Ltd. 遼寧輝山乳業集團汪盛牧業有限公司**	The PRC	RMB100,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Lvyuan Farming Co., Ltd. 遼寧輝山乳業集團綠園牧業有限公司**	The PRC	RMB100,000	100%	—	100%	Dairy farming
Shenyang Jinsui Life Agriculture Technology Co., Ltd. 瀋陽金穗生態農業科技有限公司**	The PRC	RMB20,000,000	100%	—	100%	Alfalfa grass and other feed crops growing
Fushun Jinqiu Life Agriculture Technology Co., Ltd. 撫順金秋生態農業科技有限公司**	The PRC	RMB100,000	100%	—	100%	Alfalfa grass and other feed crops growing
Liaoning Huishan Group Xinzhuang Farming Co., Ltd. 遼寧輝山乳業集團新莊牧業有限公司**	The PRC	RMB1,000,000	100%	—	100%	Dairy farming
Heishan Jinrun Life Agriculture Technology Co., Ltd. 黑山金潤生態農業科技有限公司**	The PRC	RMB100,000	100%	—	100%	Alfalfa grass and other feed crops growing
Liaoning Huishan Group Zhonghui Farming Co., Ltd. 遼寧輝山乳業集團中輝牧業有限公司**	The PRC	RMB500,000	100%	—	100%	Dairy farming

(Expressed in Renminbi unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Liaoning Huishan Group Yongchun Farming Co., Ltd. 遼寧輝山乳業集團永淳牧業有限公司**	The PRC	RMB500,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Zhoujia Farming Co., Ltd. 遼寧輝山乳業集團周家牧業有限公司**	The PRC	RMB1,000,000	100%	—	100%	Dairy farming
Shenyang Hongda Life Agriculture Technology Co., Ltd. 瀋陽宏大生態農業科技有限公司**	The PRC	RMB100,000	100%	—	100%	Alfalfa grass and other feed crops growing
Huishan Investment Co., Ltd. 輝山投資有限公司*	The PRC	RMB200,000,000	100%	—	100%	Investment holding
Kangping Youpin Agriculture Feedstock Co., Ltd. 康平優品農牧飼料有限公司**	The PRC	RMB50,000,000	100%	—	100%	Feeds production
Huishan Investment (Shenyang) Dairy Co., Ltd. 輝山投資(瀋陽)乳業有限公司**	The PRC	RMB30,000,000	100%	—	100%	Research and development of dairy products
Liaoning Huishan Group Xixia Farming Co., Ltd. 遼寧輝山乳業集團棲霞牧業有限公司**	The PRC	RMB100,000	100%	—	100%	Dairy farming

* *These companies are wholly foreign owned enterprises established in PRC. The official names of these companies are in Chinese. The English translation of the names is for reference only.*

** *These companies are domestic limited liability companies established in 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 PRC.*

**** *This company is a joint venture company incorporated in PRC. The official name is in Chinese. The English translation of the name is for reference only.*

19 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	The Group At March 31,	
	2014 RMB'000	2013 RMB'000
Feeds and other materials for breeding dairy cows	599,258	311,206
Other materials for producing dairy products	126,345	78,200
Semi-finished goods	22,701	24,893
Finished goods	167,079	33,100
	915,383	447,399
Less: write-down of inventories	–	(781)
	915,383	446,618

(b) The analysis of the amount of inventories recognised as cost of sales in the consolidated statement of profit or loss during the year ended March 31, 2014 is as follows:

	The Group Years ended March 31,	
	2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold *(Note 7(a))*	2,821,437	2,110,195

20 TRADE RECEIVABLES

	The Group At March 31, 2014 RMB'000	The Group At March 31, 2013 RMB'000
Trade receivable due from third parties	**220,375**	172,583
Less: allowance for impairment of doubtful debts	**—**	—
	220,375	172,583

(a) Aging analysis

The ageing analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting periods based on the invoice date is as follows:

	The Group At March 31, 2014 RMB'000	The Group At March 31, 2013 RMB'000
Less than 3 months	**191,235**	151,933
More than 3 months but less than 6 months	**16,173**	11,594
More than 6 months but less than 12 months	**12,967**	9,056
	220,375	172,583

Trade receivables are due within 15-90 days from the date of billing. Further details on the Group's credit policy are disclosed in Note 35(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see Note 2(o)(i)).

At March 31, 2014 and 2013, no trade receivables are individually determined to be impaired.

20 TRADE RECEIVABLES (Continued)

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group At March 31, 2014 RMB'000	The Group At March 31, 2013 RMB'000
Neither past due nor impaired	**193,947**	153,601
Less than 1 month past due	**5,694**	4,746
More than 1 month but less than 3 months past due	**6,812**	4,482
More than 3 months but less than 6 months past due	**7,505**	5,511
More than 6 months past due	**6,417**	4,243
	26,428	18,982
	220,375	172,583

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. These receivables mainly relate to sales of raw milk and liquid milk products and milk powders products. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) The Group

	At March 31, 2014 RMB'000	2013 RMB'000
Deposits with banks to secure bills payables	**76,318**	128,874
Deposits with banks to secure letters of credit	**1,095**	20,287
Prepayments for purchase of raw materials	**209,563**	196,306
Downpayments for acquisition of lands held under operating leases at annual rent	**9,914**	57,932
Advances to staff	**19,611**	7,168
Deductible value added tax	**84,599**	64,569
Prepaid income tax	**11,416**	—
Prepaid advertising expenses	**15,156**	—
Interest receivable on bank deposits	**27,067**	—
Amounts receivable from banks for wealth management products purchased (over 3 months) *(Note (i))*	**302,923**	—
Prepayments for expenses incurred in connection with the proposed initial public offering of the Company's shares	**—**	2,748
Others	**26,507**	23,211
	784,169	501,095
Less: allowance for impairment of doubtful debts	**—**	—
	784,169	501,095

Note:

(i) This represents the RMB wealth management products purchased by the Group from Bank of Fushun, Huaxia Bank, Shanghai Pudong Development Bank, China Guangfa Bank Co., Ltd. and Agricultural Bank of China during the year ended March 31, 2014 and having not been due or early redeemed yet as of the year end. The total principals was RMB301.50 million and the annualised rates of return range from 2.80% to 5.80%. Given that the amounts of return of these wealth management products are determinable, the Group recorded these amounts at amortised cost using the effective interest method as other receivables in this account.

21 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(b) The Company

	At March 31,	
	2014	2013
	RMB'000	RMB'000
Advances granted to subsidiaries	**—**	2,902,536
Interest receivable	**15,181**	—
Others	**62**	63
	15,243	2,902,599
Less: allowance for impairment of doubtful debts	**—**	—
	15,243	2,902,599

The amount of the Group's amounts receivable from banks for wealth management products purchased expected to be received after more than one year was RMB1.50 million at March 31, 2014. All of the other deposits, prepayments and other receivables are expected to be recovered or recognised as expenses within one year.

Impairment of deposits, prepayments and other receivables

Impairment losses in respect of deposits, prepayments and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against deposits, prepayments and other receivables directly (see Note 2(o)(i)).

At March 31, 2014 and 2013, no deposits, prepayments and other receivables are individually determined to be impaired.

22 TERM DEPOSITS

The effective interest rate of the Group's term deposits placed with banks with initial terms of over three months but within 1 year for the year ended March 31, 2014 is 3.50–3.80%.

23 CASH AND CASH EQUIVALENTS

(a) The Group

	At March 31, 2014 RMB'000	At March 31, 2013 RMB'000
Cash at bank and in hand	**4,961,119**	825,673
Amounts receivable from banks for wealth management products purchased (within 3 months) *(Note (i))*	**101,500**	—
	5,062,619	825,673

Note:

(i) This represents the RMB wealth management products purchased by the Group from Bank of Jinzhou and Agricultural Bank of China during the year ended March 31, 2014 and having not been due yet as of the year end. The total principals was RMB101.50 million. Given that the amounts of return of these wealth management products are determinable by known amounts of cash and the maturities are within three months from acquisition, the Group has recorded the amounts as cash equivalents.

(b) The Company

	At March 31, 2014 RMB'000	At March 31, 2013 RMB'000
Cash at bank and in hand	**1,314,374**	5,087

Cash at bank and in hand totalling of RMB4,875.65 million as at March 31, 2014 (March 31, 2013: RMB359.35 million) is denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

24 TRADE AND BILLS PAYABLES

	The Group At March 31, 2014 RMB'000	The Group At March 31, 2013 RMB'000
Trade payable for purchase of raw materials		
— Third parties	**546,917**	544,162
— Affiliates of the Controlling Shareholder	**—**	44,118
	546,917	588,280
Bills payable	**190,794**	322,185
	737,711	910,465

All of the trade and bills payables are expected to be settled within one year.

The ageing analysis of trade and bills payables as at the end of the reporting periods based on the date of goods received is as follows:

	The Group At March 31, 2014 RMB'000	The Group At March 31, 2013 RMB'000
Within 1 month	**248,118**	214,624
Over 1 month but within 3 months	**204,769**	271,920
Over 3 months but within 6 months	**267,646**	338,155
Over 6 months but within 1 year	**12,326**	63,425
Over 1 year but within 2 years	**4,852**	20,523
Over 2 years	**—**	1,818
	737,711	910,465

25 RECEIPTS IN ADVANCE

	The Group At March 31, 2014 RMB'000	2013 RMB'000
Receipts in advance for sales of products	**26,013**	13,430
Receipts in advance for disposals of dairy cows	**46**	255
	26,059	13,685

All of the receipts in advance are related with third parties and expected to be recognised as revenue within one year.

26 ACCRUED EXPENSES AND OTHER PAYABLES

(a) The Group

	At March 31, 2014 RMB'000	2013 RMB'000
Payables to affiliates of the Controlling Shareholder for acquisition of subsidiaries under common control	**–**	33,601
Payables for acquisition of property, plant and equipment		
— Third parties	**143,417**	138,896
— Affiliates of the Controlling Shareholder	**2,956**	—
Payables for operating leases		
— Third parties	**3,647**	2,960
— Affiliates of the Controlling Shareholder	**11,090**	3,129
Payables for receiving technical supporting services	**6,762**	6,035
Payables for taxes related to acquisition of lands held under operating leases	**23,247**	23,121
Payables for professional services	**6,207**	7,970
Employee benefits payables	**25,025**	14,696
Accrued advertising and promotion expenses	**27,476**	21,604
Payables for interest expenses	**10,613**	9,082
Payables for value added tax and other taxes	**11,545**	7,091
Conditional government grants received but not yet recognised *(Note (i))*	**160,033**	143,253
Payables for expenses incurred in connection with the proposed initial public offering of the Company's shares	**12,349**	2,748
Payables for freight charges	**17,429**	5,194
Others	**27,868**	15,178
	489,664	434,558

Note:

(i) In accordance with the relevant guidance of government, these government grants can only be recognised upon the Group complying with the conditions of certain amount of infrastructure investment on and completion of the Group's dairy products production facilities.

26 ACCRUED EXPENSES AND OTHER PAYABLES (Continued)

(b) The Company

	At March 31,	
	2014 RMB'000	2013 RMB'000
Payables for professional services	12,349	6,271
Others	4	6
	12,353	6,277

The amount of the Group's payables for acquisition of property, plant and equipment expected to be settled after more than one year was RMB5.46 million as at March 31, 2014. All of the other accrued expenses and other payables are expected to be settled or recognised in profit or loss or to other items in the statement of financial position within one year.

27 AMOUNTS DUE TO THE CONTROLLING SHAREHOLDER AND HIS AFFILIATES

All the amounts as at March 31, 2013 were unsecured, non-interest bearing and had no fixed terms of repayment and had been paid up on May 2, 2013.

28 BANK LOANS

At March 31, the Group's bank loans were repayable as follows:

	At March 31,	
	2014 RMB'000	2013 RMB'000
Within 1 year	1,641,192	908,534
After 1 year but within 2 years	1,483,185	575,662
After 2 years but within 5 years	2,223,121	1,296,286
After 5 years	972,850	230,823
	4,679,156	2,102,771
	6,320,348	3,011,305

28 BANK LOANS (Continued)

At March 31, the Group's bank loans were secured as follows:

	At March 31, 2014 RMB'000	2013 RMB'000
Jointly secured by lease prepayments of the Group and lease prepayments, property, plant and equipment of third parties and guaranteed by the Controlling Shareholder and his affiliates	–	559,212
Jointly secured by lease prepayments of the Group and lease prepayments, forest rights of third parties	–	574,822
Jointly secured by lease prepayments and property, plant and equipment and own equity interests of the Group and guaranteed by intra-group entities	684,367	—
Secured by lease prepayments of the Group and guaranteed by the Controlling Shareholder and his affiliates	–	143,868
Secured by lease prepayments of the Group and guaranteed by key management personnel of the Group	1,069,000	—
Secured by lease prepayments of third parties and guaranteed by the Controlling Shareholder and his affiliates	–	165,000
Secured by property, plant and equipment of the Group and jointly guaranteed by third parties and the Controlling Shareholder and his affiliates	–	102,497
Secured by property, plant and equipment of the Group and guaranteed by third parties	200,000	310,000
Secured by property, plant and equipment of the Group and guaranteed by intra-group entities	43,019	—
Secured by lease prepayments, property, plant and equipment of the Group	497,000	—
Secured by property, plant and equipment of the Group	224,250	—
Secured by deposits with banks to secure letters of credit and guaranteed by intra-group entities	31,000	—
Secured by deposits with banks to secure letters of credit	–	11,849
Secured by the Group's own equity interests and guaranteed by intra-group entities	49,675	200,000
Secured by the Group's own equity interests	794,000	394,000
Guaranteed by intra-group entities	2,057,037	185,000
Guaranteed by the Controlling Shareholder and his affiliates	–	244,057
Guaranteed by key management personnel of the Group	256,000	—
Guaranteed by third parties	15,000	21,000
Unguaranteed and unsecured	400,000	100,000
	6,320,348	3,011,305

At March 31, 2014, the secured bank loans were secured over property, plant and equipment, lease prepayments and prepayments for acquisition of property, plant and equipment with an aggregate carrying value of RMB3,921.61 million (March 31, 2013: RMB311.35 million).

None of the Group's bank loans is subject to the fulfilment of any covenants. Further details of the Group's management of liquidity risk are disclosed in Note 35(b).

29 DERIVATIVE FINANCIAL LIABILITY

	Years ended March 31,	
	2014 RMB'000	2013 RMB'000
At the beginning of the year	16	16,045
Changes in fair value *(Note 6)*	(16)	(16,029)
At the end of the year	–	16

The Group's derivative financial liability at March 31, 2013 represented the credit derivatives that were 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 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, the bondholders will have the right to have the secured shares and the related assets of the Company and its subsidiaries to compensate their losses.

These credit derivatives have been settled upon the initial public offering of the Company's shares on The Stock Exchange of Hong Kong Limited on September 27, 2013.

The Group's derivative financial liability as at March 31, 2013 was independently valued by the independent valuer CBRE Limited. The valuation techniques used in the determination of the fair value as well as the key inputs used in the valuation model are disclosed in Note 35(f).

30 DEFERRED INCOME

	The Group At March 31,	
	2014 RMB'000	2013 RMB'000
Government grants	226,577	232,993

The Group has been awarded government grants in the years ended March 31, 2014 and 2013, which are conditional upon the construction and acquisition of property, plant and equipment for dairy farm facilities. These government grants have been recognised as deferred income, and are being amortised to profit or loss as other income over the useful lives of the related assets.

(Expressed in Renminbi unless otherwise indicated)

31 EQUITY SETTLED SHARE-BASED TRANSACTIONS (SHARE OPTION)

The Company adopted a share option scheme on September 5, 2013, whereby the directors of the Company are authorised, at their discretion, to invite certain directors and qualified employees of the Group, to take up options to subscribe for the shares in the Company. On September 27, 2013, 680,085,000 share options were granted, among which, 204,025,500 share options will vest immediately from the date of grant, 136,017,000 share options will vest after one year from the date of grant, 102,012,750 share options will vest after two years from the date of grant, 102,012,750 share options will vest after three years from the date of grant, and the remaining 136,017,000 share options will vest after four years from the date of grant. The above share options granted will lapse on September 27, 2019. Each option gives the holder the right to subscribe for one ordinary share in the Company at an exercise price of HK$2.67 per share.

The fair value of the services received from the holders in return for share options granted is measured by reference to the fair value of the share options granted which was valued by the independent valuer, CBRE Limited, by using the binomial lattice model. The details are as follows:

Fair value at the date of grant per share	HK$0.4739
Closing price of per share on the date of grant	HK$2.59
Exercise price per share	HK$2.67
Expected volatility (weighted average)	35.21%
Contractual life of the options	6 years
Expected dividends	0%
Risk-free interest rate (based on the Hong Kong Exchange Notes)	1.22%
Expected price increase of exercise	35%

The expected volatility is based on the historic volatility of a set of comparable companies, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on management's assumption as at the valuation date and the expected price increase of exercise is estimated based on the inquiries of the holders. Changes in the subjective input assumptions could materially affect the fair value estimate.

The fair value of the services received from the holders in return for the share options granted is recognised as a staff cost with a corresponding increase in other reserves within equity. During the year ended March 31, 2014, the Group has charged RMB117.04 million share option expenses in "Administrative expenses" with the same amount credited to "Other reserves".

No options were exercised during the year ended March 31, 2014. At March 31, 2014, the remaining contractual life of the above options was 5.5 years.

32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group Years ended March 31,	
	2014 **RMB'000**	2013 RMB'000
At the beginning of the year	**10,147**	1,583
Provision for PRC income tax on the estimated taxable profits for the year *(Note 8(a))*	**73,354**	62,358
Income tax paid during the year	**(70,390)**	(53,794)
At the end of the year	**13,111**	10,147
Represents:		
— Income tax payable	**24,527**	10,147
— Prepaid income tax *(Note 21(a))*	**(11,416)**	—
	13,111	10,147

32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year ended March 31, 2014 are as follows:

	The Group				
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, 2012	—	—	—	—	—
Increase through acquisition of subsidiaries *(Note 34(a))*	37,589	—	1,347	3,535	42,471
(Charged)/credited to profit or loss *(Note 8(a))*	(1,536)	1,536	(1,152)	(3,535)	(4,687)
At March 31, 2013	36,053	1,536	195	—	37,784
(Charged)/credited to profit or loss *(Note 8(a))*	28,514	(39)	(195)	—	28,280
At March 31, 2014	64,567	1,497	—	—	66,064

* *Deferred tax assets in respect of unused tax losses are related to two milk powders production subsidiaries that were established in recent years. These two subsidiaries are now progressing to their normal production stage and are expected to derive profits. Accordingly, it is considered probable that sufficient taxable profits will be available in the future to utilise their unused tax losses before they expire.*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), the Group has not recognised deferred tax assets in respect of the cumulative tax losses of RMB117.54 million as at March 31, 2014 (March 31, 2013: RMB38.50 million) mainly for certain feeds production subsidiaries, 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, 2014 of RMB5.16 million, RMB16.65 million, RMB15.10 million and RMB80.63 million will expire in 2016, 2017, 2018 and 2019, respectively.

(d) Deferred tax liabilities not recognised

At March 31, 2014, the taxable temporary differences relating to the retained profits of the Company's PRC subsidiaries amounted to RMB1,317.08 million (March 31, 2013: RMB541.09 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 Note 2(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.

33 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity during the year ended March 31, 2014 are set out below:

	Year ended March 31, 2013				
	Share capital	**Share premium**	**Exchange reserve**	**Accumulated losses**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 33(c)	*Note 33(d)(1)*	*Note 33(d)(4)*		
Balance 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 *(Note 33(d)(1)(ii))*	—	907,446	—	—	907,446
Capitalisation of the advances from an affiliate of the Controlling Shareholder *(Note 33(d)(1)(iii))*	—	1,994,167	—	—	1,994,167
Acquisition of subsidiaries not under common control *(Note 33(d)(1)(i))*	9	1,190,214	—	—	1,190,223
Transactions with equity holders of the Company	9	4,091,827	—	—	4,091,836
Balance at March 31, 2013	74	4,091,827	(12,925)	(3,818)	4,075,158

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

	Year ended March 31, 2014				
	Share capital RMB'000 *Note 33(c)*	Share premium RMB'000 *Note 33(d)(1)*	Exchange reserve RMB'000 *Note 33(d)(4)*	Accumulated losses RMB'000	Total RMB'000
Balance at April 1, 2013	74	4,091,827	(12,925)	(3,818)	4,075,158
Changes in equity for 2014:					
Loss for the year	—	—	—	(1,256)	(1,256)
Other comprehensive income	—	—	3,250	—	3,250
Total comprehensive income	—	—	3,250	(1,256)	1,994
Capitalisation issue *(Note 33(c)(ii))*	911,486	(911,486)	—	—	—
Issuance of shares under initial public offering *(Note 33(c)(iii))*	231,059	5,938,216	—	—	6,169,275
Share issuance expenses *(Note 33(c)(iii))*	—	(205,338)	—	—	(205,338)
Transactions with equity holders of the Company	1,142,545	4,821,392	—	—	5,963,937
Balance at March 31, 2014	1,142,619	8,913,219	(9,675)	(5,074)	10,041,089

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	Years ended March 31, 2014 RMB'000	2013 RMB'000
Final dividend proposed after the end of the reporting period of RMB0.0216 per ordinary share (year ended March 31, 2013: RMBNil per ordinary share)	**311,208**	—

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

The directors of the Company did not recommend the payment of a final dividend for the year ended March 31, 2013 (year ended March 31, 2012: RMBNil).

(c) Share capital

Authorised and issued share capital:

	At March 31, 2014		2013	
	No. of shares	HK$'000	No. of shares	US$'000
Authorised:				
Ordinary shares of:				
— US$0.001 each *(Note (i))*	**—**	**—**	50,000,000	50
— HK$0.1 each *(Note (i))*	**20,000,000,000**	**2,000,000**	—	—

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital (Continued)

Ordinary shares, issued and fully paid:

	Years ended March 31,			
	2014 No. of shares	2014 Amount RMB'000	2013 No. of shares	2013 Amount RMB'000
At April 1 (10,000 ordinary shares of US$1 each at April 1, 2012, 11,494,254 ordinary shares of US$0.001 each at April 1, 2013 then converted to 896,551.812 ordinary shares of HK$0.1 each on September 5, 2013)	896,552	74	10,000	65
10,000 ordinary shares of US$1 each subdivided into 10,000,000 shares at US$0.001 each	–	–	9,990,000	–
Issuance of shares (US$0.001 each) *(Note 33 (d)(1))*	–	–	1,494,254	9
Capitalisation issue (HK$0.1 each) *(Note (ii))*	11,493,357,448	911,486	–	–
Issuance of shares under initial public offering (HK$0.1 each) *(Note (iii))*	2,913,534,000	231,059	–	–
At March 31	14,407,788,000	1,142,619	11,494,254	74

Notes:

(i) Authorised share capital

On March 31, 2011, the Company's date of incorporation, the Company's authorised share capital was US$50,000, comprising 50,000 ordinary shares of US$1 each.

On August 30, 2012, the equity shareholders of the Company resolved to subdivide the Company's authorised ordinary shares from 50,000 ordinary shares of US$1 each to 50,000,000 ordinary shares of US$0.001 each.

On September 5, 2013, the equity shareholders of the Company resolved to convert and increase the Company's authorised share capital to HK$2,000,000,000 by the creation of 20,000,000,000 ordinary shares of HK$0.1 each and the cancellation of 50,000,000 ordinary shares of US$0.001 each.

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital (Continued)

Notes: (Continued)

(ii) Capitalisation issue

Pursuant to the board resolution dated on September 5, 2013, an amount of HK$1,149,335,744.82 (equivalent to approximately RMB911,486,000) standing to the credit of the share premium account was applied in paying up in full 11,493,357,448 ordinary shares of HK$0.1 each, which were allotted and distributed as fully paid to then existing shareholders.

(iii) Issuance of shares under initial public offering

On September 27, 2013, 2,913,534,000 ordinary shares of HK$0.1 each were issued and offered for subscription at a price of HK$2.67 each upon the listing of the shares in the Company on The Stock Exchange of Hong Kong Limited. The proceeds of HK$291,353,400 (equivalent to approximately RMB231,059,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK$7,487,782,380 (equivalent to approximately RMB5,938,216,000) and the share issuance expenses of RMB205,338,000 was credited and debited, respectively, to the share premium account.

(d) Nature and purpose of reserves

(1) Share premium

(i) 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 US$0.001 each (further details are disclosed in Note 34(a)). The surplus of the fair value of the above newly issued shares over their par values was credited to equity as share premium.

(ii) Pursuant to the board resolution dated March 30, 2013, the Controlling Shareholder, through an affiliate 100% held by him, Talent Pool Holdings Limited, injected US$144.31 million cash to the Company. In return, the Company newly issued 1 share with the par value of US$0.001 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.

(iii) Pursuant to the board resolution dated March 30, 2013, an amount of US$317.19 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 US$0.001, 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.

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(2) Other reserves

The other reserves 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 group reorganisation completed on March 13, 2013 to effect the structure for listing, (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 and (iii) the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(r)(ii) (further details are disclosed in Note 31).

(3) 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.

(4) Exchange reserve

The exchange reserve comprises the foreign exchange differences arising from 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 Note 2(x).

(e) Distributability of reserves

At March 31, 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company (including the Company's retained profits, if any, and share premium), as calculated in accordance with the statutory provisions applicable in the Cayman Islands, the Company's place of incorporation, was RMB8,913.22 million (March 31, 2013: RMB4,091.83 million). After the end of the current reporting period, the directors proposed a final dividend of RMB0.0216 per ordinary share (for the year ended March 31, 2013: RMBNil per share), amounting to RMB311.21 million (for the year ended March 31, 2013: RMBNil) (Note 33(b)). This dividend has not been recognised as a liability at the end of the current reporting period.

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(f) Capital management

The Group's primary objective when managing capital is to maintain a strong capital base to safeguard the Group's ability to continue as a going concern, so it can maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of total equity.

The Group regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings so as to maximise the advantage of borrowings. In order to maintain or adjust the ratio, the Group may make adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a bank loans to equity ratio, which is the amount of total bank loans divided by total equity amount.

During the year ended March 31, 2014, the Group's policy, which was unchanged from the year ended March 31, 2013, is to keep the ratio above 45%. In order to maintain or adjust the ratio, the Group may raise new borrowings. The Group's bank loans to equity ratios at the end of the reporting periods were as follows:

	At March 31,	
	2014 **RMB'000**	2013 RMB'000
Total bank loans	**6,320,348**	3,011,305
Total equity	**13,195,194**	5,882,944
Bank loans to equity ratio	**48%**	51%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Business combinations for entities not under common control

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 (deregistrated on April 3, 2013) and Liaoning Huishan Group (Xiushui) Co., Ltd., from Talent Pool Holdings Limited (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 US$0.001 each to Talent Pool Holdings Limited and 747,126 shares of US$0.001 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 disclosed in Note 18.

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 Note 2(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 *(Note 14)*	610,825
Lease prepayments *(Note 16)*	85,300
Deferred tax assets *(Note 32(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 *(Note 15)*	931,985
Cash acquired and net cash inflow	35,906

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(a) Business combinations for entities not under common control (Continued)

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 were 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.

(b) Business combinations for entities under common control

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. The total consideration is US$5.36 million which was determined by reference to the carrying value of the net assets of Liaoning Shiling Farming Co., Ltd. as at the acquisition date. The directors do not consider this acquisition has a material financial effect on the Group.

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. The total consideration is RMB0.10 million and RMB0.50 million, respectively, which was determined by reference to the carrying values of the net assets of the entities acquired as at the acquisition dates. The directors do not consider these acquisitions have material financial effects on the Group.

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 the business combinations under common control. The results of operations of the above entities combined were included in the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group and the states of the affairs of the above entities combined were included in the consolidated statement of financial position of the Group as if the above combinations had occurred at the beginning of the reporting period or, if later, at the date the common controls were established.

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(c) Disposal of subsidiaries

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 US$15,785 and HK$50,920, respectively, where the considerations were determined by reference to the carrying values of the net assets of the entities disposed of and no gains or losses were generated.

(d) 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.

35 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, 2014 and 2013, 17% and 13% of the total trade receivables were due from the Group's largest customer and 52% 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 disclosed in Note 20.

(b) Liquidity risk

The raising of financings is centrally managed by the headoffice 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 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.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The following tables detail the remaining contractual maturities at the end of the reporting periods of the Group's and of the Company's non-derivative financial liabilities, which are based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates current at the end of the reporting periods) and the earliest dates the Group and the Company can be required to pay:

The Group

	At March 31, 2014 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at March 31 RMB'000
Trade and bills payables	737,711	—	—	—	737,711	737,711
Accrued expenses and other payables	484,208	5,456	—	—	489,664	489,664
Bank loans	1,995,743	1,801,433	2,575,677	1,220,195	7,593,048	6,320,348
	3,217,662	1,806,889	2,575,677	1,220,195	8,820,423	7,547,723

	At March 31, 2013 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at March 31 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
Bank loans	1,106,047	682,375	1,486,279	246,679	3,521,380	3,011,305
	2,465,772	682,375	1,486,279	246,679	4,881,105	4,371,030

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The Company

	At March 31, 2014		At March 31, 2013	
	Contractual undiscounted cash outflow within 1 year or on demand RMB'000	Carrying amount at March 31 RMB'000	Contractual undiscounted cash outflow within 1 year or on demand RMB'000	Carrying amount at March 31 RMB'000
Accrued expenses and other payables	12,353	12,353	6,277	6,277
Amounts due to the Controlling Shareholder and his affiliates	–	–	12,011	12,011
	12,353	12,353	18,288	18,288

As shown in the above analysis, the contractual undiscounted cash outflows of the Group and the Company amounting to RMB3,217.66 million and RMB12.35 million respectively are due to be repaid in the year ending March 31, 2015. The short-term liquidity risk inherent in this contractual maturity date could be addressed by the Group's and the Company's reserves of cash as disclosed in Note 23.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings 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, 2014 and 2013:

	At March 31, 2014 Effective interest rate %	RMB'000	At March 31, 2013 Effective interest rate %	RMB'000
Fixed rate bank loans	6.74%	4,244,853	5.41%	382,498
Variable rate bank loans	6.31%	2,075,495	6.72%	2,628,807
Total borrowings		6,320,348		3,011,305
Fixed rate borrowings as a percentage of total borrowings		67.16%		12.70%

(ii) Sensitivity analysis

At March 31, 2014, 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 RMB28.71 million (March 31, 2013: RMB18.31 million).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after taxation and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure the above variable rate bank loans and the fixed rate short-term bank loans that might be renewed held by the Group which expose the Group to cash flow interest rate risk at the end of the reporting period. The impact on the Group's profit after taxation and retained profits is estimated as an annualised impact on interest expenses of such a change in interest rates. The analysis is performed on the same basis for 2013.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(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") and RMB.

(i) Exposure to currency risk

The following tables detail the Group's and the Company's exposure at the end of the reporting periods to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	Exposure to foreign currencies (expressed in RMB) At March 31, 2014			
	RMB RMB'000	USD RMB'000	EURO RMB'000	HKD RMB'000
Other receivables	27,067	62	—	—
Term deposits	300,000	—	—	—
Cash and cash equivalents	2,179,019	18,035	—	9
Other payables	—	—	(9,684)	—
Bank loans	—	(574,042)	(21,030)	—
Net exposure arising from recognised assets and liabilities	2,506,086	(555,945)	(30,714)	9

	Exposure to foreign currencies (expressed in RMB) At March 31, 2013			
	RMB RMB'000	USD RMB'000	EURO RMB'000	HKD RMB'000
Other receivables	—	63	—	2,701
Cash and cash equivalents	—	138,949	—	296
Trade and bills payables	—	(1,951)	(6,035)	—
Other payables	—	—	—	(36,155)
Bank loans	—	(463,223)	(71,128)	—
Net exposure arising from recognised assets and liabilities	—	(326,162)	(77,163)	(33,158)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

The Company

	At March 31,		
	2014		2013
	RMB	USD	USD
	RMB'000	RMB'000	RMB'000
Other receivables	15,181	62	2,902,599
Cash and cash equivalents	1,265,435	409	5,085
Other payables	—	(9,174)	(6,277)
Net exposure arising from recognised assets and liabilities	1,280,616	(8,703)	2,901,407

(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 reporting period had changed at that date, assuming all other risk variables remained constant.

	At March 31, 2014		At March 31, 2013	
	Strengthening/ (weakening) of foreign currency against functional currency	Increase/ (decrease) in profit after taxation and retained profits RMB'000	Strengthening/ (weakening) of foreign currency against functional currency	Increase/ (decrease) in profit after taxation and retained profits RMB'000
RMB	5%	115,194	5%	—
RMB	(5%)	(115,194)	(5%)	—
USD	5%	(27,729)	5%	(17,481)
USD	(5%)	27,729	(5%)	17,481
EURO	10%	(2,304)	10%	(5,787)
EURO	(10%)	2,304	(10%)	5,787
HKD	5%	1	5%	(1,367)
HKD	(5%)	(1)	(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 taxation and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those assets and liabilities held by the Group which expose the Group to foreign currency risk at the end of the reporting period, 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 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 analysis is performed on the same basis for 2013.

(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) Assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair values of the Group's assets and liabilities measured on a recurring basis at the end of the reporting periods after initial recognition, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. It does not include fair value information for the financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The level of fair value hierarchy into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair values (Continued)

(i) Assets and liabilities measured at fair value (Continued)

The Group

Recurring fair value measurements	At March 31, 2014 Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Calves and heifers	—	—	1,982,225	1,982,225
Milkable cows	—	—	2,309,180	2,309,180
Alfalfa roots	—	—	6,246	6,246
Total bearer biological assets	—	—	4,297,651	4,297,651

Recurring fair value measurements	At March 31, 2013 Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total 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 bearer biological assets	—	—	3,241,872	3,241,872
Derivative financial liability	—	—	16	16

The reconciliations from the beginning balances to the ending balances for fair value measurements of the above assets and liabilities are disclosed in Notes 17 and 29.

The Group appointed the independent valuers, Jones Lang LaSalle Sallmanns Limited and CBRE limited to value its bearer biological assets, dairy cows and alfalfa grass, respectively at each reporting period end. The valuation reports are reviewed and acknowledged by the management of the Group.

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair values (Continued)

(ii) The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used in the valuation models.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant 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: RMB22,850 per head (year ended March 31, 2013: RMB22,109 per head).	• 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 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: RMB10,977 for the year ended March 31, 2014 (year ended March 31, 2013: RMB10,855), while for the calves and the heifers younger than 14 months old: RMB13,255 in the year ended March 31, 2014 (year ended March 31, 2013: RMB12,837).	• 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.

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair values (Continued)

(ii) The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used in the valuation models. (Continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant 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 reporting period 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 six lactation periods. Estimated average raw milk production volume per head for one lactation period is ranged from 8.5 tonnes to 10.2 tonnes for the year ended March 31, 2014 (year ended March 31, 2013: 8.5 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.
		• Future raw milk local market price estimated as at March 31, 2014: RMB5,107 per tonne (as at March 31, 2013: RMB4,580 per tonne).	• The estimated fair value increases when the estimated future raw milk local market price increases.
		• Discount rate is 12.5% for the year ended March 31, 2014 (year ended March 31, 2013: 12.7%) calculated by using the Capital Asset Pricing Model.	• The estimated fair value decreases when discount rate increases.

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair values (Continued)

(ii) The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used in the valuation models. (Continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant 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: RMB1.8 million for the year ended March 31, 2014 (year ended March 31, 2013: RMB2.0 million).	• The estimated fair value increases when the costs incurred for purchasing and sowing seeds increase.
		• Inflation rate: 2.4% for the year ended March 31, 2014 (year ended March 31, 2013: 2.1%).	• 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 Note 29), 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: RMB4,612 million as at March 31, 2013.	• The estimated fair value increases when the total liabilities of the Group increases.
		• Total equity of the Group: RMB5,883 million as at March 31, 2013.	• The estimated fair value decreases when the total equity of the Group increases.
		• Net profit of the Group: RMB945 million for the year ended March 31, 2013.	• The estimated fair value decreases when the net profit of the Group increases.

For the fair value measurements of the Group's calves, heifers and milkable cows, any change in the significant unobservable inputs used as disclosed above to a different amount might result in a significantly higher or lower fair value measurement.

(iii) Financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at March 31, 2014 and 2013.

36 COMMITMENTS

(a) Capital commitments of the Group outstanding at March 31, 2014 not provided for in the financial statements were as follows:

	The Group At March 31, 2014 RMB'000	The Group At March 31, 2013 RMB'000
Contracted for:		
— Property, plant and equipment	302,139	276,647
Authorised but not contracted for:	—	—
	302,139	276,647

(b) At March 31, 2014, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	The Group At March 31, 2014 RMB'000	The Group At March 31, 2013 RMB'000
Within one year	3,506	1,878
After 1 year but within 2 years (inclusive)	7	—
Total	3,513	1,878

37 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in these financial statements, the material related party transactions entered into by the Group during the reporting periods are set out below.

(a) Transactions with the Controlling Shareholder and his affiliates

	Years ended March 31,	
	2014	2013
	RMB'000	RMB'000
Sale of grain products	**–**	72,659
Sale of dairy products	**–**	218
Purchase of materials	**2,058**	12,955
Consignment production expenses	**14,250**	73,620
Operating leases of dairy farms and office buildings	**7,665**	7,665
Purchase of property, plant and equipment	**–**	5,758
Disposal of property, plant and equipment	**–**	80
Receipt of gardening services	**15,151**	–
Net decrease in advances granted to the Controlling Shareholder and his affiliates	**–**	10,320
Net decrease in advances granted by the Controlling Shareholder and his affiliates	**14,702**	779,654
Guarantees provided by related parties for the Group's bank loans	**1,325,000**	1,214,634

Further details on the shares charged and credit derivatives provided for related parties are disclosed in Note 29.

(b) Balances due from/(to) the Controlling Shareholder and his affiliates

	At March 31,	
	2014	2013
	RMB'000	RMB'000
Prepayments for acquisition of property, plant and equipment	**–**	5,000
Trade payables	**–**	(44,118)
Accrued expenses and other payables	**(14,046)**	(36,730)
Amounts due to the Controlling Shareholder and his affiliates	**–**	(14,702)

Further details on the above balances are disclosed in Notes 24, 26(a) and 27, respectively.

37 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including the amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	Years ended March 31,	
	2014 RMB'000	2013 RMB'000
Short-term employee benefits	12,924	6,745
Retirement scheme contributions	788	189
Equity compensation benefits	58,082	—
	71,794	6,934

(d) Applicability of the Listing Rules relating to connected transactions

For the year ended March 31, 2014, the related party transactions in respect of purchase of materials, consignment production, operating leases of dairy farms and office buildings, receipt of gardening services and advances granted by the Controlling Shareholder and affiliates and guarantees provided by related parties for the Group's bank loans as included in Note 37(a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Save for the continuing connected transactions of operating bases of dairy farms from Shenyang Dairy Co., Ltd. (the details of which have been disclosed pursuant to the requirements under Chapter 14A of the Listing Rules) as set out in the section "Related Party Transactions and Continuing Connected Transactions" in the Director's Report, all these connected transactions and continuing connected transactions are exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

38 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Establishment of subsidiaries

On April 10, 2014 and April 11, 2014, the Group established five wholly-owned subsidiaries, Huishan Investment Fenghuang Shenyang Farming Co., Ltd., Huishan Investment Hengfeng Shenyang Farming Co., Ltd., Huishan Investment Fuyu Shenyang Farming Co., Ltd., Huishan Investment Shajin Shenyang Farming Co., Ltd., and Huishan Investment Tengda Shenyang Farming Co., Ltd., to conduct dairy farming business. Up to the date of issue of these financial statements, the above subsidiaries have not started their operations yet.

(b) Proposed final dividend

On June 11, 2014, the directors of the Company have proposed a final dividend attributable to the year ended March 31, 2014. Further details are disclosed in Note 33(b).

39 COMPARATIVE FIGURES

Prepayments for acquisition of non-current assets were reclassified as non-current assets for the purpose of giving a clearer view of the Group's liquidity. Accordingly, the balance of the prepayments for acquisition of property, plant and equipment as at March 31, 2013 of RMB19.51 million have been reclassified to non-current assets to conform to the current year's presentation.

(Expressed in Renminbi unless otherwise indicated)

40 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At March 31, 2014, the directors consider the immediate parent and ultimate controlling 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.

41 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2014

Up to the date of issue of these financial statements, the IASB has issued a few new standards, amendments to standards and interpretations which are not yet effective for the annual period ended March 31, 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*	January 1, 2014
Amendments to IAS 32, *Financial instruments: Presentation — Offsetting financial assets and financial liabilities*	January 1, 2014
Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*	January 1, 2014
Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*	January 1, 2014
Annual improvements to IFRSs 2010–2012 Cycle	July 1, 2014
Annual improvements to IFRSs 2011–2013 Cycle	July 1, 2014
IFRS 9, *Financial instruments*	Unspecified

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 consolidated financial statements.

In addition, the requirements of Part 9, “Accounts and Audit”, of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company’s first financial year commencing after March 3, 2014 (i.e. the Company’s financial year which will begin on April 1, 2014) in accordance with Section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

FINANCIAL SUMMARY

The following is a summary of the published results and assets and liabilities of the Group for the last four financial years. The financial information for the financial year ended March 31, 2014 is extracted from the financial statements in this annual report and the financial information for the three financial years ended March 31, 2011, 2012 and 2013 is extracted from the Company's prospectus dated September 13, 2013.

Financial summary of audited financial statements of China Huishan Dairy Holdings Company Limited and its subsidiaries for the respective years are set out below.

	Years ended March 31,			
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Turnover	**3,530,419**	2,552,438	1,332,794	374,045
Operating profit[1]	**1,401,308**	953,613	449,720	327,913
Profit for the year	**1,249,229**	945,370	449,720	327,913
Attributable to equity shareholders of the Company	**1,249,229**	945,370	449,720	288,638
Attributable to non-controlling interests	**—**	—	—	39,275
Earnings per share (RMB)[2]	**0.10**	0.08	0.04	0.03
Proposed dividend per share (RMB)	**2.16 cents**	—	—	—
Total assets	**21,020,080**	10,510,815	7,189,601	5,506,816
Total liabilities	**7,824,886**	4,627,871	6,307,177	5,118,780
Total equity attributable to equity shareholders of the Company	**13,195,194**	5,882,944	882,424	388,036
Non-controlling interests	**—**	—	—	—

(1) *Operating profit represents the profit for the year before charging equity-settled share option expenses and initial public offering expenses. Equity-settled share option expenses are non-cash in nature and initial public offering expenses are non-recurring in nature.*

(2) *Please refer to note 13(a) on page 94 for calculation of earnings per share.*

中國輝山乳業控股有限公司
China Huishan Dairy Holdings Company Limited

Unit 02, 29th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong
Email: ir@huishangroup.com
Website: www.huishandairy.com