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

2015 ANNUAL REPORT

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.

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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
Mr. Mark Anthony Wilson (appointed on October 8,2014)

Non-Executive Directors

Mr. Cheng Chi Heng (resigned on June 23, 2015)
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

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Hong Kong

Annual Results Highlights

FINANCIAL HIGHLIGHTS

Results

	Years ended March 31,			
	2015		2014	
	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	**3,923,384**	**3,923,384**	3,530,419	3,530,419
Gross profit margin	**57.6%**	**22.7%**	62.4%	20.1%
Profit for the year attributable to equity shareholders of the Company	**907,636**	**877,075**	1,249,410	1,249,229
Earnings per share (RMB)[1]		**0.06**		0.10
Proposed dividend per share (RMB)		**1.53 cents**		2.16 cents

[1] Please refer to Note 13(a) on page 101 for calculation of earnings per share.

- Turnover increased by 11.1% as compared to the corresponding period in 2014
- Gross profit margin increased to 22.7% as compared with 20.1% for the corresponding period in 2014
- Profit for the year attributable to equity shareholders of the Company decreased by 29.8% as compared to the corresponding period in 2014

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, 2015 (the "Reporting Year") to all shareholders ("Shareholders").

BUSINESS REVIEW

For China's dairy industry, "melamine crisis" was a turning point for promoting the healthy development of the industry, which since the crisis has undergone reconstruction and realized opportunities amidst challenges to push forward emergence and growth. Yet, there would inevitably be setbacks in the course of any development. Due to the stable growth of domestic raw milk supply, together with the inrush of imported milk powder and liquid milk products into China's market, the continuous growth of raw milk price in 2013 has come to a halt and started to reverse since February 2014. In the first half of 2014, the total production of dairy products across the country recorded the first negative growth over the past decade or so. The competition was vigorous for domestic milk products, especially the liquid milk products.

During the Reporting Year, profit for the year decreased from RMB1,249.2 million to RMB877.1 million, which was attributable to various factors, such as the adverse price impact on the Group's external sales of raw milk brought by the fall in domestic raw milk price; the decelerating growth of liquid milk business due to the delay in the commissioning of additional production capacity; the increase of sales and marketing expenses related to further exploration in Northeastern market and geographical expansion in key regional markets; and the increase in net finance costs due to the additional bank loans for land lease prepayments. However, given the rising market competition, by leveraging on our pioneered vertically integrated and self-controlled business model, covering from large-scale feeds plantation, customized feeds processing, scientific dairy farming, fine dairy production to high-freshness dairy delivery, every segment of our business achieved stable development.

During the Reporting Year, our turnover increased by 11.1% from RMB3,530.4 million to RMB3,923.4 million. The Company's management firmly believes that the preliminary marketing expenses (brand building, advertising, etc.) will provide us with further growth of turnover and more market share in the coming future. We kept optimizing our product mix with more pasteurized fresh dairy products by taking advantage of our milk sources produced by our own farms, thus strengthening our competitive differentiator which enabled us to maintain our overall gross profit margin at a relatively high level of 57.6%.

In 2014, the whole dairy industry underwent tremendous changes, in which the industry transformation was characterized by the fade-out of small players and the growing strength of large players. We persisted in the development and improvement of the fully vertically integrated value chain formation in order to take root in Northeast China and provide solid support of resources to build up presence in key regional markets. "Huishan" was the top liquid milk brand in the Three Northeastern Provinces. According to Frost & Sullivan, in 2014, in terms of retail sales, the market share of our liquid milk products in Northeast region increased to 20.9% from 19.5% in 2013, whereas the market share of yogurts amounted to 28.7% and market share of pasteurized milk even reached 44.3%. In Northeastern region, especially Liaoning Province, "Huishan" brand dominates the market segment of pasteurized fresh milk products. In July 2014, we hosted the International Fresh Milk Festival in three cities, namely, Shenyang, Dalian and Changchun, at the same time. The event provided opportunity for carrying out in-depth brand education and interaction with consumers which further consolidated our No. 1 position in the liquid milk market in Northeast China. In the second half of 2014, by focusing on the promotion of "Huishan" flagship pasteurized milk products such as "Dr. Fresh" pasteurized milk and additive-free "10 Days" yogurts, we further strengthened our leading position in the pasteurized milk market in Northeastern region. By capitalizing on our scarce milk source from Jersey cows at our self-operated farms, we launched a series of premium dairy products under the brand "Jersey Farm" with 3.6 grams of protein. In June 2014, we conducted a new product launch conference in Beijing, formally introducing the series of premium dairy products under the brand "Jersey Farm" to nationwide market and expedited our business expansion to areas outside Northeastern region by making use of this flagship product.

In recent years, dairy safety incidents, caused by the quality of the raw milk, were reported frequently, which cast lingering shadows on consumption of domestically-produced dairy products and inflicted repeated blows to the confidence of consumers. We have always believed that "the conscientiousness of dairy companies can only be practically fulfilled through quality milk produced from well-controlled milk sources". We strive to provide the safest and most reliable milk powder to Chinese babies. In the monthly sampling of mainstream IMF products conducted by China Dairy Industry Association ("CDIA") in 2014, all of the IMF products under the brand of "Huishan Gold Queen" passed the sample tests, which was an outstanding achievement and earned us the "Outstanding Award for Quality in 2014" by CDIA. As shown in the "Reputation Report of the Chinese Brand Infant Milk Formula Powder 2014" issued by China Statistical Information Services Center (CSISC), among the 274 brands of "Infant Milk Formula Powder Production Enterprises and Product Directory (including the second batch)" announced by China Food and Drug Administration, "Huishan" ranked among top 10 in the "Reputation Index of the Chinese Brand Infant Milk Formula Powder 2014" and ranked the top for brand healthiness, which is a full recognition of the safety and innovation of our products by the industry and the market. All these prove that it is essential to put our fully vertically integrated value chain operation into practice and it is the right approach to establish an innovative, resource-controlling dairy industry operation model.

On April 1, 2015, we entered into a Joint Venture Agreement with FrieslandCampina, the world-renowned dairy company, for jointly developing the IMF products in China by making use of our quality milk sources. We also entered into the Definitive Joint Venture Agreement (the "Joint Venture Agreement") with Alpha Spring Limited ("Alpha Spring"), a subsidiary of Nantong Zongyi Investment Co., Ltd ("Zongyi", which was our partner over the years and our private equity investor before the listing of the Company) under which we aim to replicate our operation mode for the fully vertically integrated value chain in Jiangsu Province and jointly develop the high-end liquid milk market in Eastern China. The above joint venture cooperation demonstrates that both international dairy leader and renowned domestic enterprise are full of confidence in our growth prospects, and shows wide recognition of our existing operation model and achievements.

OUTLOOK

According to Frost & Sullivan, total retail sales of China's dairy market increased from RMB189.5 billion in 2009 to RMB300.4 billion in 2014. With continuous increase in per capita consumption level of Chinese citizens, accelerating pace of urbanization and loosening birth control policy, China's dairy industry offers great potential for future development. Increasing disposable income per capita and rising level of health consciousness have caused the consumer base of liquid milk products to gradually expand, evidenced by China's liquid milk retail sales growth from RMB93.4 billion in 2009 to RMB159.1 billion in 2014. According to Frost & Sullivan's forecast, China's liquid milk retail sales will continue to expand steadily, reaching RMB258.7 billion in 2019. Besides, the liquid milk market demonstrates a general trend towards higher-end consumption, with retail sales of high-end liquid milk accounting for a larger percentage share year after year and is expected to reach RMB93.1 billion in 2019.

The changes in supply and demand relationship in raw milk market shows the importance of quality and stable supply of milk source to dairy companies; traceable and stable milk source can be considered as a safeguard of product quality and corporate reputation which also meets the needs of nowadays consumers. The declining trend in the average price of domestic raw milk from the beginning of 2015 till now has somewhat leveled off. In the long run, fresh and quality raw milk would not be replaced by milk powder in bulk packages; demand for high quality raw milk will outweigh supply. Thus, "those who own milk sources control the market" is still the everlasting truth of the dairy industry. Under fierce market competition, only those who are able to resolve issues faced through development phase with their own advantages in resources and cost, and are able to capture opportunities seen in challenges would stand to become real champions.

We are in an era of rapid reform, and "innovation" is the core catalyst to reform. Ten years ago, when the whole industry put most of their efforts on marketing and promotions, we innovatively used our efforts and financial resources on grass planting and cow breeding, gradually establishing the most comprehensive fully vertically-integrated supply chain in China's dairy industry and unleashing maximum synergy across all processes. Today, facing complicated market environment, we will formulate and implement our core development strategies in an innovative manner by adhering to our operation philosophy of "Good cow, Good grass and Good milk source". We will strengthen and amplify our resource advantages under the fully vertically integrated value chain. Moreover, we will fulfill the demand on healthy and high-quality dairy protein of Chinese consumers by continuously introducing new technologies, new products and new branding strategies as well as filling market gaps with a goal to develop into a leading dairy brand that Chinese people are proud of.

We aim to build up an industry-leading brand by promoting the uniqueness of "Huishan" dairy products and our understanding of quality, and we will further enhance the promotional efforts on low-temperature liquid milk products (i.e. pasteurized milk and yogurt) and premium UHT milk products, focusing on the following development strategies on realizing our brand vision and constantly increasing shareholders' value:

Strengthening upstream operations and resource advantages

Firstly, we will achieve cost advantages by enhancing efficiency of forage grassland and increasing crop yield.

We carried out a two-harvest trial, cultivating oat and corn silage on 20,000 mu of land, which was a successful breakthrough in two-harvest cultivation in the agricultural industry in the Northern region. We plan to promote technology used in our successful trial of two-harvest cultivation of oat and corn silage to all 340,000 mu of corn silage and other feeds plantation land so as to maximize the efficiency of land use. We successfully introduced advanced Mexican corn silage plantation technology to obtain cost advantages and ensure quality, and such technology is expected to be utilized on full scale in the future.

Secondly, we will leverage industry policies to create favourable conditions for high efficient forage grass growing.

The State's water department launched a pilot program of sprinkler irrigation facilities and granted us pointer-type sprinkler irrigation facilities, which helped us in solving the problem of insufficient soil moisture in spring, laying the foundation for applying two-harvest a year plantation model to most of the feeds land. We will fully adopt large-scale pointer-type sprinkler machines on our plantation land in order to extend the growing season of crops, prepare for drought risks and ensure the production capacity of forage grass.

In addition, we will adjust feed formula with abundant feed and forage grass resources to enhance economic benefits of raw milk; we have the capabilities in adjusting and innovating our milk cow feed formula. Whilst guaranteeing high quality of raw milk, we continue to seek ways to reduce feeding costs for the milk cows. We have carried out cooperation with specialists in milk cow breeding from the USA. Our focus will no longer be limited to merely increasing milk yield; instead, we will adopt the innovative approach to maximize marginal value and balance cost of feeds and milk production yield in order to ensure that every single drop of raw milk can deliver the maximum economic benefits to us.

Debottlenecking in production capacity of liquid milk and expanding our fully vertically integrated value chain business model

In April 2015, the newly commissioned liquid milk processing facility in Shenbei Plant officially commenced production, which increased our designed production capacity of liquid milk to total of 620,000 tonnes per year, removed our bottleneck in liquid milk production capacity to a large extent and further enriched our product lines. This new production facility has not only maintained the market momentum for consolidating the stronghold of liquid milk business in our home market, but has also laid down a solid foundation for furthering the geographical spread of Huishan's liquid milk products in key markets nation-wide. In May 2015, the wholly-owned subsidiaries of Jiangsu Joint Venture Company were duly established and the Eastern China's business groups were officially initiated. We will build a fully vertically integrated value chain in new markets such as Jiangsu in order to expand the pasteurized milk business outside the Northeastern Region.

Further enhancing brand awareness, strengthening distribution network and proactively tapping into the end-user market

Penetrating deeper in the Northeastern market and launching into key areas across China with precision are two key directions for expanding our liquid milk business. Harvesting benefits from "輝山" (Huishan) brand becoming the No. 1 brand in the Northeastern region, we look to increase the number of home delivery subscribers by various innovative measures such as "Milk Festival", so as to build up sales channel barriers which are difficult to be replicated by other competitors and further consolidate the absolute leading position in pasteurized milk in Northeastern Region. We will join forces with the 14th Special Olympic Summer Games ("Special Olympics") in July 2015 as the sole partner of the Special Olympics from the dairy industry, raising the brand awareness and brand influence of "Huishan" brand across the country. We will focus on Shandong, Henan, Hebei and Jiangsu as the key markets outside Northeastern region and develop sales channel and distribution network in the 3rd- to 6th- tier cities of these provinces in the future.

Catering to the ever-changing consumers' preferences by product differentiation

For liquid milk products, we will address the health concern of consumers on aspects of safe milk source, fresh, additive-free organic, place much emphasis on the development of our flagship pasteurized products in order to increase the share of pasteurized milk within the whole liquid milk segment, and continuously elevate product positioning and profitability. The "Jersey Farm" product series with high protein using milk of our Jersey cows will be a key product for markets in cities outside Northeastern region, Products upgrading and promotion will revolve around ultra-high-end positioning. We will also enrich our UHT products, especially milk beverage products, so as to establish a presence in the future-growing market and to gain substantial market share.

IMF are key products in building our national presence. We will focus on developing products with high nutritional value and special functions. By enriching the product mix, consumers will be provided with more choices. We will make use of the platform built by international cooperation with FrieslandCampina, spring off the foundation of high quality and safe milk source of Huishan and coupled with FrieslandCampina's successful management and marketing experience and excellent channels already established in IMF in China, provide Chinese consumers with an infant formula brand that is locally produced and meets international quality standards.

APPRECIATION

The Reporting Year witnessed our extraordinary development and stable progress, 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 22, 2015

Management Discussion and Analysis

INDUSTRY REVIEW

In 2014, the number of policies implemented for the dairy industry in China is said to be the highest; the dairy industry has developed in a healthier and more orderly manner. However, it is also said that the dairy industry in China is entering into "cold winter". Firstly, imported milk powders in large packages were dumped at low prices in China's market; production volume of "reconstituted milk" products witnessed growth; domestic dairy enterprises entered into more overseas mergers and acquisitions or cooperation with foreign dairy farms; the procurement needs for raw milk have also shifted to overseas; the above factors all contributed to the rapid reversal of the supply and demand relationship in the domestic raw milk market. In only a year, "scarcity of raw milk" transformed into "oversupply", which led to a "price reduction trend" for the domestic raw milk. Phenomena such as discard of milk, slaughter of milk cows and closing down of dairy farms were more commonly observed. Secondly, the overall demand of the dairy retail market in China stayed weak in 2014 and the volume of import of dairy products, especially liquid milk (mainly UHT milk), was on an uptrend. The quantity of imported liquid milk in supermarkets in first- and second-tier cities increased, impacting the high-end liquid milk market in China. Foreign products occupied half of the market share in the infant milk formula market. Moreover, the convenience and low-cost operation model of E-Commerce had a great contribution to the rapid development for famous brands of foreign dairy products in China in recent years. Despite their lack of in-depth understanding on how to finely categorize Chinese consumers and to tackle the complicated relationship between channels, the rising popularity of E-Commerce definitely becomes the key sales mode and channel for their rapid expansion.

China's dairy market has been growing rapidly in recent years, thanks to increasing health consciousness and acceleration of urbanization. The demand for quality and healthy dairy products from Chinese consumers has been increasing, thus creating an upstream development potential for China's dairy industry. However, in 2014, the price of raw milk declined in China, which highlighted the problems in construction and supply of upstream milk sources. Numerous small-scale farms and individual dairy farmers left the historical stage of milk cow breeding in China. The transformation and upgrade of the milk cow breeding industry in China results in a more concentrated market. Along with the transformation and upgrade in the domestic dairy products and the emergence of pasteurized milk market, the dairy enterprises in China established that raw milk source is still the key to their development. Due to the increasing number of large-scale and centralized farms, a safe and continuous supply of forage grass and feed, on-going improvement of feed formula and the healthy development of cattle have gained more attention within the industry.

Dairy consumption of China's urban households mainly comprises liquid milk. The demand from Chinese consumers on liquid milk maintained a steady growth in the past years. From 2009 to 2014, the retail sales of liquid milk in China increased to approximately RMB159.1 billion from about RMB93.4 billion, representing a CAGR of 11.2%. Consumers paid more attention to milk product safety, which can be reflected by the purchase of freshly made products. Pasteurized products (mainly pasteurized milk and yogurt) fulfill their requirement. Although UHT milk still dominates the existing liquid milk market in China, with the development of dairy farms construction, which is the upstream of the production chain of milk products, the optimization of cold-chain system and the further increase in disposable income and health awareness of residents, the pasteurized milk market is expected to record faster growth rate than that of the overall liquid milk market, especially in the more economically developed first- and second- tier cities. We expect that the market share of pasteurized milk will snowball.

According to Frost & Sullivan, the liquid milk market in the Three Northeastern Provinces maintained a steady growth in terms of retail sales. From 2009 to 2014, the retail sales of liquid milk market in the Three Northeastern Provinces increased to approximately RMB17.5 billion from about RMB11.1 billion. Products with high pricing and high added value have gained popularity from the market, which speeded up the growth rate. The market share of pasteurized milk and yogurt within the liquid milk market increased continuously, which became the main categories among the liquid milk market in Northeast China region. For pasteurized milk and yogurt market in the Three Northeastern Provinces, Liaoning Province accounted for the largest market share. As for retail sales, Liaoning Province accounted for 50.2% and 47.9% respectively. To a great extent, the development of pasteurized milk depends on the economy of the region and the living standard of people. Nationally speaking, the market share of pasteurized milk in East China region, especially in Shanghai region, is generally higher than that of Northeast region. In terms of retail sales, pasteurized milk seized almost half of the liquid milk market in Shanghai region.

Considering the increasing income of consumers in towns and villages, rural markets with large population can no longer be overlooked. Nowadays, expanding the sales channel to penetrate to the lower tier cities has become the most important sales strategy in the liquid milk market. Markets in lower tier cities may generate a higher retail sales and market growth rate through adjustment of product structure. Reducing the intermediate processes between production and consumers is the task that dairy enterprises, especially regional dairy enterprises, are working on in recent years. Through home delivery and establishing exclusive stores, not only have regional dairy enterprises built up market niche clientele, but they have also improved brand positioning and customer service.

Following a series of strict policies implemented in 2013, the Chinese government has launched numerous policies and measures to strengthen the safety of infant milk formula successively in 2014. For example, the "Rules for the Examination of Licensing Criteria for Enterprise Producing Infant Milk Formula (2013 version)" was introduced to strengthen the examination of production approval for infant milk formula producers; "Work Programme on Merger and Reorganization of Enterprises Producing Infant Milk Formula" was promulgated to promote mergers and reorganizations as well as to strengthen the concentration of the market. All of these are to elevate concentration level and industry barrier to enter into infant milk powder industry in China, implement strict supervision and enhance the quality of the infant milk powder, with an aim to boost the confidence of the Chinese consumers. The introduction of numerous new policies on infant milk formula, participation of new infant milk formula enterprises, the inrush of foreign brands into China's market and other unexpected factors have made the milk powder market extremely competitive in 2014. The market structure changes rapidly. In 2014, E- commerce channel has become the channel with fastest development pace. Internet affects the consumption and purchase habits of young generation mothers. The channels of mother-and-baby stores made up an increasing proportion in the industry while infant milk formula producers launched featured products for sale through online and mother-and-baby stores channels in order to meet the developmental needs of the industry. Although Infant Milk Formula ("IMF") products of domestic brands are still at a stage of trust re-building and transformation, with continuous monitoring on the quality and safety of infant milk formula by the Chinese Government and the gradual improvement of the safety control system which will enhance the traceability of dairy products throughout the whole industry, the infant milk formula market in China will develop in a healthy and positive manner.

Huishan Dairy, The Most Original

BUSINESS REVIEW

We are a leading and the most vertically integrated dairy company in China. Our business model covers the entire dairy value chain from growing of alfalfa and supplementary feeds and processing of concentrated feeds to 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 by using raw milk produced by our self-operated farms. Our excellent product safety records and high quality products stand behind a brand worthy of the trust of consumers in China.

During the Reporting Year, despite the fierce competition in the domestic dairy market, the delayed commissioning of our newly established liquid milk production capacity and the slowdown in growth rate of liquid milk business, the Group still managed to achieve turnover of RMB3,923.4 million, representing a growth of 11.1% from RMB3,530.4 million in the corresponding period in 2014. By leveraging on the cost effectiveness accomplished by our upstream dairy farms and unique product marketing strategies, the Group achieved an overall gross profit margin of 57.6%, far higher than the average level of the industry. At the same time, with a view of continuously stepping up the expansion of our fully vertically integrated business model, we commenced to extend our model to Yancheng City, Jiangsu Province, for the first time, preparing for our business presence in the extensive pasteurized milk market in the Eastern China region during the Reporting Year. We have promoted international cooperation proactively; through establishing a joint venture with FrieslandCampina and introducing the successful management and sales experience in IMF from FrieslandCampina, we strive to build up a local infant milk formula brand with international quality for Chinese consumers.

Forage grass and feeds growing

During the Reporting Year, the Group leased an additional 240,000 mu of plantation land to grow corn silage and other feeds products and most of the lease payments were pre-paid in one lump sum by us. In order to ensure the Group having sufficient working capital to avoid liquidity risk, lease prepayments were financed through additional long-term bank loans which increased the Group's financing expenses accordingly. However, we believe that increased input in the upstream end of the production chain will enable us to better control the future feeding costs of dairy cows and ensure the safety and quality of raw milk from the very beginning.

Pasteurized Milk Products

Facing the severe market competition, we leverage on our high-quality upstream raw milk resources to create a formidable product barrier against our regional competitors. Through optimizing our product structure, we continued to enrich and upgrade our product structure and focused on promoting "Dr. Fresh" (鮮博士) pasteurized milk products. During the Reporting Year, sales of pasteurized milk products reached 91,244 tonnes, increasing by 36.9% as compared to 66,654 tonnes in the corresponding period of 2014, while average selling price increased to RMB8,176 per tonne from RMB7,392 per tonne in the corresponding period of 2014.

Sales Channels and Brand Building

During the Reporting Year, we further developed the North Eastern market and continued to scale up presence in key regional markets across the country; we put more efforts in sales channels and brand building, and increased our investment on marketing in order to secure higher sales growth in the future and gain a larger market share. During the Reporting Year, the liquid milk sales network covered 373 distributors, 408 direct sales stores in malls and supermarkets and approximately 100,000 home delivery subscribers. Our infant milk formula sales network has already covered 1,049 distributors, 621 mother-and-baby stores for direct sale of "Huishan Red Label" products and 8,785 points of sales. Through producing and broadcasting the advertisement of "Jersey Farm" on CCTV channels, the consumers can start to get to know the "Huishan" brand. To enhance the brand awareness of "Huishan" in areas outside of Northeastern region and lay the foundation for promoting our products in key regional markets across the country, we exclusively sponsored a show titled "Power of Chinese Kids" (少年中國強) which was broadcasted on CCTV channels.

During the Reporting Year, we have mainly operated three business segments: (i) the dairy farming business, through which we primarily produced and sold raw milk; (ii) the liquid milk business, through which we primarily produced and sold liquid milk products; and (iii) the milk powder business, through which we primarily produced and sold infant milk formula products and dairy ingredient products.

Dairy Farming

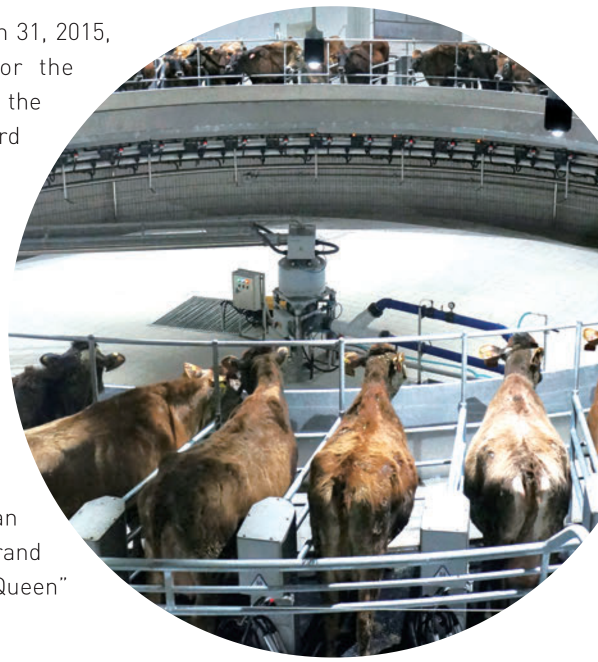
- Herd size

	At March 31, 2015 Head	At March 31, 2014 Head
Milkable cows	**74,389**	61,286
Heifers	**79,951**	68,087
Calves	**25,991**	14,818
	180,331	144,191

As at March 31, 2015, we operated the largest number of dairy farms in China with 69 standardized dairy farms and a total herd size of 180,331 of dairy cows in Liaoning Province compared to 59 standardized dairy farms with a total herd size of 144,191 dairy cows as at March 31, 2014.

- Milk yield

We produced about 601,600 tonnes of raw milk for the year ended March 31, 2015, representing an increase of 19.9% from about 501,700 tonnes for the corresponding period in 2014. The improved results were attributable to the increase in number of milkable cows and more advanced and effective herd management.



During the Reporting Year, we recorded an average milk yield per milkable cow per annum of 9.1 tonnes, which is similar to the level as in the corresponding period in 2014. Our herd includes Holsteins and Jerseys. The milk yield varies between different breeds of dairy cows. Jerseys, which originated from Jersey Island in the English Channel and smaller in body-size, produce lower milk yield compared with Holsteins. Prominent features of raw milk produced by Jerseys are milky and richness in fat and protein. The high quality Jerseys raw milk produced by "Jerseys Farm" is exclusively utilized for processing Huishan series high-end liquid milk products under the "Jersey Dairy Farm" brand and Huishan high-end infant milk formula products under the "Gold Queen" brand and is not for sale externally to other dairy companies.

- Average selling price of raw milk

  We are highly experienced in milk cow breeding and feeding management. Moreover, we have abundant self-produced feeds with high quality and advanced feed formula. The geographical location of our farm is superior, therefore, the quality of our raw milk far exceeds the average level of the industry. For the year ended March 31, 2015, notwithstanding the adverse market environment, the average selling price of our raw milk still reached RMB4,873 per tonne (the corresponding period in 2014: RMB5,017 per tonne).

- Forage grass, feeds growing and concentrated feeds processing

  Feed is a crucial element in determining the cost of raw milk and also the fundamental factor affecting the raw milk quality produced by dairy cows. To ensure quality raw milk sources, the upstream end of the industry value chain such as forage grass growing and feeds processing provides fundamental safeguard for raw milk safety and quality. As a fully vertically integrated dairy company that operates on the foundation of our sizeable "self-operated farm" model, we strive to follow the philosophy of focusing on the source. We leased a vast area of agricultural land for large-scale planting with fixed rent. This strategic move was in line with the development trend and the particular circumstances of the modern agriculture of the PRC. By doing so, we are able to ensure the quantity of the dairy cow feed materials we need, and their quality and safe supply are fundamentally secured. This can also help mitigate the risk of rising prices of feed materials in the future.

  Our alfalfa plantation field has reached an aggregate area of more than 140,000 mu. As the largest commercial alfalfa plantation field in China, 60,000 mu of our alfalfa plantation field was evaluated and awarded the "National Demonstration Area for High Yield and Quality Alfalfa". During the Reporting Year, we have harvested alfalfa three times, totaling approximately 134,000 tonnes. Production costs have increased to US$107 per tonne from US$92 per tonne in the corresponding period of 2014, mainly due to the slightly lower crop yield as a limited size of plantation area was affected by the drought in Liaoning Province, China, during the Reporting Year. Nevertheless, as we planted our own alfalfa, we were able to avoid import customs duties, freight costs and the profit typically retained by intermediaries. Therefore, our production cost of alfalfa was still substantially lower than the price of imported alfalfa. In addition, due to well planning of the production bases, our alfalfa plantation fields and cow farms were located next to each other, saving us the domestic transportation cost. According to Frost & Sullivan, the CIF for importing alfalfa is approximately US$400 per tonne and the on-site price even reached RMB3,247 per tonne.

  In April 2014, we started planting other feeds for dairy cows, including corn silage, in Liaoning Province, China on leased land of approximately 240,000 mu at fixed rent. The total planting area of corn silage, including those leased in previous years, reached approximately 340,000 mu. Corn silage is an essential quality forage for dairy cows with advantages of, among other things, high yield, good quality, long storage period and simple processing procedure. Corn silage has the highest feeds value among the top three crops in China. Our self-planted corn silage strengthens the security of our milk source at the origin and we also obtain cost advantages and quality and stable supply through fixed rent costs combined with implementation of large-scale mechanical operation and introduction of advanced Mexican corn silage plantation technology. Meanwhile, our corn silage is rich in dry matter and nutrition, which is an advantage in optimizing and adjusting the formula of the cow feed, as well as lowering the feeding cost for the milk cows. During the Reporting Year, the area of our feeds plantation fields (including the above mentioned alfalfa plantation fields) exceeded 480,000 mu. Approximately 20,000 mu of the land was

put under a two-harvest trial cultivation of oat and corn silage, which became a breakthrough in the agricultural industry in Northern China. This success will contribute to our control over feeds plantation cost in the future and bring greater profitability to our fullly vertically integrated business model from upstream. Moreover, the proximity of our feeds plantations to dairy farms can on the one hand, save transportation cost due to the shorter distance and, on the other hand address the environmental issues by directly utilizing manure from the cows at the plantations as a reliable source of fertilizers, keeping the quality and moisture of soil of the plantations in good conditions.

Liquid Milk

In 2014, the level of competition in the market of domestic dairy products, especially liquid milk products, continuously increased due to the decreasing prices of imported milk powders in large packages. In response to these market conditions, we continuously optimized our product mix using our advantages of milk sources produced by our own farms and of our quality dairy products with high protein and fresh pasteurized dairy products, thus strengthening our differentiated competitiveness, and focused on developing the Northern China market while consolidating our No. 1 position in the liquid milk market in Northeast China.

- Optimizing Liquid Milk Product Mix

During the Reporting Year, we 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 our industry-leading upstream resources, we optimized and upgraded our product mix through technological innovation and quality fresh milk sources from our self-operated dairy farms as the cornerstone to achieve our differentiated competitiveness. In June 2014, leveraging our milk source from Jerseys at Huishan's self-operated farms, we launched a series of premium dairy products under the brand "Jersey Farm" with 3.6 grams of protein, which was the first product in China that exclusively uses milk of Jersey cows, which contained a higher level of quality protein content of 3.6 grams as compared to the industry standard of 2.9 grams and to 3.3 grams of similar products generally available in the market. During the Reporting Year, the "Jersey Farm" series was primarily sold in key cities in regional markets such as Hebei and Shandong, as well as the Three Northeastern Provinces.

In recent years, domestic pasteurized milk consumption has started to rationalize. The sales growth of pasteurized milk in China is substantially faster than that of UHT milk. For the benefit of the consumers, pasteurization technology can better protect nutrition and active bacteria. As more and more people come to appreciate the benefits of pasteurized milk, its consumption is rising gradually. Quality and fresh milk sources are essential for pasteurized milk as it can only be produced from raw milk. Only the enterprises with their own milk source bases and raw milk that meets the EU standard can produce pasteurized milk on a large scale and with guaranteed product safety. For years, having adhered to the operation concept of "good cows, good grass and good milk source", we have built the most highly concentrated milk source base in China, thus procuring all of our milk sources from our self-operated modern dairy farms. Therefore, we have established an absolute advantage in milk sources. Leveraging high-quality milk sources from Huishan's self-operated farms, we have adopted strict standards to produce pasteurized milk.

Following a breakthrough of shelf life of yogurt products by our "10 Days" products, our "10 Days for Kids" yogurt products departed from the general practice of the use of additive by our competitors by leveraging on our milk source advantages. A patented bacterial strain which is beneficial to the digestive system of children is added and with no preservatives, additive or fragrances in our products. Our child yogurt products held a prime position in Liaoning region.

- Market Expansion

  As at March 31, 2015, our distribution network comprised 373 distributors, 408 direct sales stores in malls and supermarkets and approximately 100,000 home delivery subscribers. During the Reporting Year, our liquid milk business expanded to markets outside of the Three Northeastern Provinces. We continued to strengthen our business presence in new regional markets, including Shandong, Beijing, Tianjin, Hebei, Henan, Chongqing, etc. At present, we are selectively cooperating with key supermarkets in key cities in these new regions. In the future, we will gradually increase the number of these key cities and supermarkets to enhance our market share in these new regions.

  According to Frost & Sullivan, in 2014, in terms of retail sales, the market shares of our liquid milk products in Northeast region increased to 20.9% from 19.5% in 2013, ranked first. In terms of retail value, Huishan ranked fifth in liquid milk market in China.

  During the Reporting Year, we focused on strengthening our leading position in the domestic market and increased our efforts in promoting and marketing pasteurized milk in the Northeastern region to increase the sales proportion of pasteurized milk in total sales of liquid milk products. We organized the International Fresh Milk Festival in Shenyang, Changchun and Dalian, and adopted different penetration strategies in different regions. We continued to educate consumers to shift their preferences towards pasteurized milk from UHT milk. In addition, we focused on promoting products with gable-roof-shaped packaging to increase the unit selling price and profitability. As a result, we further strengthened our position as the No. 1 milk brand in the Northeastern region.

In the market other than Northeast region, we mainly promoted our ultra-premium products "Jersey Farm" series. Our exclusive protein content resources of 3.6 grams became the starting point for consumers in the new market to recognize the Huishan brand. "Jersey Farm" series enjoyed an ultra-premium product positioning, which led to a differentiated marketing method of promoting such series as opposed to other ordinary products. Nearly 100 image stores were set up and aimed at targeted consumer groups in synchronization with the product launch press conference and advertisements shown on CCTV channels. Stores with opinion-leadership and certain high-end community stores were selected as major sales channels. The product coverage gradually expanded due to rising brand awareness. Apart from regular promotion, we placed a greater emphasis on interaction with targeted consumer groups, and launched many promotion activities in high-end community stores across different regions. Meanwhile, we cooperated with locally-influential organizations in various markets such as banks and airports, striving to rapidly win consumers in targeted groups by leveraging the opinion-leadership of such organizations.

Making a good use of the combination of regional brand advantages and channel advantages, we extensively launched an extensive 70-day product promotion campaign, namely "Love Your Parents with Huishan", on the home milk delivery channel. Through exclusive products targeting on middle aged group with an promotional strategy unmatched by competiting products, the coverage of these products reached every sales region and cities of all tiers. We established our pasteurized milk products channel building initiative "Blue Storm", which strengthened the cold chain configuration and upgraded the image of the retail stores. We focused on the promotion of flagship pasteurized milk products such as pasteurized milk and yogurt, adding vigour to our sales channel and distributors, flattening the sales model and gaining a leading position in the low-temperature dairy market in Northeast region.

Our sales of liquid milk products reached RMB2,421.7 million for the year ended March 31, 2015, representing an increase of 5.9% from RMB2,287.8 million for the corresponding period in 2014. During the Reporting Year, our gross profit margin for our liquid milk business was 29.6% (before elimination of internal supplies of raw milk) as compared with 28.5% for the corresponding period in 2014.

Milk Powder — IMF and Dairy Ingredients

- Distribution Network

  During the Reporting Year, we have dedicated to developing the domestic IMF market and expanding our distribution network. At present, we have a distribution network of 1,049 distributors (the corresponding period in 2014: 418) and 8,785 distribution stores in markets of Northeastern Region and Central China that continues to build up our business initial presence in markets in East China, South China, Southwestern Region, etc. At present, we are selecting major distributors in key cities for cooperation in provinces such as Henan, Shandong and Hebei. In the future, we will gradually increase the number of these cities and distributors to expand our product coverage. We have established a profitable distribution model based on the features of our products. In addition, we launched the new IMF series, namely, "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 these stores. This sales model fully utilized the advantages of the mother-and-baby stores' direct access to a huge consumer base. As at March 31, 2015, we had a network of 621 mother-and-baby stores for direct sale of "Huishan Red Label" products.

  In order to take on with the challenges of online sales, we established a number of Wechat public platforms and direct communication channels between the Company and consumers, which helps to shorten the communication distance between consumers and provides more caring, timely and convenient services to consumers. We completed the construction of mobile terminal "Wei-malls" and officially commenced online operation in order to respond rapidly to the consumption demand of consumers and provide the best shopping experience to consumers.

  Our secured self-established and self-controlled milk source under our fully vertically integrated value chain business model has been widely recognized by industry peers and consumers. We were selected by the China Dairy Industry Association to introduce new domestically-produced IMF products. In the Mother-Infant-Child Products Expo (孕嬰童產品博覽會) held in Shanghai and Beijing where we attracted a large number of distributors and consumers, we invited some distributors and store owners from Jiangsu, Hunan, Zhejiang, Anhui and Chongqing to witness the whole production process of Huishan infant milk formula from raw milk production to product processing. Our quality alfalfa grass plantation fields, scientifically-managed self-operated farms and modern milk product processing plants gained confidence of our distributors and store owners, greatly enhancing our brand awareness and establishing sales channels for our products in a swift manner. From the end of 2014 to the beginning of 2015, we started to take orders from distributors located in key provinces such as Liaoning, Henan, Shandong, and the amount for a single order surpassed 10 millions of Renminbi. Outstanding performance is a recognition for the high degree of trust on us from our distributors.

While focusing on the establishment of distribution channels, we also strived to meet the practical needs on diversifying our product offerings. In January 2015, we launched "Huizhi" series and started our sales directly through the well received mother-and-baby stores, which we earned a great popularity among the mother and baby chain system. Meanwhile, we launched the family-oriented series adult nutrition powder, which enriched the product line of our adult milk powder. The feedbacks for the series from the consumer market should not be underestimated. During the Reporting Year, we sold an aggregate of 2,938 tonnes of IMF products (including adult nutrition powder) (corresponding period in 2014: 1,417 tonnes).

- Product Reputation

  In March 2015, China Statistical Information Services Center (CSISC) issued the "Reputation Report of the Chinese Brand IMF 2014" (the "Report"). According to the Report, the China Food and Drug Administration announced that among the 274 brands in "IMF Production Enterprises and Product Directory (including the second batch)", in terms of popularity, quality recognition as well as the enterprise reputation of the brand, "Huishan" ranked among top 10 due to its outstanding performance. Moreover, with the solid support from our brand and the advantages of our products, we were ranked as the first and the fourth in the healthiness and product reputation rankings, respectively. For the final integrated evaluation, "Huishan" brand successfully won the honour of "Top 10 in the Reputation Index of the Chinese Brand IMF 2014", which is a full recognition of the safety and innovations of the milk products of "Huishan" brand by the industry and the market.

- Dairy Ingredients

  We are the first company possessed with the demineralised whey powder commercial production qualification in the PRC. Our "Optimization Project for the demineralised Whey Powder Technology" was awarded the third prize at the annual meeting of the Chinese Institute of Food Science and Technology at the end of 2014. We also conducted in-depth research on the dairy ingredient market. We examined and analyzed the demand in the catering and bakery market in seeking potential profitable opportunities. We aim to provide safe and stable ingredients for our customers in various industries with our quality, high protein milk sources. During the Reporting Year, we sold 12,987 tonnes of dairy ingredients (corresponding period in 2014: 3,458 tonnes). Our major customers included FrieslandCampina, 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 our full vertically integrated value chain, we have resolved issues arising from competing economic interests among participants of key areas along the industry value chain. During the Reporting Year, we upheld our excellent safety records. We continue to improve our quality control in different areas along the fully vertically integrated value chain.

All of our milk powder and liquid milk processing plants in Faku, Jinzhou and Fushun, Liaoning Province have obtained Good Manufacturing Practice ("GMP") certificates. GMP is mandatory for enterprises producing IMF. Our certificates are strong testimonies of our excellent manufacturing equipment, optimized production processes, sound quality control, strict inspection systems and outstanding production environment, thereby ensuring the quality of our end products are in compliance with regulatory requirements (including those on food safety and hygiene).

Pursuant to the requirements of Rules for the Examination of Licensing Criteria for Enterprise Producing IMF (《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 a milk powder production license before May 31, 2014. We have successfully obtained such new license thanks to our strict quality control and advanced production.

In 2014, CDIA has implemented "Monthly Sampling Project for Mainstream Brands of IMF" ("Monthly Sampling"), which is aimed at controlling the quality safety conditions for domestic IMF, building up a brand image for domestic infant milk formula products as well as promoting the trust of the consumers towards domestic infant milk formula. We strive to provide the safest and most reliable infant milk formula to infants in China, where over a hundred of stringent testing procedures should be passed from the check and acceptance of raw milk to product delivery. We participate in the "Monthly Sampling" voluntarily, and the Golden Queen infant milk formula brand under "Huishan" passed the testing for 10 months consecutively with good results; we have been awarded with "Outstanding Award for Quality in 2014" by the CDIA. The safety condition of our infant milk formula is more open to the public, which further enhanced the confidence of consumers towards domestic infant milk formula and "Huishan" brand.

In June 2014, the Ministry of Industry and Information Technology convened the Exchange Conference for the Establishment of Quality and Safety Trace System for Enterprise Producing IMF (嬰幼兒配方粉企業質量安全追溯體系建設試點現場交流會), and officially launched the quality and safety tracing platform for food production enterprises. Leveraging on the development of our fully vertically integrated dairy value chain, we established a quality and safety traceability system for infant milk formula. Thus, we became one of the first pilot-organisations for traceability of IMF products in the PRC dairy industry and we were recognized as a 5A enterprise with "Transparent Supply Chain" by the Logistics Committee of the China National Food Industry Association.

Brand Building

During the Reporting Year, adhering to our strategy of "Fully Vertically Integrated Value Chain Business Model", we joined hands with leading professional brand-consultation and strategy-advisory firms and forged a brand image of "Rock-solid Quality" and "Safe New Power in the Dairy Industry". Along with the continuous optimization of the construction of the whole

production chain, our resources advantages are highlighted day by day. We started to build up the reputation of "Huishan" brand in market apart from Northeast region. We centered our brand strategy on "Whole Production Chain", "Safe New Power" and "3.6-gram quality protein in milk", which better reflected our brand positioning of superior resources and sense of responsibility, as well as our high-end product image. Through continuous and "multi-faceted" advertising in Central and Key Provincial TV, High Speed Rail and Public transportation, we provided a more in-depth understanding to consumers on "Huishan" brand and its products.

In order to enhance the reputation of "Huishan" brand in markets apart from Northeast region, we make use of the exclusive resources of Jersey Farm, which is 3.6-gram quality protein in milk, as the starting point for the consumers to recognize the "Huishan" brand. In order to match up with its high-end position, we launched a new product conference and put advertisements on CCTV to boost its reputation instead of using the normal promotion measures for milk products adopted in the past. What is more, almost a hundred of brand image stores were established in line with our promotion strategy. Focusing on the spending level and habit of the target group, we have opinion-leading stores and residential compounds with high-end positioning as the key sales channel in order to further enhance the influences of our brand and to promote the coverage of products.

To enhance the brand awareness of "Huishan" and its products in areas outside of Northeastern region, we exclusively sponsored a teenage talent show titled "Power of Chinese Kids (少年中國強)". The program was broadcasted on CCTV Channel 1 in August 2014. We sponsored this program as we cared for health and growth of the youngsters in China. More consumers can learn about Huishan through this program. The promotional slogan "Good Milk Raises Healthy Kids (好牛奶、強少年)" delivered the philosophy of the "Huishan" brand and the core message of high quality milk with protein level of 3.6 grams from Jersey Farm. In the program, we presented our vision to develop Huishan as a world-class producer of high protein dairy products and a comprehensive dairy product service provider through our "Rock-solid Quality" Huishan products. We have also delivered a positive message in respect of the safety of dairy products to domestic consumers.

At the end of 2014, we entered into a strategic cooperation agreement with the Liaoning branch of PICC Property and Casualty Company Limited; both parties would commence cooperation in aspects such as product promotion, customer resources and merging of sales channel. Both parties would make use of their internet resources and customer service platform to carry out activities such as joint sales promotion, branding and promotion, in order to enhance the influences, the recognition and loyalty of customers for both brands in regional markets.

"Huishan Dairy Shenyang Qipanshan International Ice and Snow Festival 2015", which was title-sponsored exclusively by us, was conducted successfully at the beginning of 2015. Through this activity, we integrated the Huishan culture "Rock-Solid Quality" into the Ice and Snow Festival for the year. Every participant enjoyed exciting moments with the snow and at the same time, they were able to see the innovation of Huishan, our enthusiasm to strive for excellence and the spirits of our brand to deliver results through gathering strengths.

Joint Ventures

In May 2014, we entered into exclusive negotiation with FrieslandCampina for establishing a joint venture. On March 25, 2015, we received the approval from the Ministry of Commerce of the PRC on the establishment of joint venture between Huishan and FrieslandCampina. On April 1, 2015, we signed the joint venture agreement with FrieslandCampina. We will make available to the joint venture raw milk from our self-managed farms, while FrieslandCampina will bring its sales network for IMF in China and the professional knowledge of operating an IMF full supply chain along with product promotion and marketing capability to the joint venture. The joint venture, built on the foundation of high quality and safe milk source of Huishan, coupled with FrieslandCampina's successful management and marketing experience and excellent channels already established in IMF in China, will provide Chinese consumers with an infant formula brand that is locally produced and meets international quality standards. This demonstrates perfect integration of our existing high quality local supply chain and FrieslandCampina's centurial years' professional experience. The joint venture has full control over the whole process from procurement, production, to promotion and sales to ensure the most stringent quality control measures in the production of IMF, offering quality guarantee to consumers in China. Immediately after the transaction, the joint venture commenced the "100 Day Plan", which set up working groups to initiate comprehensive work across various aspects such as finance, human resources, business, corporate culture, management and improvement of existing production flows, so as to ensure swift integration of management teams of both parties and guarantee smooth implementation of the established business plan of the joint venture.

On November 3, 2014, the Group entered into the Joint Venture Agreement with Alpha Spring. The registered capital of the joint venture is RMB1 billion, with the Company and Alpha Spring holding 65% and 35% of total equity interests in the joint venture, respectively. The joint venture will establish a fully vertically integrated value chain of milk product in Yancheng City in Jiangsu Province, the PRC, including feed planting and processing, dairy farming, processing of milk products, sales and marketing as well as distributing milk products to markets in Eastern China. The population in East China market is dense and its economy is more advanced; the market size for local dairy products is larger than the dairy market in Northeast region in China. Taking Shanghai region as an example, in terms of retail sales, pasteurized milk

accounted for half of the market in the liquid milk market. The joint venture project will focus especially on pasteurized milk market in Shanghai and provinces such as Jiangsu, Zhejiang and Anhui. For this project, we will replicate the operation model of the fully vertically integrated value chain in Jiangsu Province, which symbolizes the implementation of our strategy of entering and expanding to markets beyond Northeast region. Alpha Spring has been our partner since 2011. It invested in the Company as an exchangeable bondholder prior to the IPO of the Company. It remains a shareholder of the Company. The cooperation itself is a key strategy in entering and expanding to markets beyond Northeast region. Moreover, it is a major milestone for us to transform into a national dairy enterprise from a regional brand.

The three domestic business entities of the joint venture have already been established with their registered capital gradually paid up. The construction of a farm with capacity of 7,000 Jersey cows commenced with expected completion date before the end of 2015. We also started suitable sites evaluation and site evaluation processes for feeds plantation land and a concentrated feeds processing plant. The construction of liquid milk processing plant with designed production capacity of 180,000 tonnes per year commenced in late March 2015 and with operation commencement date in September 2016. The joint venture's sales and marketing team led by Mr. Mark Anthony Wilson started to formulate product promotion and market penetration strategies in East China market, while brand building and promoting activities will be carried out at appropriate times.

FINANCIAL OVERVIEW

Turnover

The following table sets out the breakdown of our turnover by each operating segments for the years ended March 31, 2015 and 2014:

	Years ended March 31,					
	2015			2014		
	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	**1,028,336**	**1,783,966**	**2,812,302**	988,862	1,431,699	2,420,561
Liquid milk business	**2,421,709**	**—**	**2,421,709**	2,287,789	—	2,287,789
Milk powder business	**473,339**	**—**	**473,339**	253,768	—	253,768
Consolidated turnover	**3,923,384**			3,530,419		

Our turnover increased by 11.1% from RMB3,530.4 million for the year ended March 31, 2014 to RMB3,923.4 million for year ended March 31, 2015, primarily due to an increase in our sales of raw milk, liquid milk products and milk powder products businesses.

- Dairy farming business

  Turnover from our dairy farming business increased primarily due to the growth of our cow herd.

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

	Years ended March 31,					
	2015			2014		
	Sales Amount RMB'000	**Sales Volume Tonne**	**ASP RMB/Tonne**	Sales Amount RMB'000	Sales Volume Tonne	ASP RMB/Tonne
Raw Milk						
External Sales	**1,028,336**	**211,769**	**4,856**	988,862	196,119	5,042
Internal Supplies	**1,783,966**	**365,302**	**4,884**	1,431,699	286,309	5,001
Total	**2,812,302**	**577,071**	**4,873**	2,420,561	482,428	5,017

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

- Liquid milk business

  Turnover from our liquid milk business increased by 5.9% from RMB2,287.8 million for the year ended March 31, 2014 to RMB2,421.7 million for the year ended March 31, 2015, which accounted for 61.7% and 64.8% of our consolidated turnover for the years ended March 31, 2015 and 2014.

The growth of our liquid milk business was due to the slight increase in the total volume of liquid milk products sold and change in our liquid milk product mix. During the Reporting Year, the total volume of liquid milk products sold increased by 2.0% from 287,528 tonnes for the year ended March 31, 2014 to 293,337 tonnes for the year ended March 31, 2015, primarily due to the growth of pasteurized milk production and sales derived from our adjustment in product mix. The following table sets out the breakdown of sales amount, sales volume and average selling price of our liquid milk products for same periods of the two years indicated:

	Years ended March 31,					
	2015			2014		
	Sales Amount RMB'000	**Sales Volume Tonne**	**ASP RMB/Tonne**	Sales Amount RMB'000	Sales Volume Tonne	ASP RMB/Tonne
Liquid Milk Products						
Fresh Milk	**746,043**	**91,244**	**8,176**	492,688	66,654	7,392
UHT	**792,517**	**123,707**	**6,406**	932,330	141,373	6,595
Yogurt	**870,548**	**75,257**	**11,568**	852,797	77,097	11,061
Milk Beverage	**12,601**	**3,129**	**4,027**	9,974	2,404	4,149
Total	**2,421,709**	**293,337**	**8,256**	2,287,789	287,528	7,957

- Milk powder business

Turnover from milk powder business increased by 86.5% from RMB253.8 million for the year ended March 31, 2014 to RMB473.3 million for the year ended March 31, 2015, which accounted for 12.1% and 7.2% of our consolidated turnover for the years ended March 31, 2015 and 2014.

The following table sets out the breakdown of sales amount, sales volume and average selling price of our milk powder products for same periods of the two years indicated:

	Years Ended March 31,					
	2015			2014		
	Sales Amount RMB'000	**Sales Volume Tonne**	**ASP RMB/Tonne**	Sales Amount RMB'000	Sales Volume Tonne	ASP RMB/Tonne
IMF Products (including Adult Nutrition Powder)	**311,055**	**2,938**	**105,873**	143,265	1,417	101,104
Dairy Ingredients	**162,284**	**12,987**	**12,496**	110,503	3,458	31,956
Total	**473,339**	**15,925**	**29,723**	253,768	4,875	52,055

Gross profit and gross margin

The following table sets forth the breakdown of our gross profit by our three operating segments, as well as their respective gross profit margins, for same periods of the two years indicated:

	Years ended March 31,			
	2015		2014	
	Gross Profit RMB'000	**Gross Profit Margin**	Gross Profit RMB'000	Gross Profit Margin
Dairy farming business				
Before elimination	**1,565,528**	**55.7**	1,504,303	62.1
After elimination	**577,116**	**56.1**	613,557	62.0
Liquid milk business				
Before elimination	**716,150**	**29.6**	652,431	28.5
After elimination	**1,467,334**	**60.6**	1,499,118	65.5
Milk powder business				
Before elimination	**141,089**	**29.8**	47,877	18.9
After elimination	**216,195**	**45.7**	91,936	36.2

- Dairy farming business

  Gross profit of our dairy farming business (before elimination of internal supplies of raw milk) increased by 4.1% from RMB1,504.3 million for the year ended March 31, 2014 to RMB1,565.5 million for the year ended March 31, 2015, primarily due to the rise of raw milk production and sales. Gross profit of our dairy farming business (after elimination of internal supplies of raw milk) decreased by 5.9% from RMB613.6 million for the year ended March 31, 2014 to RMB577.1 million for the year ended March 31, 2015, primarily due to the drop in average selling price of raw milk following the industrial fluctuation.

  Gross profit margin of our dairy farming business (before elimination of internal supplies of raw milk) was 55.7% for the year ended March 31, 2015, representing a decrease to some extent as compared to 62.1% for the year ended March 31, 2014, primarily due to the drop in average selling price of raw milk following the industrial fluctuation.

  The following table sets forth the cost of sales of our dairy farming business:

	Years ended March 31,			
	2015		2014	
	Cost of Sales RMB'000	**%**	Cost of Sales RMB'000	%
Feed	**946,110**	**75.9**	711,653	77.7
Labor Cost	**63,823**	**5.1**	46,985	5.1
Depreciation	**33,332**	**2.7**	25,593	2.8
Veterinary Costs	**71,562**	**5.7**	39,081	4.3
Utility Costs	**46,277**	**3.7**	35,985	3.9
Others	**85,670**	**6.9**	56,961	6.2
Total	**1,246,774**	**100**	916,258	100

- Liquid milk business
  Gross profit of our liquid milk business (before elimination of internal supplies of raw milk) increased by 9.8% from RMB652.4 million for the year ended March 31, 2014 to RMB716.2 million for the year ended March 31, 2015, primarily due to the increase of liquid milk sales volume and upward adjustment of average selling price of liquid milk products through product mix adjustment. Gross profit of our liquid milk business (after elimination of internal supplies of raw milk) decreased by 2.1% from RMB1,499.1 million for the year ended March 31, 2014 to RMB1,467.3 million for the year ended March 31, 2015, primarily due to the rise of raw milk production costs.

  Gross profit margin of our liquid milk business (before elimination of internal supplies of raw milk) increased from 28.5% for the year ended March 31, 2014 to 29.6% for the year ended March 31, 2015, primarily due to the increase in average selling price as a result of product mix enhancement of liquid milk.

- Milk powder business
  Milk powder business includes IMF products and dairy ingredients. Gross profit of our milk powder business (before elimination of internal supplies of raw milk) increased by 194.7% from RMB47.9 million for the year ended March 31, 2014 to RMB141.1 million for the year ended March 31, 2015. Gross profit of our milk powder business (after elimination of internal supplies of raw milk) increased by 135.2% from RMB91.9 million for the year ended March 31, 2014 to RMB216.2 million for the year ended March 31, 2015. The aforesaid increase was primarily due to the increase in sales volume of our milk powder products.

  Gross profit margin of our milk powder business (before elimination of selling costs related to internal supplies of raw milk) increased from 18.9% for the year ended March 31, 2014 to 29.8% for the year ended March 31, 2015. The increase was primarily due to the significant increase in the proportion of the sales volume of IMF products with much higher gross profit margin compared with dairy ingredients over the total sales amount of milk powder business.

Initial recognition of agricultural produce at fair value less costs to sell at the point of harvest

Our gain arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest increased by 14.4% from RMB1,563.9 million for the year ended March 31, 2014 to RMB1,789.7 million for the year ended March 31, 2015, primarily due to the increase in production volume of our raw milk and other feed crops.

Changes in fair value less costs to sell of biological assets

We recorded loss arising from changes in fair value less costs to sell of biological assets, which amounted to RMB449.9 million and RMB68.4 million for the years ended March 31, 2015 and 2014, respectively, primarily due to the culling of milkable cows with lower economic benefits of milk production level as compared to feeding costs on a regular and systematic basis, and drop in average selling price of raw milk following the industrial fluctuation.

Qualification and independence of the valuers

JLL and Crowe Horwath are independent professional qualified valuers appointed by the Company to perform the valuation on the fair market value of the biological assets of dairy cows and agricultural products respectively. JLL has an experienced team consists of professional valuer and agricultural experts, and has served as the independent valuer in relation to biological assets for listed companies on the Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The valuation results were prepared by Mr. Simon Chan. Mr. Simon Chan is a fellow member of Hong Kong Institute of Certified Public Accountants and Certified Public Accountants of Australia, a Chartered Surveyor of the Royal Institution of Chartered Surveyors, a Certified Valuation Analyst, a member of The International Association of Consultants, Valuers and Analysts, a member of Canadian Institute of Mining, Metallurgy and Petroleum, and a member of The Australasian Institute of Mining and Metallurgy. He holds a bachelor's degree in accountancy and finance. Crowe Horwath has an experienced team, and the valuation results were prepared by Mrs. Stella Law. Mrs. Stella Law is a member of the Royal Institute of Chartered Surveyors, an accredited senior appraiser of American Society of Appraisers, a registered business valuer of the Hong Kong Business Valuation Forum. She holds a master's degree in Science in Financial Analysis and a bachelor's degree in Engineering. JLL and Crowe Horwath are independent firms providing a full range of valuation and advisory services. The valuation results have been prepared independently. JLL, Crowe Horwath and parties preparing the valuation results don't hold any interest in the Company or our related parties. The fee for providing the valuation service is based on JLL's normal professional rates. Payment of fees and reimbursements are not contingent upon the conclusion drawn in the valuation results.

Other net income

Other net income includes government grants, investment income on wealth management products and other income. Government grants are generally obtained from our agricultural activities. For the years ended March 31, 2015 and 2014, government grants we recognized amounted to RMB17.3 million and RMB14.0 million, and investment income on wealth management products we recognized amounted to RMB16.2 million and RMB1.4 million, respectively.

Operating expenses

	Years ended March 31,	
	2015 **RMB'000**	2014 RMB'000
Distribution costs	**595,037**	344,228
Administrative expenses		
— Equity-settled share option expenses (non-cash)	**70,759**	117,040
— IPO expenses	**—**	35,039
— Others	**339,655**	217,468
Total operating expenses	**1,005,451**	713,775

Our operating expenses increased from RMB713.8 million for the year ended March 31, 2014 to RMB1,005.5 million for the year ended March 31, 2015. During the Reporting Year, as we further explored the Northeastern market and maintained our geographical spread in regional key markets nationwide which required preliminary marketing expenses for securing higher sales growth and gaining larger market shares in the future, coupled with the increase in the number of distributors and directly-operated stores, the promotion fee of channels, fees for stores and supermarkets, personnel expenses and transportation costs increased correspondingly. In addition, in order to attract more customers, especially customers outside Northeastern region, and help them learn about the Company and products of "Huishan", the Group commissioned the advertisement of "Jersey Farm" and broadcasted it on CCTV and various regional television channels, and sponsored the show titled "Power of Chinese Kids" which was broadcasted on CCTV channels for stepping up efforts in brand building and enhancing brand awareness, thereby increasing the brand advertising fees.

The increase in administrative expenses was primarily due to the rise of labour costs, consultation services fee, insurance fee, depreciation costs and other tax expenses during the Reporting Year.

On September 27, 2013 and October 8, 2014, 680,085,000 and 33,750,000 share options were granted to our employees and an executive Director under the share option scheme, respectively, and the equity-settled share option expenses included in administrative expenses during the Reporting Year and the corresponding period of last year amounted to RMB70.8 million and RMB117.0 million, respectively, according to the valuation results by the independent third party valuers, namely, CBRE Limited and Crowe Horwath (HK).

Net finance costs

Our net finance costs increased by 56.9% from RMB205.7 million for the year ended March 31, 2014 to RMB322.8 million for the year ended March 31, 2015, primarily due to higher interest expenses on increased bank loans arising from our capital expenditure on leased land used for growing crops during the Reporting Year.

Current ratio and debt ratio

As at March 31, 2015, our current ratio (current assets/current liabilities) was approximately 1.49 compared to 2.49 as at March 31, 2014. As at March 31, 2015, the debt ratio was 31.9% compared to 4.4% as at March 31, 2014. 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 net cash inflows from our daily operations, and proceeds from bank loans. As at March 31, 2015 and 2014, we had RMB2,610.6 million and RMB5,062.6 million in cash and cash equivalents, respectively, which were denominated in Renminbi, HK dollars and US dollars and primarily consisted of cash on hand and bank deposits.

Capital expenditures

We had capital expenditures of RMB4,279.4 million and RMB4,660.5 million for the years ended March 31, 2015 and 2014, respectively, which were primarily used in purchasing property, plant and equipment, settling land leases and procuring dairy cows.

Working capital

As at March 31, 2015, we had net current assets of RMB2,553.1 million (March 31, 2014: RMB4,363.4 million).

Indebtedness

During the Reporting Year, the Group's borrowings were mainly denominated in Renminbi, US dollars and Euro. As at March 31, 2015, our outstanding short-term bank loans, including long-term loans due within one year, amounted to RMB2,867.2 million at interest rates ranging from 2.12% to 6.60%. As at March 31, 2015, our outstanding long-term bank loans, net of amount due within one year, amounted to RMB5,139.8 million at interest rates ranging from 3.02% to 7.32%, inclusive of fixed-rate bank loans of approximately RMB3,703.2 million.

The management believes that the existing financing 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 favorable terms. There is no material effect of seasonality on our borrowing requirements.

For the year ended March 31, 2015, we were not subject to significant exposure to interest rate risk. Hence, no financial instrument for hedging was employed.

The book value of our lease prepayments and property, plant and equipment that were used as guarantees was RMB3,217.1 million as at March 31, 2015. In addition, certain of our long-term bank loans were guaranteed by our related parties or other third parties.

Contingent liabilities

As at March 31, 2015 and 2014, we did not have significant contingent liabilities.

Loan agreements with specific performance covenant of the controlling shareholders

On April 28, 2014, the Company, as borrower, signed an unsecured and uncommitted term loan facility letter with Bank of China Limited Macau Branch ("BOC Macau") (the "BOC Facility Letter") pursuant to which the Company expects to borrow US$50,000,000 (equivalent to approximately HK$388,000,000) (the "BOC Loan") from BOC Macau. The BOC Loan has a tenure of 3 years from the date of signing of the BOC Facility Letter. Pursuant to the provisions of the BOC Facility Letter, if Mr. Yang Kai ("Mr. Yang", the Company's Chairman and Executive Director) and Ms. Ge Kun ("Ms. Ge", an Executive Director) together ceases to be the ultimate single largest shareholder of the Company, BOC Macau may require mandatory prepayment of the BOC Loan together with all other sums due under the BOC Facility Letter. Details of the BOC Facility Letter have been published in the Company's announcement dated April 28, 2014.

On January 6, 2015, the Company, as borrower, signed an unsecured term loan facility letter with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") (the "HSBC Facility Letter") pursuant to which the Company may borrow up to US$20,000,000 (equivalent to approximately HK$156,000,000) (the "HSBC Loan") from HSBC. The HSBC Loan has a tenure of 3 years. Pursuant to the provisions of the HSBC Facility Letter, it is a covenant that Mr. Yang and Ms. Ge will remain as the largest shareholders of the Company with aggregate direct and indirect shareholding of no less than 30% interest in the Company during the term of the HSBC Loan, failing which HSBC may require immediate repayment of the HSBC Loan together with all other sums due under the HSBC Facility Letter. Details of the HSBC Facility Letter have been published in the Company's announcement dated January 6, 2015.

Capital commitments

Details of capital commitments are set out in Note 35 to the Financial Statements.

Foreign currency risk

The Directors do not consider the currency risks as disclosed in Note 34(d) to the Financial Statements material to the Group's financial performance for the year ended March 31, 2015 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 on September 27, 2013. Net proceeds from the global offering amounted to approximately HK$7,544.6 million (approximately RMB5,983.7 million).

As at March 31, 2015, such net proceeds have been applied in the same manner as disclosed in the prospectus of the Company dated September 13, 2013. Approximately 9% for leasing lands for feeds plantation, approximately 9% for constructing liquid milk production plant and purchasing relevant machinery and equipment, and approximately 3% to provide funding for our working capital and other general corporate purposes have been used already. RMB1,694.9 million was used in importing dairy cows and constructing cow farms, RMB62.5 million in constructing feeds processing plants, milk powder production plant and purchasing relevant machinery and equipment, and, RMB498.2 million in marketing and expanding distribution network. The balance of approximately RMB2,440.3 million has been deposited with banks and licensed financial institutions in Hong Kong and Mainland China. We currently do not have any intention to change our plan for the use of proceeds as stated in the prospectus of the Company dated September 13, 2013.

HUMAN RESOURCES

We had approximately 12,076 employees in Mainland China and Hong Kong as at March 31, 2015 (March 31, 2014: 9,181 employees). During the Reporting Year, total staff costs, including the portion accounted for in the profit and loss statement and capitalised to assets but excluding independent non-executive Directors' fees, were approximately RMB548.1 million (the corresponding period in 2014: RMB352.7 million).

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.

We cooperated with Aon Hewitt in re-organizing the Group's organizational structure and position hierarchy, thereby enhancing management foundation of the Group's human resources management which are more compatible with the strategic growth of the Company. Meanwhile, we also collaborated with the company to conduct a comprehensive survey and research regarding staff dedication and employer's brands. The overall staff dedication of the Group achieved high corporate standard. A team of stable and dedicated staff offers a guarantee for the future growth of performance.

College recruitment is our major way for talent replenishment while college-enterprise cooperation is a fundamental security for the implementation of our talent pool building strategy. We have always placed great emphasis on recruiting and training talents from colleges. We have engaged in college-enterprise cooperation with over 50 institutes of various kinds across the country. Through customized training, establishment of scholarships and joint research and development, we strived to become a training base for high schools and intern site for students, and specifically designed career paths for university graduates. In 2014, we launched college recruitment under the theme of "Let Youth Excel", covering approximately 80 high schools in 21 provinces all over the country, which provided a broad career development platform for various graduates. We launched a slew of online promotion and offline road-shows, in which innovative and fascinating road-show activities bring positive significance to promoting the brand of "Huishan" while attracting talented individuals.

Our excellent employer's image, attention to staff development and plentiful training programs have gained us the following accreditations and awards: the title of "The Most Preferred Employer among Female" in the selection of "2014 The Best Employer" organized by zhaopin.com; an awardee being the Top 15 best employers in fast-moving consumer goods category in "The 12th Best Employer of College Graduates in China" by ChinaHR.com; the "2014 Best Employee Development Program Award" in the selection of "2014 Best Model Enterprise in Human Resources" organized by 51job Inc., the largest human resources service provider in China.

For its employees in the PRC, the Group has participated 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 Schemes 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.

CORPORATE SOCIAL RESPONSIBILITY

We believe that social responsibility is the foundation for the development of an enterprise. In our opinion, taking part in social welfare activities is an important method for an enterprise to give back to the society, as well as a key way for an enterprise to achieve mutual development and advancement with the society.

The Shenyang Teenager Rule of Law Festival, which is exclusively titled by us, carried out interactive classes on rule of law in primary schools in Shenyang City. Safety interaction training camps on 6 main themes were organized, where safety knowledge was taught with numerous ways and the healthy development and safety of children were guaranteed. The activity covered almost 200,000 primary school students and parents with nearly 30,000 primary school students participating in the event. This is the largest welfare activity convened in Shenyang City for the past 3 years which focuses on primary school students and parents.

In August 2014, a 6.5-magnitude earthquake struck Ludian County of Zhaotong City in Yunnan Province, and earthquake victims were running out of food, especially for the shortage in IMF. As a highly social responsible enterprise, we carried out emergency rescue plan at once and delivered about 400 packs of IMF under the brands such as Golden Queen and Golden Label to the affected area, in order to ease the shortage of IMF there and to help the victims through difficulties.

EXECUTIVE DIRECTORS

Mr. YANG Kai (楊凱), aged 57, 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 40, 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, and 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 the 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 46, 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 38, 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 49, 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.

Mr. Mark Anthony WILSON (麥惠舜), aged 62, was appointed as executive Director on October 8, 2014. At the Group, Mr. Wilson is principally responsible for developing the Group's five-year plan for expanding the B2C liquid milk and milk powder business in China, excluding Northeast and Northern China regions. This includes oversight of the recruitment and training of the Group's sales and marketing team to achieve international sales and marketing standards especially in the markets of Eastern China. He will also be responsible for building the image of the "Huishan" Brand for mid to high-end products from the current position in Northeastern China into a multi-regional brand with a strong premium quality image. In order to carry out the above responsibilities, Mr. Wilson will also be the Chief Executive Officer of the subsidiary established by the Group in Shanghai. Mr. Wilson graduated from the University of London with Honours in Food and Management Science. He holds a Diploma in Marketing and is also a fellow of the Chartered Institute of Marketing in the United Kingdom. He joined Smith Kline Beecham (now Glaxo Smith Kline plc., a global healthcare product company) in 1974, became Director and Vice President of Strategic Marketing for Consumer Healthcare, International Division in 1986, General Manager and Vice President of Hong Kong/China in 1991 and President, Representative Director and Board Member of Consumer Healthcare, Japan in 1992. In 1995, Mr. Wilson joined East Asiatic Company of the EAC Nutrition arm as a Chief Executive Officer, and became the company's President and Chief Executive Officer in 1998. Between 2006 and 2007, Mr. Wilson was the Managing Director for Asia at Numico Asia Pacific and focused on its nutritional product business. He joined Fonterra Co-operative Group (a company listed on the NZX Limited) in 2008 as Managing Director for Asia, Africa and the Middle East in 2008 and became a member of the Executive Team in 2012. Mr. Wilson has been a non-executive director of the board, chairman of the audit committee (since 2013) and a remuneration committee member of Christian Hansen (a global supplier of bioscience ingredients to the food, health and animal feed industries and listed on the Nasdaq OMX Copenhagen) since 2010 and continues to hold these positions.

NON-EXECUTIVE DIRECTORS

Mr. CHENG Chi Heng (鄭志恒), aged 37, 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 56, 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 advisor 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 Zhaoqing 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 60, 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 Hop Hing Group (stock code 0047), Shunfeng Photovoltaic International Limited (Stock code 1165), CITIC Pacific Limited (stock code 267), China Communications Services Corporation Limited (stock code 0552) and CGN Power Co.,Ltd (stock code 1816), 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. He was an independent non-executive director of Beijing Hualian Hypermarket Co., Ltd (stock code 600361), listed on Shanghai Stock Exchange, before his cessation to act with effect from March 17, 2015. 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 66, 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 (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 52, 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 54, 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 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 39, 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), and he is expected to complete the course in September 2014.

Mr. WANG Jinpeng (王金鵬), aged 39, joined our Group in February 2011 as 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 41, joined our Group in February 2011 as 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 32, 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 the Company's 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 Reporting Year. Pursuant to Code Provision A.2.1, the roles of the 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 arrangement beneficial to the Company 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 efficient and timely exchange of information between the Board and management. In addition, the Board is 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. 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 twelve Directors, comprising six 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, Mr. Kwok Hok Yin and Mr. Mark Anthony Wilson, 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 are set out in the "Directors and Senior Management" section on pages 31 to 37.

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 Company'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 followings:

- developing the Company's development plans;
- 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 laws and regulations.

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

BOARD MEETINGS

The Board meets regularly. During the Reporting Year, five Board meetings were 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. The Board delegates part of its management and administrative 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 performing their duties within the framework as determined by the Board and specified in any written procedures and directions. The following matters were considered and approved at Board meetings during the Reporting Year:

- 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 for making 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 audit committee is Mr. Siu Wai Keung. Details of the terms of reference of the audit 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 followings:

- 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 on the nature and scope of the audit and reporting obligations prior to the commencement of the audit work;
- 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 the 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 Reporting Year, the audit committee held two meetings and matters deliberated thereat included the followings:

- reviewing the annual results for the financial year ended March 31, 2014;
- reviewing the interim results for the six months ended September 30, 2014;
- confirming the related disclosures in the financial reports were complete, accurate and fair and recommending the same to the Board for approval;
- approving the auditor's fees for review of interim financial report for the six months ended September 30, 2014;
- approving the PRC statutory auditor's fee for domestic companies for the accounting year ended December 31, 2014;

- approving auditor's fee for the Hong Kong listed company for the accounting year ended March 31, 2015;
- recommending on the re-appointment of the auditor; and
- reviewing the relevant procedures of financial control, internal control and risk management of the Company.

The audit committee met the auditor of the Company twice 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 nomination committee is Mr. Song Kungang. Details of the terms of reference of the nomination 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 followings:

- 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 plans for Directors, in particular the chairman and the Chief Executive Officer.

During the Reporting Year, the nomination committee held two meetings and matters deliberated thereat 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 and confirming the independence of independent non-executive Directors;
- supervising the company secretary on his arrangement and record of continuous training for Directors; and
- to make recommendation to the Board on employing Mr. Mark Anthony Wilson and appointing Mr. Mark Anthony Wilson as the executive Director of the Company.

Appointment of Directors

Each Director of the Company (including executive Directors, non-executive Directors and independent non-executive Directors) has entered into a service contract with the Company for a term of three years commencing from the Listing Date, being September 27, 2013 (except Mr. Mark Anthony Wilson, whose service contract with the Company is for a term of three years commencing from his appointment date, being October 8, 2014) 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 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 specify that all new Directors 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 education background, ethnicity, professional experience, skills, knowledge and length of service.

Training and Development of Directors

The executive Directors, namely Mr. Yang Kai, Ms. Ge Kun, Mr. So Wing Hoi, Mr. Xu Guangyi, Mr. Kwok Hok Yin and Mr. Mark Anthony Wilson; 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
Mr. Mark Anthony Wilson	A, B, C
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, being Mr. Siu Wai Keung, Mr. Gu Ruixia and Mr. Tsui Kei Pang. The chairman of the remuneration committee is Mr. Siu Wai Keung. Details of the terms of reference of the remuneration 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 followings:

- to make recommendations to the Board on the general remuneration policy and structure for all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies;
- 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 with reference to their experiences and duties with the Company and the fees payable to non-executive Directors are determined with 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 ultimately determined by the Board.

During the Reporting Year, the remuneration committee held two meetings and matters deliberated and discussed thereat mainly included the followings:

- assessing and reviewing the remuneration packages and overall benefits of Directors of the Company and making recommendations thereon to the Board;
- making recommendations on evaluation standards for remuneration of senior management employed by the Company during the ordinary course of business;
- proposing to the Company to submit any bonus payment proposal to the remuneration committee for discussion and approval;
- considering share option grant proposals and training progress report in respect of those employees who have been granted such options; and
- reviewing and making recommendation to the Board on Mr. Mark Anthony Wilson's remuneration, shares options and other benefit scheme.

Directors and Senior Management emoluments

For the year ended March 31, 2015, the emoluments of the employees who are members of the senior management were within the following bands:

	Year ended March 31, 2015
HK$4,000,001 — HK$4,500,000	1
HK$5,000,001 — HK$5,500,000	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 Notes 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, being 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 followings:

- 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 the effective implementation of such solution throughout production, storage and transportation.

During the Reporting Year, the food quality and safety advisory committee reviewed and assessed the quality control procedures 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 made recommendations to strengthen its supervisory function.

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

Details of the Directors' attendance at the general meeting, 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	General Meeting	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Food Quality and Safety Advisory Committee Meeting
Mr. Yang Kai	1/1	4/5	——	2/2	——	1/1
Ms. Ge Kun	1/1	4/5	——	2/2	2/2	1/1
Mr. So Wing Hoi	1/1	5/5	——	2/2	2/2	1/1
Mr. Xu Guangyi	1/1	5/5	——	——	——	1/1
Mr. Kwok Hok Yin	1/1	5/5	——	——	——	1/1
Mr. Mark Anthony Wilson[1]	N/A	2/3	——	——	——	——
Mr. Cheng Chi Heng	1/1	4/5	——	——	——	——
Mr. Li Kar Cheung	1/1	5/5	——	——	——	——
Mr. Siu Wai Keung	1/1	5/5	2/2	2/2	2/2	1/1
Mr. Song Kungang	1/1	3/5	1/2	2/2	——	1/1
Mr. Gu Ruixia	1/1	5/5	——	2/2	2/2	1/1
Mr. Tsui Kei Pang	1/1	5/5	2/2	2/2	2/2	1/1

Note (1) Mr. Mark Anthony Wilson was appointed on October 8, 2014, and his attendance in general meeting and board meeting were recorded since the date of his appointment.

The Board is regularly provided with brief management reports of the Group 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 securities transactions by directors as set out in the Model Code during the Reporting Year and 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 Board, Directors and certain members of the senior management of the Company against liability for compensation arising from their corporate activities. Purchase of liability insurance can enhance the Company's ability to reduce exposure to risks. The insurance coverage is reviewed by the Company 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 have reviewed the resources for financial reporting function to ensure the adequacy of resources, qualifications and experience of staff for the Group'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 this annual report.

AUDITORS AND THEIR REMUNERATIONS

During the Reporting Year, the fees paid received by the Company's auditor, KPMG, for audit services was approximately RMB7,308,000.

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 of the Company 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 the Directors 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 the relevant Directors for their records within a reasonable time.

The Board is of the view that Mr. Michael Chou, the company secretary appointed by the Board and also an employee of the Company, is qualified and has appropriate experience to discharge his duties as the company secretary. During the Reporting Year, Mr. Michael Chou has received not less than 15 hours of relevant professional training. During the Reporting Year, the Company has provided Mr. Michael Chou with sufficient resources to receive not less than 15 hours of relevant 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 proactively establish close relations with the Company.

Relevant information is communicated to Shareholders through the Company's corporate communications including interim and annual 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 its 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 clearing house (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, require the Board in writing to convene an extraordinary general meeting to process any matter as specified in such requisition.

The written requisition (i) must state the purpose(s) of the meeting, and (ii) must be signed by the requisitionist(s) and deposited at the principal office of the Company in Hong Kong (Unit 01, 19th Floor, Far East Finance Centre, No. 16 Harcourt Road, 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 written 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 Making 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 number(s) and email address(es) 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 01, 19th 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 during the Reporting Year.

Director's Report

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

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 major 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, 2015 are set out in the Financial Statements on pages 63 to 151.

DIVIDEND

The Board recommended a final dividend of RMB1.53 cents per share for the Reporting Year. The total dividend amounted to approximately RMB219 million.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five reporting years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 152 of this 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 company law 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 year ended March 31, 2015, the Company repurchased a total of 87,724,000 ordinary shares of the Company at an aggregate consideration of HK$140,552,660 (excluding expenses) on the Stock Exchange. Details of the repurchase of such ordinary shares are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate consideration of repurchase (excluding expenses)
		Highest (HK$)	Lowest (HK$)	(HK$)
October 2014	41,172,000	1.80	1.73	72,146,530
November 2014	13,331,000	1.70	1.66	22,457,960
December 2014	33,221,000	1.43	1.30	45,948,170
Total	87,724,000			140,552,660

All the above 87,724,000 repurchased ordinary shares were cancelled during the Reporting Year. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from Shareholders, with a view to benefiting Shareholders as a whole as it would enhance the net asset value per share. As at March 31, 2015, the total number of issued shares of the Company was 14,320,064,000.

Saved as disclosed above, there was no repurchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the Reporting Year.

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, 2015, the Company's reserves available for distribution to Shareholders, comprising retained profits, if any, and share premium, amounted to approximately RMB8,490.5 million (March 31, 2014: RMB8,913.2 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 interests in any other company during the Reporting Year.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, the largest customer and supplier of the Group accounted for 18.1% and 4.3% of the Group's total revenue and total purchases, respectively, and the five largest customers and five largest suppliers of the Group accounted for 29.5% and 17.7% of the Group's total revenue and total purchases, respectively.

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
Mr. Mark Anthony WILSON (appointed on October 8, 2014)

Non-executive Directors

Mr. CHENG Chi Heng (resigned on June 23, 2015)
Mr. LI Kar Cheung

Independent non-executive Directors

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

Mr. Mark Anthony Wilson, Mr. So Wing Hoi, Mr. Kwok Hok Yin, Mr. Li Kar Cheung and Mr. Siu Wai Keung are subject to the rotation and retirement requirements under the articles of association of the Company in the annual general meeting.

Pursuant to article 99(3) of the articles of association of the Company, the term of office of Mr. Mark Anthony Wilson, who is proposed and eligible for re-election, will expire at the forthcoming annual general meeting, and he will offer himself for re-election as Director. Pursuant to article 104(1) of the articles of association of the Company, Mr. So Wing Hoi, Mr. Kwok Hok Yin and Mr. Li Kar Cheung shall 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.

Save as set out in the section headed "RELATED PARTY TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS", as at March 31, 2015, 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 Year 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 Year and up to the date of this annual report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN SECURITIES

The interests in shares of the Company held by the Directors during the year are separately disclosed in the two sections headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SHARE OPTION SCHEME" below. Other than as disclosed in the section headed "SHARE OPTION SCHEME", at no time during the Reporting Year was the Company or any of its subsidiaries, holding company or 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 convertible securities including debentures of, the Company or any other corporations, and none of the Directors 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 "Share Option Scheme") at an extraordinary general meeting held on September 5, 2013. The Share Option Scheme is valid and effective for a period of 10 years commencing on the Listing Date of the Company, i.e. September 27, 2013. The purpose of the Share Option 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 Share Option Scheme and any options granted under any other share option schemes of our Company is 1,440,778,800 shares, representing 10% of the issued share capital of the Company as at the Listing Date. Pursuant to the Share Option 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 under the share options granted or to be granted as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted (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 core associates (if the Participant is a connected person) and 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 partial payment of the exercise price. Any option which remains 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 highest of:

- the closing price of the Shares of the Company on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant;
- the average closing price of the Shares of the Company 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 grant; and
- the nominal value of the Shares of the Company.

Summary of the Share Options granted by the Company is as follows:

Date of grant:	September 27, 2013
Total number of 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 Options granted:	HK$2.67 per Share, representing the highest of (i) HK$2.59, being the closing price 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:	(i) 30% of the Share Options were vested on the date of grant; (ii) 20% of the Share Options were 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.

In addition, on October 8, 2014, the Company granted a total of 33,750,000 Share Options to Mr. Mark Anthony Wilson under the abovementioned Share Option Scheme, and the details of which are as follows.

Date of grant:	October 8, 2014
Number of Share Options granted:	33,750,000 Share Options (each Share Option shall entitle the holder of the Share Option to subscribe for one Share)
Exercise price of Share Options granted:	HK$1.72 per Share, representing the highest of (i) HK$1.69, being the closing price per Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) HK$1.72, being the average closing price of the Shares for the five trading days before the date of grant as stated in the daily quotations sheet issued by The Stock Exchange; and (iii) HK$0.1, being the par value of the Shares On October 7, 2014 (being the trading day immediately before the date of grant), the closing price per Share was HK$1.70.
Vesting schedules of the Share Options	100% of the Share Options will be vested and become exercisable from October 8, 2017 subject to (i) Mr. Mark Anthony Wilson remaining in continuous employment with the Company pursuant to the service contract for at least two calendar years from October 8, 2014; and (ii) the trading price of each Share having reached HK$2.67 at any time during the first two calendar years from October 8, 2014; and (iii) the terms of the Share Option Scheme. Subject to the above provision of continuous employment, if the trading price of each Share reaches HK$2.67 on any day between October 9, 2016 and ending on October 8, 2017, then 100% of the Share Options will be vested and exercisable from October 8, 2017 subject to the terms of the Share Option Scheme. If the Share price does not reach HK$2.67 during the three-year period prescribed above, then 100% of the Share Options will be vested and exercisable from October 8, 2018 (subject to the terms of the Share Option Scheme). Subject to the terms of the Share Option Scheme, the Share Options (if vested) will be valid until 12 months after the termination of employment of Mr. Mark Anthony Wilson.

The table below sets out the details of the movements in the Share Options granted under the existing Share Option Scheme of the Company during the Reporting Year:

Name or Category of Participant	As at March 31, 2014	Exercised during the period	Granted during the period	Lapsed/ Cancelled during the period	As at March 31, 2015	Date of grant of Share Options	Exercise period of Share Options (both dates inclusive)	Exercise price of Share Option (HK$)
	Number of Share Options							
So Wing Hoi	101,250,000	Nil	Nil	Nil	101,250,000	September 27, 2013	September 27, 2013 to September 26, 2019	2.67
Xu Guangyi	101,250,000	Nil	Nil	Nil	101,250,000	September 27, 2013	September 27, 2013 to September 26, 2019	2.67
Kwok Hok Yin	33,750,000	Nil	Nil	Nil	33,750,000	September 27, 2013	September 27, 2013 to September 26, 2019	2.67
Mark Anthony Wilson	Nil	Nil	33,750,000	Nil	33,750,000	October 8, 2014	October 8, 2017 to October 8, 2020	1.72
Other Employees	443,835,000	Nil	Nil	1,687,500	442,147,500	September 27, 2013	September 27, 2013 to September 26, 2019	2.67
Total	680,085,000	Nil	33,750,000	1,687,500	712,147,500			

No Participant of the Share Option Scheme was granted options in excess of the individual limit stated above during the year ended March 31, 2015. Save as disclosed above, no option was granted, exercised, lapsed or cancelled during the year ended March 31, 2015.

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

As at March 31, 2015, 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) In our Company

Name of Director	Nature of Interest	Total number of Shares/Underlying Shares	Approximate percentage in the issued share capital of the Company as of March 31, 2015
Mr. Yang Kai[1][2]	Interest in controlled corporation	7,386,138,388 (L)	51.58%
	Beneficial owner	9,570,000 (L)	0.07%
Ms. Ge Kun[3]	Concert Party	7,395,708,388 (L)	51.65%
Mr. So Wing Hoi[4]	Beneficial owner	101,250,000 (L)	0.71%
Mr. Xu Guangyi[4]	Beneficial owner	101,250,000 (L)	0.71%
Mr. Kwok Hok Yin[4]	Beneficial owner	33,750,000 (L)	0.24%
Mr. Siu Wai Keung	Beneficial owner	800,000 (L)	0.01%
Mr. Mark Anthony Wilson[6]	Beneficial owner	33,750,000 (L)	0.24%
	Beneficial owner	100,000 (L)	0.00%

(ii) In associated corporation

Name of Director	Name of associated corporation	Total 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, 2015, Champ Harvest directly held 7,386,138,388 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 be interested in the 7,386,138,388 Shares held by Champ Harvest, which is a substantial shareholder of our Company.

(2) As at March 31, 2015, Mr. Yang Kai is directly interested in 9,570,000 Shares.

(3) As at March 31, 2015, 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 be interested in 7,395,708,388 Shares held by Mr. Yang Kai.

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

(5) As at March 31, 2015, 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 and the economic interest thereof on behalf of Mr. Yang Kai, being 10% of its total issued share capital. Ms. Ge Kun and Mr. Yang Kai, being the concert parties, are deemed to have joint interest in 10,000 shares in Champ Harvest.

(6) On October 8, 2014, Mr. Mark Anthony Wilson was granted 33,750,000 Share Options. Upon full exercise of the above Share Options, Mr. Mark Anthony Wilson will acquire 33,750,000 Shares. In addition, Mr. Mark Anthony Wilson also directly held 100,000 Shares.

Save as disclosed above, as at March 31, 2015, none of the Directors and chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company and 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, 2015, the interests or short positions of persons (other than the Directors and 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 Substantial Shareholder	Nature of Interest	Total Number of Shares	Approximate percentage in the issued share capital of the Company
Champ Harvest[1]	Beneficial owner	7,386,138,388 (L)	51.58%
Cheng Yu Tung[2]	Interest in controlled corporation	1,035,137,928 (L)	7.23%
Chow Tai Fook Nominee Limited[2]	Interest in controlled corporation	1,035,137,928 (L)	7.23%
Well Ease Limited[2]	Beneficial owner	1,035,137,928 (L)	7.23%
Citigroup Inc.[3]	Interest in controlled corporation/ custodian-corporation/ approved lending agent	988,485,473 (L)	6.90%
	Interest in controlled corporation	470,840 (S)	0.00%
	Custodian-corporation/ approved lending agent	984,015,473 (lending pool)	6.87%
Norges Bank	Beneficial owner	865,653,000 (L)	6.05%

Notes:

(1) As at March 31, 2015, Champ Harvest directly held 7,386,138,388 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 the economic interest thereof on behalf of Mr. Yang Kai, being 10% of the total issued share capital of Champ Harvest. Mr. Yang Kai and Ms. Ge Kun, being concert parties, are deemed to have joint interest in 10,000 shares of Champ Harvest.

(2) As at March 31, 2015, according to the information disclosed under the requirements of Division 2 and Division 3 of Part XV of the SFO, Well Ease Limited is wholly owned by Chow Tai Fook Nominee Limited , a company wholly-owned by Dato' Dr. Cheng Yu Tung.

(3) As at March 31, 2015, Citigroup Inc. held a total of 988,485,473 Shares (L) and 470,840 Shares (S) through its controlled subsidiaries. In addition, 984,015,473 Shares held by Citigroup Inc. through its direct subsidiaries were available for lending.

Save as disclosed above, as at March 31, 2015, the Company had not been notified by any other persons (other than Directors and chief executive 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 and continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) are set out in Note 36 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:

Connected Transactions

During the period from early April 2014 to June 30, 2014, the Group purchased seeds from Shenyang Longdi Seeds Co., Ltd ("Longdi Seed") in which a Director of the Company, Ms. Ge Kun, indirectly held (on behalf of Mr. Yang Kai) the controlling interest. The seeds were used for growing corn silage essential for raising dairy cows. Up to June 30, 2014, the amount of seeds purchased by the Group was 428 tonnes and the aggregate cost for the purchases was RMB6,849,286. As Ms. Ge indirectly held (on behalf of Mr. Yang Kai) the controlling interest in Longdi Seed, Longdi Seed is a connected person of the Company. Therefore, the said purchases of seeds from Longdi Seed constituted connected transactions under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated December 22, 2014 for more details.

Continuing Connected Transaction

As at March 31, 2015, Mr. Yang Kai and Ms. Ge Kun, the controlling Shareholders and the Directors, indirectly and jointly held the entire equity interests in Shenyang Dairy Co., Ltd. ("Shenyang Dairy"). Therefore, for the purpose of the Listing Rules, Shenyang Dairy is the associate of Mr. Yang Kai and Ms. Ge Kun, and the connected person of the Company. 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 the Group the dairy farms, premises, machinery and facilities for dairy livestock farming. Accordingly, the said Dairy Farm Leases with Shenyang Dairy constituted continuing connected transactions 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 aggregate annual rent under the Dairy Farm Leases with Shenyang Dairy is 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, 2014 and 2015, the total annual rent for leasing the above farmlands by the Group amounted to RMB3,125,000, RMB7,500,000, 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 this annual report.

The independent non-executive Directors of the Company have reviewed the connected transactions and continuing connected transactions set out herein, and have confirmed that, during the year ended March 31, 2015:

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

(2) Such transactions were entered into on normal commercial terms or better terms; and

(3) Such transactions were entered into in accordance with the relevant agreements in all material aspects governing them and on terms that are fair, 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. Our Company's auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 58 to 60 of the annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

POST BALANCE SHEET EVENTS

Details of post balance sheet events of the Group are set out in Note 37 to the Financial Statements.

DONATIONS

During the financial year, the Group made charitable and other donations amounted to RMB72,364.

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 share capital as required under the Listing Rules.

ON BEHALF OF THE BOARD

Yang Kai
Chairman

Hong Kong, June 22, 2015

Independent Auditor's Report

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 63 to 151, which comprise the consolidated and the Company's statements of financial position as at March 31, 2015, 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, 2015 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 22, 2015

Consolidated Statement of Profit or Loss

For the year ended March 31, 2015
(Expressed in Renminbi)

	Note	Year ended March 31, 2015 Results before biological fair value adjustments RMB'000	Year ended March 31, 2015 Biological fair value adjustments RMB'000	Year ended March 31, 2015 Total RMB'000	Year ended March 31, 2014 Results before biological fair value adjustments RMB'000	Year ended March 31, 2014 Biological fair value adjustments RMB'000	Year ended March 31, 2014 Total RMB'000
Turnover	4, 5	**3,923,384**	**—**	**3,923,384**	3,530,419	—	3,530,419
Cost of sales	5, 7(a)	**(1,662,739)**	**(1,370,404)**	**(3,033,143)**	(1,325,808)	(1,495,629)	(2,821,437)
Gross profit		**2,260,645**	**(1,370,404)**	**890,241**	2,204,611	(1,495,629)	708,982
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	7(b)	**—**	**1,789,708**	**1,789,708**	—	1,563,881	1,563,881
Loss arising from changes in fair value less costs to sell of biological assets	7(c)	**—**	**(449,865)**	**(449,865)**	—	(68,433)	(68,433)
Other net income	6	**34,247**	**—**	**34,247**	9,298	—	9,298
Distribution costs		**(595,037)**	**—**	**(595,037)**	(344,228)	—	(344,228)
Administrative expenses		**(410,414)**	**—**	**(410,414)**	(369,547)	—	(369,547)
Profit from operations		**1,289,441**	**(30,561)**	**1,258,880**	1,500,134	(181)	1,499,953
Finance income		**101,109**	**—**	**101,109**	60,522	—	60,522
Finance costs		**(423,939)**	**—**	**(423,939)**	(266,172)	—	(266,172)
Net finance costs	7(d)	**(322,830)**	**—**	**(322,830)**	(205,650)	—	(205,650)
Profit before taxation	5, 7	**966,611**	**(30,561)**	**936,050**	1,294,484	(181)	1,294,303
Income tax	8(a)	**(60,122)**	**—**	**(60,122)**	(45,074)	—	(45,074)
Profit for the year		**906,489**	**(30,561)**	**875,928**	1,249,410	(181)	1,249,229
Attributable to:							
Equity shareholders of the Company				**877,075**			1,249,229
Non-controlling interests				**(1,147)**			—
Profit for the year				**875,928**			1,249,229
Earnings per share							
— Basic and diluted (RMB)	13			**0.06**			0.10

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year ended March 31, 2015 are disclosed in Note 33(b).

The notes on pages 72 to 151 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended March 31, 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
		Years ended March 31,	
Profit for the year		**875,928**	1,249,229
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	**(34,113)**	(17,956)
Total comprehensive income for the year		**841,815**	1,231,273
Attributable to:			
Equity shareholders of the Company		**842,962**	1,231,273
Non-controlling interests		**(1,147)**	—
Total comprehensive income for the year		**841,815**	1,231,273

The notes on pages 72 to 151 form part of these financial statements.

Consolidated Statement of Financial Position

At March 31, 2015

(Expressed in Renminbi)

	Note	At March 31, 2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	14	6,355,669	4,317,163
Prepayments for acquisition of property, plant and equipment		965,947	1,019,766
Goodwill	15	—	931,985
Lease prepayments	16	3,823,583	3,043,258
Biological assets	17	5,358,770	4,297,651
Prepayments for acquisition of biological assets		5,943	61,647
Deferred tax assets	32(b)	17,110	66,064
		16,527,022	13,737,534
Current assets			
Inventories	19	1,581,803	915,383
Trade receivables	20	270,933	220,375
Deposits, prepayments and other receivables	21	1,011,613	784,169
Term deposits	22	527,050	300,000
Cash and cash equivalents	23	2,610,552	5,062,619
Assets held for sale	24	1,805,121	—
		7,807,072	7,282,546
Current liabilities			
Trade and bills payables	25	1,400,617	737,711
Receipts in advance	26	41,133	26,059
Accrued expenses and other payables	27	532,830	489,664
Bank loans	28	2,867,199	1,641,192
Income tax payable	32(a)	10,963	24,527
Liabilities held for sale	24	401,216	—
		5,253,958	2,919,153
Net current assets		2,553,114	4,363,393
Total assets less current liabilities		19,080,136	18,100,927

The notes on pages 72 to 151 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

At March 31, 2015
(Expressed in Renminbi)

	Note	At March 31, 2015 RMB'000	At March 31, 2014 RMB'000
Non-current liabilities			
Bank loans	28	**5,139,808**	4,679,156
Deferred income	30	**255,287**	226,577
		5,395,095	4,905,733
NET ASSETS		**13,685,041**	13,195,194
CAPITAL AND RESERVES			
Share capital	33	**1,135,678**	1,142,619
Reserves	33	**12,550,488**	12,052,575
Total equity attributable to equity shareholders of the Company		**13,686,166**	13,195,194
Non-controlling interests		**(1,125)**	—
TOTAL EQUITY		**13,685,041**	13,195,194

Approved and authorised for issue by the board of directors on June 22, 2015.

Yang Kai
Director

Ge Kun
Director

The notes on pages 72 to 151 form part of these financial statements.

Statement of Financial Position

At March 31, 2015
(Expressed in Renminbi)

	Note	At March 31, 2015 RMB'000	2014 RMB'000
Non-current assets			
Investments in subsidiaries	18	**9,629,141**	8,723,825
Current assets			
Other receivables	21	**954**	15,243
Cash and cash equivalents	23	**364,431**	1,314,374
		365,385	1,329,617
Current liabilities			
Accrued expenses and other payables	27	**5,567**	12,353
Bank loans	28	**73,707**	—
		79,274	12,353
Net current assets		**286,111**	1,317,264
Total assets less current liabilities		**9,915,252**	10,041,089
Non-current liabilities			
Bank loans	28	**429,958**	—
NET ASSETS		**9,485,294**	10,041,089
CAPITAL AND RESERVES			
Share capital	33	**1,135,678**	1,142,619
Reserves	33	**8,349,616**	8,898,470
TOTAL EQUITY		**9,485,294**	10,041,089

Approved and authorised for issue by the board of directors on June 22, 2015.

Yang Kai
Director

Ge Kun
Director

The notes on pages 72 to 151 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended March 31, 2015
(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, 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

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 Note 33(c)	Share premium RMB'000 Note 33(d)(1)	Capital redemption reserve RMB'000 Note 33 (c)(iv)	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, 2014	1,142,619	8,913,219	–	193,793	132,232	44,031	2,769,300	13,195,194	–	13,195,194
Changes in equity for 2015:										
Profit for the year	–	–	–	–	–	–	877,075	877,075	(1,147)	875,928
Other comprehensive income	–	–	–	–	–	(34,113)	–	(34,113)	–	(34,113)
Total comprehensive income	–	–	–	–	–	(34,113)	877,075	842,962	(1,147)	841,815
Appropriation to reserves	–	–	–	–	110,525	–	(110,525)	–	–	–
Purchase of own shares (Note 33(c)(iv))										
– par value paid	(6,941)	–	–	–	–	–	–	(6,941)	–	(6,941)
– premium paid	–	(104,600)	–	–	–	–	–	(104,600)	–	(104,600)
– transfer between reserves	–	(6,941)	6,941	–	–	–	–	–	–	–
Equity-settled share-based transactions (share option) (Note 31)	–	–	–	70,759	–	–	–	70,759	–	70,759
Forfeiture of share options	–	–	–	(118)	–	–	118	–	–	–
Capital injection by a non-controlling shareholder	–	–	–	–	–	–	–	–	22	22
Dividends approved in respect of the previous year (Note 33(b))	–	(311,208)	–	–	–	–	–	(311,208)	–	(311,208)
Transactions with equity holders of the Group	(6,941)	(422,749)	6,941	70,641	110,525	–	(110,407)	(351,990)	22	(351,968)
Balance at March 31, 2015	1,135,678	8,490,470	6,941	264,434	242,757	9,918	3,535,968	13,686,166	(1,125)	13,685,041

The notes on pages 72 to 151 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended March 31, 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Profit for the year		875,928	1,249,229
Adjustments for:			
Depreciation and amortisation	7(f)	222,314	163,679
Loss arising from changes in fair value less costs to sell of biological assets	7(c)	449,865	68,433
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	7(b)	(333,104)	(68,252)
Changes in fair value of derivative financial liability	6	—	(16)
Interest income	7(d)	(101,109)	(60,522)
Interest expenses	7(d)	414,620	238,368
Foreign exchange loss	7(d)	(1,083)	20,163
Government grants recognised and amortised in profit or loss	6	(17,253)	(14,027)
Equity-settled share option expenses	7(f)	70,759	117,040
Investment income on wealth management products purchased from banks	6	(16,243)	(1,423)
Net (gain)/loss on disposal of non-current assets	6	(3)	1,344
Income tax expense	8(a)	60,122	45,074
Changes in working capital:			
Increase in inventories		(190,618)	(348,570)
Increase in trade receivables		(54,951)	(47,792)
Decrease/(increase) in deposits, prepayments and other receivables		9,289	(36,657)
Increase/(decrease) in trade and bills payables		705,709	(172,754)
Increase in receipts in advance		16,255	12,583
Increase in accrued expenses and other payables		45,943	56,524
Cash generated from operating activities		2,156,440	1,222,424
Income tax paid	32(a)	(63,485)	(70,390)
Net cash generated from operating activities		2,092,955	1,152,034

Years ended March 31.

The notes on pages 72 to 151 form part of these financial statements.

Consolidated Cash Flow Statement (Continued)

For the year ended March 31, 2015
(Expressed in Renminbi)

	Years ended March 31, 2015 RMB'000	Years ended March 31, 2014 RMB'000
Investing activities		
Payments for purchase of property, plant and equipment	**(2,680,590)**	(1,670,859)
Lease prepayments	**(1,219,877)**	(2,623,352)
Payments for purchase of biological assets	**(378,944)**	(366,335)
Payments for breeding calves and heifers (breeding costs of calves and heifers capitalised other than depreciation and amortisation)	**(1,211,219)**	(848,388)
Payments for purchase of wealth management products from banks	**(50,000)**	(801,500)
Cash placed with banks as term deposits with initial term over three months	**(587,128)**	(2,000,000)
Proceeds from disposal of property, plant and equipment and lease prepayments	**1,868**	22,933
Proceeds from disposal of biological assets	**158,010**	107,826
Interest received	**117,334**	33,455
Cash received from government grants	**62,452**	23,309
Amounts received from banks for wealth management products purchased	**369,166**	500,000
Cash received from maturity of term deposits with initial term of over three months	**360,078**	1,700,000
Net cash used in investing activities	**(5,058,850)**	(5,922,911)

The notes on pages 72 to 151 form part of these financial statements.

Consolidated Cash Flow Statement (Continued)

For the year ended March 31, 2015
(Expressed in Renminbi)

	Note	Years ended March 31, 2015 RMB'000	2014 RMB'000
Financing activities			
Proceeds from issuance of shares under initial public offering	33(c)(iii)	—	6,169,275
Capital injection by a non-controlling shareholder		25,222	—
Proceeds from new bank loans		5,501,592	5,720,299
Repayments of bank loans		(3,592,676)	(2,405,466)
Interest paid		(483,651)	(262,833)
Payments for initial public offering expenses		(12,349)	(192,989)
Cash paid for acquisitions of the controlling equity interests in subsidiaries under common control		—	(33,276)
Net (increase)/decrease in deposits with banks to secure bills payables and letters of credit		(432,361)	71,748
Dividends paid to the equity shareholders of the Company	33(b)	(311,208)	—
Payments for purchase of own shares	33(c)(iv)	(111,541)	—
Net decrease in advances granted by the Controlling Shareholder and his affiliates		—	(14,702)
Net cash generated from financing activities		583,028	9,052,056
Net (decrease)/increase in cash and cash equivalents		(2,382,867)	4,281,179
Cash and cash equivalents at the beginning of the year		5,062,619	825,673
Effect of foreign exchange rate changes		(1,174)	(44,233)
Cash and cash equivalents at the end of the year		2,678,578	5,062,619
Represented by:			
Cash and cash equivalents	23	2,610,552	5,062,619
Cash and cash equivalents reclassified as assets held for sale	24	68,026	—

The notes on pages 72 to 151 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, as permitted by the Listing Rules, continue to be those of the predecessor Companies Ordinance (Cap. 32). 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(j));
- agricultural produce are initially recognised as inventories at fair value less costs to sell at the point of harvest (Note 2(k)); and
- derivative financial instruments are measured at fair value (Note 2(g)).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see Note 2(z)).

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 amendments to IFRSs and one new interpretation 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 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- IFRIC 21, *Levies*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(e) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Subsidiaries and non-controlling interests (Continued)

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 can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

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 interest 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(n)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill (Continued)

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(n)(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.

(g) 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.

(h) Property, plant and equipment

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

Gains or losses arising from the retirement or 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 retirement or 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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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.

(j) 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(k) 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(k) below).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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 write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any 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.

(l) 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(n)(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(n)(i)).

(m) 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)

(n) 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)

(n) 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 except in the case of goodwill, 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)

(n) 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(n)(i) and 2(n)(ii)).

(o) 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.

(p) 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.

(q) 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 year 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.

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).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Employee benefits (Continued)

(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.

(r) 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

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.

(s) 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.

(t) Ordinary shares

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in 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 or other sales taxes and is after deduction of any trade discounts.

(ii) Rendering of services
Revenue from rendering of services is recognised as the services are rendered.

(iii) Interest income
Interest income is recognised in profit or loss as it accrues using the effective interest method.

(v) 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.

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.

(w) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Translation of foreign currencies (Continued)

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.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or completed.

(y) Research and development expenditure

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

(z) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets and financial assets (other than investments in subsidiaries, associates and joint ventures). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

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 34(f) contains information about the assumptions relating to the fair values of bearer biological assets. 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(n)(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 and milk powder 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, 2015 is as follows:

	Years ended March 31,	
	2015	2014
	RMB'000	RMB'000
Raw milk	**1,028,336**	988,862
Liquid milk products	**2,421,709**	2,287,789
Milk powder products	**473,339**	253,768
	3,923,384	3,530,419

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, 2015, turnover from sales of raw milk to this customer, amounted to approximately RMB711.72 million (year ended March 31, 2014: RMB666.29 million). Details of concentration of credit risk arising from this customer are disclosed in Note 34(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 three reportable segments, which are Dairy Farming, Liquid Milk Products Production and Milk Powders Production. 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.

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, 2015 and 2014 is set out below.

	Year ended March 31, 2015			
	Dairy Farming RMB'000	Liquid Milk Products Production RMB'000	Milk Powders Production RMB'000	Total RMB'000
Revenue from external customers	1,028,336	2,421,709	473,339	3,923,384
Inter-segment revenue	1,783,966	—	—	1,783,966
Reportable segment revenue	2,812,302	2,421,709	473,339	5,707,350
Cost of sales related to revenue from external customers	451,220	1,705,559	332,250	2,489,029
Inter-segment cost of sales	795,554	—	—	795,554
Reportable segment cost of sales (cost of sales before biological fair value adjustments)	1,246,774	1,705,559	332,250	3,284,583
Reportable segment gross profit (gross profit before biological fair value adjustments)	1,565,528	716,150	141,089	2,422,767
Reportable segment profit/(loss) (adjusted EBITDA)	1,548,471	373,520	(58,675)	1,863,316
Interest income	4,406	33,392	2,989	40,787
Interest expenses	283,648	22,784	50,948	357,380
Depreciation and amortisation	157,014	23,902	38,725	219,641
Reportable segment assets	19,480,468	9,046,946	2,651,002	31,178,416
Increase in carrying amounts of non-current segment assets during the year	3,706,606	721,621	1,725	4,429,952
Capital expenditure	3,620,087	640,796	210,705	4,471,588
Reportable segment liabilities	12,621,544	2,611,343	1,786,646	17,019,533

5 SEGMENT REPORTING (Continued)

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

	Year ended March 31, 2014 Dairy Farming RMB'000	Liquid Milk Products Production RMB'000	Milk Powders Production RMB'000	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

5 SEGMENT REPORTING (Continued)

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

	Years ended March 31, 2015 RMB'000	Years ended March 31, 2014 RMB'000
Revenue		
Reportable segment revenue	**5,707,350**	4,962,118
Elimination of inter-segment revenue	**(1,783,966)**	(1,431,699)
Consolidated turnover	**3,923,384**	3,530,419

	Years ended March 31, 2015 RMB'000	Years ended March 31, 2014 RMB'000
Cost of sales		
Reportable segment cost of sales	**3,284,583**	2,757,507
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	**1,370,404**	1,495,629
Elimination of inter-segment cost of sales	**(1,621,844)**	(1,431,699)
Consolidated cost of sales	**3,033,143**	2,821,437

	Years ended March 31, 2015 RMB'000	Years ended March 31, 2014 RMB'000
Gross profit		
Reportable segment gross profit	**2,422,767**	2,204,611
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	**(1,370,404)**	(1,495,629)
Elimination of inter-segment gross profit	**(162,122)**	—
Consolidated gross profit	**890,241**	708,982

5 SEGMENT REPORTING (Continued)

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

	Years ended March 31, 2015 RMB'000	Years ended March 31, 2014 RMB'000
Profit		
Reportable segment profit	**1,863,316**	1,849,436
Interest income	**101,109**	60,522
Interest expenses	**(414,620)**	(238,368)
Depreciation and amortisation	**(222,314)**	(163,679)
Unallocated headoffice and corporate expenses	**(198,758)**	(213,443)
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	**419,304**	68,252
Loss arising from the changes in fair value less costs to sell of biological assets	**(449,865)**	(68,433)
Changes in fair value of derivative financial liability	**—**	16
Elimination of inter-segment gross profit	**(162,122)**	—
Consolidated profit before taxation	**936,050**	1,294,303

	At March 31, 2015 RMB'000	At March 31, 2014 RMB'000
Assets		
Reportable segment assets	**31,178,416**	23,185,936
Goodwill	**—**	931,985
Deferred tax assets	**17,110**	66,064
Goodwill and deferred tax assets reclassified as held for sale	**975,548**	—
Unallocated headoffice and corporate assets	**7,146,182**	7,047,149
Elimination between segments	**(14,983,162)**	(10,211,054)
Consolidated total assets	**24,334,094**	21,020,080

	At March 31, 2015 RMB'000	At March 31, 2014 RMB'000
Liabilities		
Reportable segment liabilities	**17,019,533**	11,427,172
Unallocated headoffice and corporate liabilities	**8,612,682**	6,608,768
Elimination between segments	**(14,983,162)**	(10,211,054)
Consolidated total liabilities	**10,649,053**	7,824,886

5 SEGMENT REPORTING (Continued)

(c) Geographic information

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

6 OTHER NET INCOME

	Years ended March 31,	
	2015	2014
	RMB'000	RMB'000
Government grants	**17,253**	14,027
Net loss from sales of raw materials	**(4,433)**	(3,685)
Investment income on wealth management products purchased from banks	**16,243**	1,423
Changes in fair value of derivative financial liability (Note 29)	**—**	16
Income from waiver of payables	**6,203**	—
Net gain/(loss) on disposal of non-current assets	**3**	(1,344)
Donation	**(72)**	(1,000)
Others	**(950)**	(139)
	34,247	9,298

7 PROFIT BEFORE TAXATION

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

(a) Cost of sales:

	Years ended March 31, 2015 RMB'000	2014 RMB'000
Plantation and breeding costs incurred to produce raw milk (Note 17(b))*	**1,246,774**	914,012
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest (Note 7(b))	**1,370,404**	1,495,629
Production costs incurred for dairy products*	**415,965**	411,796
Cost of inventories sold	**3,033,143**	2,821,437

* Plantation and breeding costs incurred to produce raw milk and production costs incurred for dairy products include, in aggregate, RMB424.20 million and RMB280.49 million for each of the years ended March 31, 2015 and 2014, 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, 2015 RMB'000	2014 RMB'000
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	**1,789,708**	1,563,881
Included in:		
— cost of sales for the year	**1,283,892**	1,477,369
— inventories at the year end	**419,616**	86,512
— biological assets at the year end	**86,200**	—
Total gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest for the year	**1,789,708**	1,563,881

7 PROFIT BEFORE TAXATION (Continued)

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

	Years ended March 31, 2015 RMB'000	2014 RMB'000
Loss arising from changes in fair value less costs to sell of biological assets (Note 17(b))	**449,865**	68,433

(d) Net finance costs:

	Years ended March 31, 2015 RMB'000	2014 RMB'000
Finance income — interest income	**(101,109)**	(60,522)
Interest expenses on bank loans		
— wholly repayable within five years	**371,182**	239,541
— repayable after five years	**112,622**	24,823
Less: interest expenses capitalised*	**(69,184)**	(25,996)
Bank charges and other finance costs	**10,402**	7,641
Net foreign exchange loss	**(1,083)**	20,163
Finance costs	**423,939**	266,172
Net finance costs	**322,830**	205,650

* The borrowing costs have been capitalised at a rate of 2.25% to 7.58% (year ended March 31, 2014: 3.55% to 7.32%) per annum.

7 PROFIT BEFORE TAXATION (Continued)

(e) Staff costs:

	Years ended March 31, 2015 RMB'000	2014 RMB'000
Salaries, bonuses and allowances	**233,097**	128,090
Pension insurance (Note (i))	**36,558**	20,810
Other social insurances (Note (ii))	**33,147**	20,472
Fees charged for hiring workers from labour dispatching companies	**130,318**	103,814
Staff welfare	**28,102**	13,175
	461,222	286,361

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$30,000 (year ended March 31, 2014: 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 and maternity insurance, 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, 2015 RMB'000	2014 RMB'000
Depreciation and amortisation	**222,314**	163,679
Initial public offering expenses	**—**	35,039
Equity-settled share option expenses (Note 31)	**70,759**	117,040
Auditors' remuneration — audit services	**7,308**	5,858
Consultants' remunerations	**21,055**	6,007
Write-off of trade receivables	**5,530**	—

8 INCOME TAX

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

	Years ended March 31, 2015 RMB'000	Years ended March 31, 2014 RMB'000
Current taxation:		
PRC income tax (Note 32(a))	**54,731**	73,354
Deferred taxation:		
Origination and reversal of temporary differences (Note 32(b))	**5,391**	(28,280)
	60,122	45,074

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

	Years ended March 31, 2015 RMB'000	Years ended March 31, 2014 RMB'000
Profit before taxation	**936,050**	1,294,303
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	**231,975**	324,879
Effect of non-deductible expenses (Note (iv))	**15,272**	30,703
Utilisation of previously unrecognised tax losses	**—**	(20)
Effect of tax losses not recognised	**84,167**	20,103
Reduction of deferred tax assets recognised in previous years in respect of tax losses	**16,961**	—
Tax rate differential on deferred tax items (Note (v))	**(64,695)**	(105,671)
Effect of tax exemption (Note (iii))	**(223,558)**	(224,920)
Income tax	**60,122**	45,074

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, 2015 and 2014.

(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, 2015 and 2014.

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.

8 INCOME TAX (Continued)

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

Notes: (Continued)

(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 with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) is as follows:

	Year ended March 31, 2015					
	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	—	515	450	31	—	996
Ms. Ge Kun	—	693	450	31	—	1,174
Mr. Xu Guangyi	—	669	450	31	10,033	11,183
Mr. So Wing Hoi	—	2,607	—	31	10,033	12,671
Mr. Kwok Hok Yin (appointed on September 5, 2013)	—	5,341	472	10	3,344	9,167
Mr. Mark Anthony Wilson (appointed on October 8, 2014)	—	3,242	—	—	3,223	6,465
Non-executive directors						
Mr. Cheng Chi Heng	—	—	—	—	—	—
Mr. Li Kar Cheung	—	—	—	—	—	—
Independent non-executive directors						
Mr. Siu Wai Keung	360	—	—	—	—	360
Mr. Song Kungang	360	—	—	—	—	360
Mr. Gu Ruixia	360	—	—	—	—	360
Mr. Tsui Kei Pang	360	—	—	—	—	360
	1,440	13,067	1,822	134	26,633	43,096

9 DIRECTORS' REMUNERATION (Continued)

	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	—	591	—	31	—	622
Ms. Ge Kun	—	777	—	31	—	808
Mr. Xu Guangyi	—	778	—	31	17,425	18,234
Mr. Wang Jinpeng (resigned on September 5, 2013)	—	654	—	31	5,808	6,493
Mr. So Wing Hoi	—	3,000	—	25	17,425	20,450
Mr. Kwok Hok Yin (appointed on September 5, 2013)	—	5,489	—	10	5,808	11,307
Non-executive directors						
Mr. Cheng Chi Heng	—	—	—	—	—	—
Mr. Li Kar Cheung	—	—	—	—	—	—
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	11,289	—	159	46,466	58,732

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(q)(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 Director's Report and Note 31 to these financial statements. No options were exercised during the years ended March 31, 2015 and 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, 2015 and 2014. There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended March 31, 2015 and 2014.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (year ended March 31, 2014: three) are directors whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the remaining one (year ended March 31, 2014: two) individual with the highest emoluments are as follows:

	Years ended March 31, 2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	**579**	1,302
Discretionary bonuses	**320**	—
Share-based payments	**3,344**	11,616
Retirement scheme contributions	**31**	144
	4,274	13,062

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, 2015	2014
HK$5,000,001 — HK$5,500,000	**1**	—
HK$8,000,001 — HK$8,500,000	**—**	2
	1	2

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, 2015 and 2014.

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, 2015 includes a loss of RMB39.04 million (year ended March 31, 2014: a loss of RMB1.26 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, 2015			Year ended March 31, 2014		
	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	**(34,113)**	**—**	**(34,113)**	(17,956)	—	(17,956)

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, 2015 is based on the profit attributable to equity shareholders of the Company of RMB877.08 million (year ended March 31, 2014: profit of RMB1,249.23 million) and the weighted average of 14,374,288,184 (year ended March 31, 2014: 12,978,958,997) 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, 2015	2014
Issued ordinary shares at April 1,	**14,407,788,000**	11,494,254
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)
Effect of capitalisation issue	**—**	11,493,357,448
Effect of shares issued under initial public offering	**—**	1,484,704,997
Effect of own shares purchased during the year (Note 33(c)(iv))	**(33,499,816)**	—
Weighted average number of ordinary shares	**14,374,288,184**	12,978,958,997

(c) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the years ended March 31, 2015 and 2014. For the years ended March 31, 2015 and 2014, the share options as disclosed in Note 31 did not have any dilutive effect because the average market price of the Company's ordinary shares during the years did not exceed the sum of the exercise prices of the options and the fair values of the services to be received by the Group from the employees granted with the options (i.e. the fair values of the options at the dates 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, 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
Cost:						
At April 1, 2014	2,992,127	1,099,339	98,866	131,801	313,009	4,635,142
Additions	3,703	376,279	65,713	71,248	2,315,610	2,832,553
Transfer in/(out)	418,390	94,948	—	—	(513,338)	—
Disposals	—	—	(2,017)	(1,733)	—	(3,750)
Other decrease	(29,005)	—	—	—	—	(29,005)
Reclassification to assets held for sale (Note 24)	(303,816)	(289,162)	(13,168)	(6,018)	(4,089)	(616,253)
At March 31, 2015	3,081,399	1,281,404	149,394	195,298	2,111,192	6,818,687
Accumulated depreciation and impairment losses:						
At April 1, 2014	(134,459)	(129,815)	(27,294)	(26,411)	—	(317,979)
Depreciation for the year	(72,214)	(99,731)	(23,410)	(20,361)	—	(215,716)
Impairment loss	—	—	—	—	—	—
Disposals	—	—	765	1,200	—	1,965
Reclassification to assets held for sale (Note 24)	16,904	44,704	5,191	1,913	—	68,712
At March 31, 2015	(189,769)	(184,842)	(44,748)	(43,659)	—	(463,018)
Net book value:						
At March 31, 2015	2,891,630	1,096,562	104,646	151,639	2,111,192	6,355,669

As at March 31, 2015, the aggregate net book value of the secured property, plant and equipment of the Group was RMB1,710.98 million (March 31, 2014: RMB2,029.40 million).

15 GOODWILL

	The Group Years ended March 31, 2015 RMB'000	2014 RMB'000
Cost:		
At the beginning of the year	931,985	931,985
Reclassification to assets held for sale (Note 24)	(931,985)	—
At the end of the year	—	931,985
Accumulated impairment losses:		
At the beginning and the end of the year	—	—
Carrying amount:		
At the beginning of the year	931,985	931,985
At the end of the year	—	931,985

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities acquired from the acquiree, China Huishan Dairy Investments International Limited and its subsidiaries, China Huishan Dairy Investments (Hong Kong) Limited 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.

As the assets and liabilities of China Huishan Dairy Investments (Hong Kong) Limited and Liaoning Huishan Group (Xiushui) Co., Ltd. have been presented as a disposal group held for sale as at March 31, 2015 as disclosed in Note 24, the above goodwill which has been allocated to the cash generating unit of Liaoning Huishan Group (Xiushui) Co., Ltd. has been reclassified to assets held for sale as at March 31, 2015.

16 LEASE PREPAYMENTS

	The Group Years ended March 31,	
	2015 RMB'000	2014 RMB'000
Cost:		
At the beginning of the year	**3,201,535**	568,762
Additions	**1,179,641**	2,639,961
Disposal	**—**	(7,188)
Reclassification to assets held for sale (Note 24)	**(90,049)**	—
At the end of the year	**4,291,127**	3,201,535
Accumulated amortisation and impairment losses:		
At the beginning of the year	**(158,277)**	(47,453)
Amortisation for the year	**(318,765)**	(111,327)
Disposal	**—**	503
Reclassification to assets held for sale (Note 24)	**9,498**	—
Impairment loss	**—**	—
At the end of the year	**(467,544)**	(158,277)
Net book value:		
At the end of the year	**3,823,583**	3,043,258

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, 2015, the aggregate net book value of the lease prepayments with a lease term within 10 years was RMB388.37 million (March 31, 2014: RMB214.34 million). The lease terms of the remaining lease prepayments are over 10 years but within 50 years.

At March 31, 2015, the aggregate net book value of the secured lease prepayments of the Group was RMB1,506.15 million (March 31, 2014: RMB1,506.18 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, 2015 and 2014 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,	
	2015	2014
	Head	Head
Milkable cows	**74,389**	61,286
Heifers	**79,951**	68,087
Calves	**25,991**	14,818
	180,331	144,191

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 in spring to autumn.

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

At March 31, 2015, the Group owned about 480,000 mu fields for planting alfalfa grass and other feed crops. (March 31, 2014: about 243,800 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 34(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, 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

17 BIOLOGICAL ASSETS (Continued)

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

	Year ended March 31, 2015					
	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, 2014	204,802	1,777,423	2,309,180	6,246	—	4,297,651
Add: purchase costs	—	423,871	—	267	10,510	434,648
Add: breeding costs#	278,883	1,007,105	1,246,774	—	—	2,532,762
Add: plantation costs	—	—	—	87,697	346,723	434,420
Transfer between groups:						
—transfer in	—	481,502	1,276,862	—	—	1,758,364
— transfer out	(481,502)	(1,276,862)	—	—	—	(1,758,364)
Changes in fair value less costs to sell of biological assets*	346,315	(257,557)	(537,386)	(1,237)	—	(449,865)
Gain arising on initial recognition of milk and grass and other feed crops at fair value less costs to sell upon milking and harvest	—	—	1,308,689	224,690	256,329	1,789,708
Transfer to inventories upon milking and harvest	—	—	(2,555,463)	(312,387)	(613,562)	(3,481,412)
Decrease due to disposal	(20,444)	(14,738)	(163,960)	—	—	(199,142)
At March 31, 2015	328,054	2,140,744	2,884,696	5,276	—	5,358,770

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 Crowe Horwath (HK) Consulting & Valuation Limited respectively (March 31, 2014: 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 34(f).

17 BIOLOGICAL ASSETS (Continued)

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

	Years ended March 31, 2015 Tonne	2014 Tonne
Raw milk produced	**601,604**	501,688
Alfalfa grass produced	**133,600**	137,510
Other feed crops produced	**1,318,156**	361,758

18 INVESTMENTS IN SUBSIDIARIES

	The Company Years ended March 31, 2015 RMB'000	2014 RMB'000
Unlisted shares, at cost at April 1,	**1,181,710**	1,185,760
Additions during the year	**—**	—
Exchange adjustments	**(3,238)**	(4,050)
Unlisted shares, at cost at March 31,	**1,178,472**	1,181,710
Less: accumulated impairment losses	**—**	—
	1,178,472	1,181,710
Amounts due from subsidiaries	**8,450,669**	7,542,115
	9,629,141	8,723,825

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	Held by the Company	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$240,000,000	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	Held by the Company	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台子牧業有限公司**	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
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

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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 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	RMB140,000,000	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	RMB100,000,000	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	RMB1,520,000,000	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
Liaoning Huishan Dairy Group (Shenyang) Co., Ltd. 遼寧輝山乳業集團(瀋陽)有限公司****	The PRC	US$69,998,366 and RMB278,900,000	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	RMB150,000,000	100%	—	100%	Milk powders 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

(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 (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	696,000,000 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. 錦州谷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	RMB180,000,000	100%	—	100%	Dairy farming
Tieling Shenghui Life Agriculture Technology Co., Ltd. 鐵嶺盛匯生態農業科技有限公司**	The PRC	RMB210,000,000	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	RMB140,000,000	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

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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
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
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	RMB101,000,000	100%	—	100%	Alfalfa grass and other feed crops growing
Huishan Investment Co., Ltd. 輝山投資有限公司*	The PRC	RMB7,581,560,000	100%	—	100%	Investment holding
Kangping Youpin Agriculture Feedstock Co., Ltd. 康平優品農牧飼料有限公司**	The PRC	RMBNil	100%	—	100%	Feeds production
Huishan Investment (Shenyang) Dairy Co., Ltd. 輝山投資(瀋陽)乳業有限公司*	The PRC	RMB100,000,000	100%	—	100%	Liquid milk products production
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	RMB60,000,000	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			Principal activities
			The Group's effective interest	Held by the Company	Held by a subsidiary	
Huishan Investment Fenghuang Shenyang Farming Co., Ltd. 輝山投資鳳凰瀋陽牧業有限公司*	The PRC	RMB30,000,000	100%	–	100%	Dairy farming
Huishan Investment Hengfeng Shenyang Farming Co., Ltd. 輝山投資恒豐瀋陽牧業有限公司*	The PRC	RMB120,000,000	100%	–	100%	Dairy farming
Huishan Investment Shajing Shenyang Farming Co., Ltd. 輝山投資沙金瀋陽牧業有限公司*	The PRC	RMB50,000,000	100%	–	100%	Dairy farming
Huishan Investment Tengda Shenyang Farming Co., Ltd. 輝山投資騰達瀋陽牧業有限公司*	The PRC	RMB30,000,000	100%	–	100%	Dairy farming
Huishan Investment Wanfu Fuxin Farming Co., Ltd. 輝山投資萬福阜新牧業有限公司*	The PRC	RMB20,000,000	100%	–	100%	Dairy farming
Huishan Investment Wufeng Fuxin Farming Co., Ltd. 輝山投資五峰阜新牧業有限公司*	The PRC	RMB50,000,000	100%	–	100%	Dairy farming
Huishan Investment (Xifeng) Dairy Co., Ltd. 輝山投資(西豐)乳業有限公司*	The PRC	RMB100,000,000	100%	–	100%	Liquid milk products production
Upking Holding Limited***	British Virgin Islands	10,000 shares	100%	100%	–	Investment holding
Blue Treasure Limited***	British Virgin Islands	10,000 shares	65%	–	65%	Investment holding
China Huishan Dairy Development (Hong Kong) Limited***	Hong Kong	10,000 shares	65%	–	65%	Investment Holding
Liaoning Youpin Enterprise Management Co., Ltd. 遼寧優品企業管理有限公司**	The PRC	RMBNil	100%	–	100%	Feeds production holding
Faku Youpin Agriculture Feedstock Co., Ltd. 法庫優品畜牧飼料有限公司**	The PRC	RMBNil	100%	–	100%	Feeds production
Huishan Farming Development (Jiangsu) Co., Ltd. 輝山牧業發展(江蘇)有限公司*	The PRC	RMB32,000,000	65%	–	65%	Dairy farming and alfalfa grass and other feed crops growing

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
Huishan Dairy Development (Jiangsu) Co., Ltd. 輝山乳業發展(江蘇)有限公司*	The PRC	RMB30,000,000	65%	—	65%	Research and development of dairy products
Liaoning Huishan Dairy Group Commercial and Trading Co., Ltd. 遼寧輝山乳業集團商貿有限公司**	The PRC	RMB1,000,000	100%	—	100%	Sales of milk powders products

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

** These companies are domestic limited liability companies established in the PRC. The official names of these companies are in Chinese. The English translation of the names is for reference only.

*** These companies are limited liability companies incorporated outside of the PRC.

**** This company is a joint venture company incorporated in the 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, 2015 RMB'000	The Group At March 31, 2014 RMB'000
Feeds and other materials for breeding dairy cows	**1,029,474**	599,258
Other materials for producing dairy products	**82,558**	126,345
Semi-finished and finished goods	**469,771**	189,780
	1,581,803	915,383
Less: write-down of inventories	**—**	—
	1,581,803	915,383

19 INVENTORIES (Continued)

(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, 2015 is as follows:

	The Group Years ended March 31, 2015 RMB'000	 2014 RMB'000
Carrying amount of inventories sold (Note 7(a))	**3,033,143**	2,821,437

20 TRADE RECEIVABLES

	The Group At March 31, 2015 RMB'000	 2014 RMB'000
Trade receivable due from third parties	**270,933**	220,375
Less: allowance for impairment of doubtful debts	**—**	—
	270,933	220,375

(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, 2015 RMB'000	 2014 RMB'000
Less than 3 months	**162,750**	191,235
More than 3 months but less than 6 months	**48,806**	16,173
More than 6 months but less than 1 year	**53,903**	12,967
More than 1 year but less than 2 years	**5,474**	—
	270,933	220,375

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 34(a).

20 TRADE RECEIVABLES (Continued)

(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(n)(i)).

At March 31, 2015 and 2014, no trade receivables are individually determined to be impaired.

(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,	
	2015 **RMB'000**	2014 RMB'000
Neither past due nor impaired	**229,528**	193,947
Less than 1 month past due	**14,584**	5,694
More than 1 month but less than 3 months past due	**12,077**	6,812
More than 3 months but less than 6 months past due	**7,749**	7,505
More than 6 months past due	**6,995**	6,417
	41,405	26,428
	270,933	220,375

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 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, 2015 RMB'000	At March 31, 2014 RMB'000
Deposits with banks to secure bills payables	**314,259**	76,318
Deposits with banks to secure letters of credit	**193,377**	1,095
Prepayments for purchase of raw materials	**242,275**	209,563
Downpayments for acquisition of lands held under operating leases at annual rent	**10,050**	9,914
Advances to staff	**21,055**	19,611
Deductible value added tax	**54,818**	84,599
Prepaid income tax	**6,606**	11,416
Prepaid advertising and promotion expenses	**21,370**	15,156
Interest receivable on bank deposits	**10,842**	27,067
Amounts receivable from banks for wealth management products purchased (over 3 months) (Note (i))	**—**	302,923
Amounts receivable from disposal of dairy cows	**39,610**	—
Prepayments to be returned for cancelled purchases of property, plant and equipment	**47,795**	—
Others	**49,556**	26,507
	1,011,613	784,169
Less: allowance for impairment of doubtful debts	**—**	—
	1,011,613	784,169

Note:

(i) Amounts receivable from banks for wealth management products purchased (over 3 months) as at March 31, 2014 represented 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 had 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 ranged 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,	
	2015	2014
	RMB'000	RMB'000
Interest receivable	**893**	15,181
Others	**61**	62
	954	15,243
Less: allowance for impairment of doubtful debts	**—**	—
	954	15,243

All of the Group's 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(n)(i)).

At March 31, 2015 and 2014, 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, 2015 is 2.80% to 4.50% (year ended March 31, 2014: 3.50% to 3.80%).

23 CASH AND CASH EQUIVALENTS

(a) The Group

	At March 31,	
	2015	2014
	RMB'000	RMB'000
Cash at bank and in hand	**2,560,552**	4,961,119
Amounts receivable from banks for wealth management products purchased (within 3 months) (Note (i))	**50,000**	101,500
	2,610,552	5,062,619

Note:

(i) This represents the RMB wealth management products purchased by the Group from China Guangfa Bank Co., Ltd. during the year ended March 31, 2015 (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 as at March 31, 2015 was RMB50.00 million (March 31, 2014: 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,	
	2015	2014
	RMB'000	RMB'000
Cash at bank and in hand	**364,431**	1,314,374

Cash at bank and in hand totalling of RMB2,477.39 million as at March 31, 2015 (March 31, 2014: RMB4,875.65 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 DISPOSAL GROUP HELD FOR SALE

In October 2014, the Group entered into a sale and purchase agreement with FrieslandCampina Hong Kong Holding II B.V. to sell its 50% equity interests in China Huishan Dairy Investments (Hong Kong) Limited and Liaoning Huishan Group (Xiushui) Co., Ltd., subject to satisfaction of certain conditions precedent including that all the notifications and filings in connection with the transaction having been made and requisite approvals or clearance having been obtained from the Ministry of Commerce of the PRC.

In March 2015, the Ministry of Commerce of the PRC approved the transaction. Accordingly, the assets and liabilities of China Huishan Dairy Investments (Hong Kong) Limited and Liaoning Huishan Group (Xiushui) Co., Ltd., which are within the Milk Powders Production segment, are presented as a disposal group held for sale in the Group's consolidated financial statements during the year ended March 31, 2015. The transaction has been completed on April 1, 2015 (see Note 37(a)). The consideration for the equity interests transferred has been settled in cash and is higher than the carrying amount of the net assets of these entities attributable to the Company.

24 DISPOSAL GROUP HELD FOR SALE (Continued)

(a) Assets and liabilities of disposal group held for sale

At March 31, 2015, the disposal group has been stated at carrying amount which is lower than the fair value less costs to sell and comprised the following assets and liabilities.

	As at March 31, 2015 RMB'000
Property, plant and equipment	547,541
Prepayments for acquisition of property, plant and equipment	1,389
Goodwill	931,985
Lease prepayments	80,551
Deferred tax assets	43,563
Inventories	114,064
Trade receivables	4,393
Deposits, prepayments and other receivables	13,609
Cash and cash equivalents	68,026
Assets held for sale	**1,805,121**
Trade and bills payables*	42,803
Receipts in advance	1,135
Accrued expenses and other payables*	20,126
Bank loans	220,000
Deferred income	117,152
Liabilities held for sale	**401,216**

* Trade and bills payables and accrued expenses and other payables do not include the payables of RMB84.01 million in total due to other subsidiaries within the Group.

(b) Cumulative income included in other comprehensive income

At March 31, 2015, the cumulative income included in other comprehensive income relating to the disposal group was RMB29.16 million.

25 TRADE AND BILLS PAYABLES

	The Group At March 31, 2015 RMB'000	The Group At March 31, 2014 RMB'000
Trade payable for purchase of raw materials	**566,920**	546,917
Bills payable	**833,697**	190,794
	1,400,617	737,711

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, 2015 RMB'000	The Group At March 31, 2014 RMB'000
Within 1 month	**567,967**	248,118
Over 1 month but within 3 months	**597,369**	204,769
Over 3 months but within 6 months	**211,435**	267,646
Over 6 months but within 1 year	**14,677**	12,326
Over 1 year but within 2 years	**4,339**	4,852
Over 2 years	**4,830**	—
	1,400,617	737,711

26 RECEIPTS IN ADVANCE

	The Group At March 31, 2015 RMB'000	The Group At March 31, 2014 RMB'000
Receipts in advance for sales of products	**41,133**	26,013
Receipts in advance for disposals of dairy cows	**—**	46
	41,133	26,059

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

27 ACCRUED EXPENSES AND OTHER PAYABLES

(a) The Group

	At March 31, 2015 RMB'000	2014 RMB'000
Payables for acquisition of property, plant and equipment		
— Third parties	**244,468**	143,417
— Affiliates of the Controlling Shareholder	**—**	2,956
Payables for operating leases		
— Third parties	**16,334**	3,647
— Affiliates of the Controlling Shareholder	**12,558**	11,090
Payables for receiving technical supporting services	**—**	6,762
Payables for taxes related to acquisition of lands held under operating leases	**22,039**	23,247
Payables for professional services	**6,628**	6,207
Employee benefits payables	**38,597**	25,025
Accrued advertising and promotion expenses	**45,217**	27,476
Payables for interest expenses	**10,337**	10,613
Payables for value added tax and other taxes	**4,279**	11,545
Conditional government grants received but not yet recognised (Note (i))	**59,370**	160,033
Payables for expenses incurred in connection with the proposed initial public offering of the Company's shares	**—**	12,349
Payables for freight charges	**23,351**	17,429
Capital injected by a non-controlling shareholder but not yet registered	**25,200**	—
Others	**24,452**	27,868
	532,830	489,664

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.

(b) The Company

	At March 31, 2015 RMB'000	2014 RMB'000
Payables for professional services	**433**	12,349
Payables for interest expenses	**4,911**	—
Others	**223**	4
	5,567	12,353

The amount of the Group's payables for acquisition of property, plant and equipment expected to be settled after more than one year was RMB22.30 million as at March 31, 2015 (March 31, 2014: RMB5.46 million). 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.

28 BANK LOANS

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

	At March 31, 2015 RMB'000	At March 31, 2014 RMB'000
Within 1 year	**2,867,199**	1,641,192
After 1 year but within 2 years	**2,062,497**	1,483,185
After 2 years but within 5 years	**2,290,961**	2,223,121
After 5 years	**786,350**	972,850
	5,139,808	4,679,156
	8,007,007	6,320,348

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

	At March 31, 2015 RMB'000	At March 31, 2014 RMB'000
Jointly secured by lease prepayments and property, plant and equipment and own equity interests of the Group and guaranteed by intra-group entities	**418,870**	684,367
Secured by lease prepayments of the Group and guaranteed by key management personnel of the Group	**—**	1,069,000
Secured by property, plant and equipment of the Group and guaranteed by third parties	**150,000**	200,000
Secured by property, plant and equipment of the Group and guaranteed by intra-group entities	**—**	43,019
Secured by lease prepayments and property, plant and equipment of the Group	**1,265,250**	721,250
Secured by deposits with banks to secure letters of credit and guaranteed by intra-group entities	**644,590**	31,000
Secured by the Group's own equity interests and guaranteed by intra-group entities	**109,675**	49,675
Secured by the Group's own equity interests	**532,000**	794,000
Guaranteed by intra-group entities	**3,797,802**	2,057,037
Guaranteed by key management personnel of the Group	**—**	256,000
Guaranteed by third parties	**8,000**	15,000
Unguaranteed and unsecured	**1,080,820**	400,000
	8,007,007	6,320,348

28 BANK LOANS (Continued)

(c) At March 31, the Company's bank loans were repayable as follows:

	At March 31, 2015 RMB'000	2014 RMB'000
Within 1 year	73,707	—
After 1 year but within 2 years	40,948	—
After 2 years but within 5 years	389,010	—
	429,958	—
	503,665	—

(d) At March 31, the Company's bank loans were secured as follows:

	At March 31, 2015 RMB'000	2014 RMB'000
Guaranteed by intra-group entities	122,845	—
Unguaranteed and unsecured	380,820	—
	503,665	—

At March 31, 2015, 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 RMB3,217.13 million (March 31, 2014: RMB3,921.61 million).

Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. Further details of the Group's management of liquidity risk are disclosed in Note 34(b). At March 31, 2015, none of the covenants relating to the bank loans had been breached.

29 DERIVATIVE FINANCIAL LIABILITY

	Years ended March 31,	
	2015	2014
	RMB'000	RMB'000
At the beginning of the year	**—**	16
Changes in fair value (Note 6)	**—**	(16)
At the end of the year	**—**	—

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 were 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.

30 DEFERRED INCOME

	The Group At March 31,	
	2015	2014
	RMB'000	RMB'000
Government grants	**255,287**	226,577

The Group has been awarded government grants in the years ended March 31, 2015 and 2014, 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. 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 above share options granted will lapse on September 26, 2019. On October 8, 2014, another 33,750,000 share options were granted to a newly hired director, which will vest after three years from the date of grant subject to the share price of the Company having reached HK$2.67 at any time during the first three years from October 8, 2014 and the director remaining in continuous employment with the Company pursuant to the service contract from October 8, 2014 for at least two calendar years, or after four years from the date of grant if the share price of the Company does not reach HK$2.67 during the three years from October 8, 2014. Each option gives this director the right to subscribe for one ordinary share in the Company at an exercise price of HK$1.72 per share. The above share options granted will lapse on October 8, 2020.

(a) The fair values of the share options

The fair values of the services received from the holders in return for share options granted are measured by reference to the fair values of the share options granted which were valued by the independent valuers, CBRE Limited and Crowe Horwath (HK) Consulting & Valuation Limited, by using the binomial lattice model. The details are as follows:

	The share options granted on September 27, 2013	**The share options granted on October 8, 2014**
Fair value at the date of grant per share	HK$0.4739	HK$0.5057
Closing price per share on the date of grant	HK$2.59	HK$1.69
Exercise price per share	HK$2.67	HK$1.72
Expected volatility (weighted average)	35.21%	38.23%
Contractual life of the options	6 years	6 years
Expected dividends	0%	2.02%
Risk-free interest rate (based on the Hong Kong Exchange Notes)	1.22%	1.49%
Expected price increase of exercise	35%	35%

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

The fair values of the services received from the holders in return for the share options granted are recognised as a staff cost with a corresponding increase in other reserves within equity. During the year ended March 31, 2015, the Group has charged RMB70.76 million (year ended March 31, 2014: RMB117.04 million) share option expenses in "Administrative expenses" with the same amount credited to "Other reserves".

31 EQUITY SETTLED SHARE-BASED TRANSACTIONS (SHARE OPTION) (Continued)

(b) The number and weighted average exercise price of the share options are as follows:

	Years ended March 31,			
	2015		2014	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HK$2.67**	**680,085,000**	—	—
Granted during the year	**HK$1.72**	**33,750,000**	HK$2.67	680,085,000
Forfeited during the year	**HK$2.67**	**(1,687,500)**	—	—
Outstanding at the end of the year	**HK$2.63**	**712,147,500**	HK$2.67	680,085,000
Exercisable at the end of the year	**HK$2.67**	**339,198,750**	HK$2.67	204,025,500

No options were exercised during the years ended March 31, 2015 and 2014.

The share options outstanding at March 31, 2015 had a weighted average exercise price of HK$2.63 (March 31, 2014: HK$2.67) and a weighted average remaining contractual life of 4.55 years (March 31, 2014: 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,	
	2015 RMB'000	2014 RMB'000
At the beginning of the year	**13,111**	10,147
Provision for PRC income tax on the estimated taxable profits for the year (Note 8(a))	**54,731**	73,354
Income tax paid during the year	**(63,485)**	(70,390)
At the end of the year	**4,357**	13,111
Represents:		
— Income tax payable	**10,963**	24,527
— Prepaid income tax (Note 21(a))	**(6,606)**	(11,416)
	4,357	13,111

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, 2015 are as follows:

	The Group			
Deferred tax arising from:	**Unused tax losses** RMB'000	**Government grants** RMB'000	**Write-down of inventories** RMB'000	**Total** RMB'000
At March 31, 2013	36,053	1,536	195	37,784
Credited/(charged) to profit or loss (Note 8(a))	28,514	(39)	(195)	28,280
At March 31, 2014	64,567	1,497	—	66,064
(Charged)/credited to profit or loss (Note 8(a))	(34,806)	29,415	—	(5,391)
Reclassification to assets held for sale (Note 24)	(14,275)	(29,288)	—	(43,563)
At March 31, 2015	15,486	1,624	—	17,110

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(r), the Group has not recognised deferred tax assets in respect of the cumulative tax losses of RMB454.21 million as at March 31, 2015 (March 31, 2014: RMB117.54 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, 2015 of RMB5.16 million, RMB16.65 million, RMB15.10 million, RMB80.63 million and RMB336.67 million will expire in 2016, 2017, 2018, 2019 and 2020, respectively.

(d) Deferred tax liabilities not recognised

At March 31, 2015, the taxable temporary differences relating to the retained profits of the Company's PRC subsidiaries amounted to RMB1,422.42 million (March 31, 2014: RMB1,317.08 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(r) 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, 2015 are set out below:

	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)

(a) Movements in components of equity (Continued)

	Year ended March 31, 2015					
	Share capital RMB'000 Note 33(c)	Share premium RMB'000 Note 33(d)(1)	Capital redemption reserve RMB'000 Note 33(c)(iv)	Exchange reserve RMB'000 Note 33(d)(4)	Accumulated losses RMB'000	Total RMB'000
Balance at April 1, 2014	1,142,619	8,913,219	—	(9,675)	(5,074)	10,041,089
Changes in equity for 2015:						
Loss for the year	—	—	—	—	(39,043)	(39,043)
Other comprehensive income	—	—	—	(94,003)	—	(94,003)
Total comprehensive income	—	—	—	(94,003)	(39,043)	(133,046)
Purchase of own shares (Note 33(c)(iv))						
— par value paid	(6,941)	—	—	—	—	(6,941)
— premium paid	—	(104,600)	—	—	—	(104,600)
— transfer between reserves	—	(6,941)	6,941	—	—	—
Dividends approved in respect of the previous year	—	(311,208)	—	—	—	(311,208)
Transactions with equity holders of the Company	(6,941)	(422,749)	6,941	—	—	(422,749)
Balance at March 31, 2015	1,135,678	8,490,470	6,941	(103,678)	(44,117)	9,485,294

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, 2015 RMB'000	2014 RMB'000
Final dividend proposed after the end of the reporting period of RMB0.0153 per ordinary share (year ended March 31, 2014: RMB0.0216 per ordinary share)	**219,097**	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

	Years ended March 31, 2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year approved and paid during the year of RMB0.0216 per ordinary share (year ended March 31, 2014: RMBNil per ordinary share)	**311,208**	—

(c) Share capital

Authorised and issued share capital:

	At March 31, 2015		2014	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised: Ordinary shares of: — HK$0.1 each (Note (i))	**20,000,000,000**	**2,000,000**	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,			
	2015		2014	
	No. of shares	**Amount RMB'000**	No. of shares	Amount RMB'000
At April 1,	**14,407,788,000**	**1,142,619**	896,552	74
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
Purchase of own shares (HK$0.1 each) (Note (iv))	**(87,724,000)**	**(6,941)**	—	—
At March 31,	**14,320,064,000**	**1,135,678**	14,407,788,000	1,142,619

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.

(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.

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital (Continued)

Notes: (Continued)

(iv) Purchase of own shares

During the year ended March 31, 2015, the Company purchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	No. of shares purchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid RMB'000
October 2014	41,172,000	1.80	1.73	57,297
November 2014	13,331,000	1.70	1.66	17,811
December 2014	33,221,000	1.43	1.30	36,433
	87,724,000			111,541

The 41,172,000 and 46,552,000 purchased shares were cancelled in November 2014 and January 2015 respectively and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, the par value of the shares cancelled of HK$8,772,400 (equivalent to RMB6,940,526) was transferred from the share premium to the capital redemption reserve. The premium paid on the purchase of the shares of HK$132,195,004 (equivalent to RMB104,600,346) was charged to the share premium.

(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. 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(q)(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(w).

(e) Distributability of reserves

At March 31, 2015, 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 RMB8,490.47 million (March 31, 2014: RMB8,913.22 million). After the end of the current reporting period, the directors proposed a final dividend of RMB0.0153 per ordinary share (year ended March 31, 2014: RMB0.0216 per ordinary share), amounting to RMB219.10 million (year ended March 31, 2014: RMB311.21 million) (Note 33(b)). This dividend has not been recognised as a liability at the end of the current reporting period.

(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.

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(f) Capital management (Continued)

During the year ended March 31, 2015, the Group's policy, which was unchanged from the year ended March 31, 2014, 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,	
	2015 RMB'000	2014 RMB'000
Total bank loans	**8,007,007**	6,320,348
Total equity	**13,685,041**	13,195,194
Bank loans to equity ratio	**59%**	48%

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

34 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, 2015 and 2014, 10% and 17% of the total trade receivables were due from the Group's largest customer and 41% and 52% were due from the five largest customers within the dairy farming, liquid milk products production and milk powders production.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 20.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(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.

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, 2015 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	**1,400,617**	**—**	**—**	**—**	**1,400,617**	**1,400,617**
Accrued expenses and other payables	**510,533**	**22,297**	**—**	**—**	**532,830**	**532,830**
Bank loans	**3,247,355**	**2,299,509**	**2,656,007**	**912,433**	**9,115,304**	**8,007,007**
	5,158,505	**2,321,806**	**2,656,007**	**912,433**	**11,048,751**	**9,940,454**

	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

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The Company

	At March 31, 2015 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
Accrued expenses and other payables	5,567	—	—	—	5,567	5,567
Bank loans	88,202	53,502	394,777	—	536,481	503,665
	93,769	53,502	394,777	—	542,048	509,232

	At March 31, 2014 Contractual undiscovered 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

As shown in the above analysis, the contractual undiscounted cash outflows of the Group and the Company amounting to RMB5,158.51 million and RMB93.77 million respectively are due to be repaid in the year ending March 31, 2016.

34 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 and the Company as at March 31, 2015 and 2014:

The Group

	At March 31, 2015 Effective interest rate %	At March 31, 2015 RMB'000	At March 31, 2014 Effective interest rate %	At March 31, 2014 RMB'000
Fixed rate bank loans	6.22%	3,703,172	6.74%	4,244,853
Variable rate bank loans	5.58%	4,303,835	6.31%	2,075,495
Total borrowings		8,007,007		6,320,348
Fixed rate borrowings as a percentage of total borrowings		46.25%		67.16%

The Company

	At March 31, 2015 Effective interest rate %	At March 31, 2015 RMB'000	At March 31, 2014 Effective interest rate %	At March 31, 2014 RMB'000
Variable rate bank loans	2.98%	503,665	—	—

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At March 31, 2015, 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 RMB55.54 million (March 31, 2014: RMB28.71 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 2014.

(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, 2015			
	RMB RMB'000	USD RMB'000	EURO RMB'000	HKD RMB'000
Other receivables	5,238	21	—	—
Prepayments	—	39,651	—	—
Cash and cash equivalents	1,175,176	48,807	—	5
Other payables	(25,739)	(2)	—	—
Bank loans	—	(1,021,689)	—	—
Net exposure arising from recognised assets and liabilities	1,154,675	(933,212)	—	5

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

The Group (Continued)

	Exposure to foreign currencies (expressed in RMB) At March 31, 2014			
	RMB	USD	EURO	HKD
	RMB'000	RMB'000	RMB'000	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

The Company

	At March 31,			
	2015		2014	
	RMB	**USD**	RMB	USD
	RMB'000	**RMB'000**	RMB'000	RMB'000
Other receivables	**893**	**—**	15,181	62
Cash and cash equivalents	**304,504**	**11,243**	1,265,435	409
Other payables	**(538)**	**—**	—	(9,174)
Bank loans	**—**	**(503,665)**	—	—
Net exposure arising from recognised assets and liabilities	**304,859**	**(492,422)**	1,280,616	(8,703)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(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, 2015		At March 31, 2014	
	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%	50,722	5%	115,194
RMB	(5%)	(50,722)	(5%)	(115,194)
USD	5%	(47,467)	5%	(27,729)
USD	(5%)	47,467	(5%)	27,729
EURO	10%	—	10%	(2,304)
EURO	(10%)	—	(10%)	2,304
HKD	5%	1	5%	1
HKD	(5%)	(1)	(5%)	(1)

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.

34 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 2014.

(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.

34 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, 2015			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Calves and heifers	—	—	2,468,798	2,468,798
Milkable cows	—	—	2,884,696	2,884,696
Alfalfa roots	—	—	5,276	5,276
Total bearer biological assets	—	—	5,358,770	5,358,770

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

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

The Group appointed the independent valuers, Jones Lang LaSalle Sallmanns Limited and Crowe Horwath (HK) Consulting & Valuation Limited to value its bearer biological assets, dairy cows and alfalfa grass, respectively at March 31, 2015 (Jones Lang LaSalle Sallmanns Limited and CBRE Limited respectively at March 31, 2014). The valuation reports are reviewed and acknowledged by the management of the Group.

(Expressed in Renminbi unless otherwise indicated)

34 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: RMB22,898 per head (year ended March 31, 2014: RMB22,850 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: RMB11,264 for the year ended March 31, 2015 (year ended March 31, 2014: RMB10,977), while for the calves and the heifers younger than 14 months old: RMB13,693 in the year ended March 31, 2015 (year ended March 31, 2014: RMB13,255).	• 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)

34 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 8.0 tonnes to 10.0 tonnes for the year ended March 31, 2015 (year ended March 31, 2014: 8.5 tonnes to 10.2 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.

(Expressed in Renminbi unless otherwise indicated)

34 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
		• Future raw milk local market price estimated as at March 31, 2015: RMB4,924 per tonne (as at March 31, 2014: RMB5,107 per tonne).	• The estimated fair value increases when the estimated future raw milk local market price increases.
		• Discount rate is 12.17% for the year ended March 31, 2015 (year ended March 31, 2014: 12.5%) calculated by using the Capital Asset Pricing Model.	• The estimated fair value decreases when discount rate increases.
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: RMB0.3 million for the year ended March 31, 2015 (year ended March 31, 2014: RMB1.8 million).	• The estimated fair value increases when the costs incurred for purchasing and sowing seeds increase.
		• Inflation rate: 1.4% for the year ended March 31, 2015 (year ended March 31, 2014: 2.4%).	• The estimated fair value increases when inflation rate 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, 2015 and 2014.

35 COMMITMENTS

(a) Capital commitments of the Group outstanding at March 31, 2015 not provided for in the financial statements were as follows:

	The Group At March 31, 2015 RMB'000	The Group At March 31, 2014 RMB'000
Contracted for:		
— Property, plant and equipment	**778,154**	302,139
Authorised but not contracted for:	**—**	—
	778,154	302,139

(b) At March 31, 2015, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	The Group At March 31, 2015 RMB'000	The Group At March 31, 2014 RMB'000
Within one year	**37,321**	3,506
After 1 year but within 2 years (inclusive)	**37,708**	7
After 2 years but within 3 years (inclusive)	**37,708**	—
Total	**112,737**	3,513

36 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,	
	2015 **RMB'000**	2014 RMB'000
Purchase of materials	**6,849**	2,058
Consignment production expenses	**—**	14,250
Operating leases of dairy farms and office buildings	**7,600**	7,665
Receipt of gardening services	**—**	15,151
Net decrease in advances granted by the Controlling Shareholder and his affiliates	**—**	14,702
Guarantees provided by related parties for the Group's bank loans	**—**	1,325,000

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

	At March 31,	
	2015 **RMB'000**	2014 RMB'000
Accrued expenses and other payables	**(12,558)**	(14,046)

Further details on the above balances are disclosed in Note 27.

(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,	
	2015 **RMB'000**	2014 RMB'000
Short-term employee benefits	**19,082**	13,409
Retirement scheme contributions	**228**	303
Equity compensation benefits	**38,448**	58,082
	57,758	71,794

36 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

For the year ended March 31, 2015, the related party transactions in respect of purchase of materials and operating leases of dairy farms as included in Note 36(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 leases 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) and the connected transaction of purchase of seeds from Shenyang Longdi Seeds Co., Ltd. as set out in the section "Related Party Transactions and Continuing Connected Transactions" in the Director's Report, the other connected transactions and continuing connected transactions are exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

37 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of subsidiaries

The transaction as disclosed in Note 24 has been completed on April 1, 2015 when the Group received the payment pursuant to the sale and purchase agreement and the rights and duties under the agreement became enforceable. The transaction would result in a gain before taxes of about RMB50 million after taking into account the cash consideration received, the prevailing carrying amount of the relevant net assets concerned and the fair value of the remaining 50% equity interests in the disposal group which was determined with reference to the cash consideration received. Such gain will be credited to the Group's profit or loss in the year ending March 31, 2016.

(b) Establishment of a subsidiary

On May 8, 2015, the Group established a subsidiary, Huishan Dairy Development (Shanghai) Co., Ltd. to conduct sales of dairy products. The total registered capital is RMB100 million. The Group's effective interest in this subsidiary is 65%.

(c) Proposed final dividend

On June 22, 2015, the directors of the Company have proposed a final dividend attributable to the year ended March 31, 2015. Further details are disclosed in Note 33(b).

38 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At March 31, 2015, 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.

(Expressed in Renminbi unless otherwise indicated)

39 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2015

Up to the date of issue of these financial statements, the IASB has issued a few new standards and amendments to standards which are not yet effective for the annual period ended March 31, 2015 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
Annual improvements to IFRSs 2010–2012 Cycle	July 1, 2014
Annual improvements to IFRSs 2011–2013 Cycle	July 1, 2014
Annual improvements to IFRSs 2012–2014 Cycle	January 1, 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	January 1, 2016
Amendments to IAS 16 and IAS 41, *Agriculture: Bearer plants*	January 1, 2016
Amendments to IAS 27, *Equity method in separate financial statements*	January 1, 2016
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	January 1, 2016
Amendments to IAS 1, *Disclosure initiative*	January 1, 2016
IFRS 15, *Revenue from contracts with customers*	January 1, 2018
IFRS 9, *Financial instruments*	January 1, 2018

The Group is in the process of making an assessment of what the impact of these new standards and amendments to standards 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 disclosure requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) will be applicable for the first time to the Company's financial year ending March 31, 2016 in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Group is in the process of making an assessment of the expected impact of the changes in the new Hong Kong 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

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,				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**3,923,384**	3,530,419	2,552,438	1,332,794	374,045
Profit for the year	**875,928**	1,249,229	945,370	449,720	327,913
Attributable to equity shareholders of the Company	**877,075**	1,249,229	945,370	449,720	288,638
Attributable to non-controlling interests	**(1,147)**	—	—	—	39,275
Earnings per share (RMB)[1]	**0.06**	0.10	0.08	0.04	0.03
Proposed dividend per share (RMB)	**1.53 cents**	2.16 cents	—	—	—
Total assets	**24,334,094**	21,020,080	10,510,815	7,189,601	5,506,816
Total liabilities	**10,649,053**	7,824,886	4,627,871	6,307,177	5,118,780
Total equity attributable to equity shareholders of the Company	**13,686,166**	13,195,194	5,882,944	882,424	388,036
Non-controlling interests	**(1,125)**	—	—	—	—

(1) Please refer to Note 13(a) on page 101 for calculation of earnings per share.

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