中國中地乳業控股有限公司

China ZhongDi Dairy Holdings Company Limited

(A company incorporated under the laws of the Cayman Islands with limited liability)

Stock Code : 1492

Global Offering

Sole Sponsor and Sole Global Coordinator

Morgan Stanley

Joint Bookrunners and Joint Lead Managers

Morgan Stanley

CMS 招商证券

Co-lead Manager

Convoy Investment Services Limited

康宏証券投資服務有限公司

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

CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED

中國中地乳業控股有限公司

(a company incorporated under the laws of the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**391,056,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**39,108,000 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**351,948,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$1.30 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal Value	**:**	**US$0.00001 per Share**
Stock Code	**:**	**1492**

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

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

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around November 25, 2015 and, in any event, not later than November 30, 2015. The Offer Price will be not more than HK$1.30 and is currently expected to be not less than HK$1.20. If, for any reason, the Offer Price is not agreed by November 30, 2015 between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The Sole Global Coordinator (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, please see the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See the section headed "Underwriting — Underwriting Agreement and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

November 20, 2015

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in The Standard and in Chinese in Hong Kong Economic Journal.

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk** [2] . . . . 11:30 a.m. on Wednesday, November 25, 2015

Application lists of the Hong Kong Public Offering open [3] . . . . 11:45 a.m. on Wednesday, November 25, 2015

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . 12:00 noon on Wednesday, November 25, 2015

Latest time to give **electronic application instructions** to HKSCC [4] . . . . 12:00 noon on Wednesday, November 25, 2015

Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on Wednesday, November 25, 2015

Application lists of the Hong Kong Public Offering close . . . . 12:00 noon on Wednesday, November 25, 2015

Expected Price Determination Date [5] . . . . Wednesday, November 25, 2015

1. Announcement of:

   - the level of applications in the Hong Kong Public Offering;
   - an indication of the level of interest in the International Offering;
   - the basis of allocation of the Hong Kong Offer Shares

   to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.zhongdidairy.hk**[6][7] on . . . . Tuesday, December 1, 2015

2. Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.zhongdidairy.hk**[6][7] (see the section headed "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results" in this prospectus) from . . . . Tuesday, December 1, 2015

3. A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.zhongdidairy.hk** [6][7] from . . . . Tuesday, December 1, 2015

Results of allocations for the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function . . . . Tuesday, December 1, 2015

Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on[8] . . . . Tuesday, December 1, 2015

Dispatch of White Form e-Refund payment instructions/refund cheques on[9] . . . . Tuesday, December 1, 2015

Dealings in Shares on the Stock Exchange to commence on . . . . Wednesday, December 2, 2015

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(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Wednesday, November 25, 2015, the application lists will not open on that day. Please refer to the section headed "How to Apply for the Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC Via CCASS — Effect of giving electronic application instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around November 25, 2015 and, in any event, not later than November 30, 2015. The Offer Price will be not more than HK$1.30 and is currently expected to be not less than HK$1.20. If, for any reason, the Offer Price is not agreed by November 30, 2015 between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

(6) The announcement will be available for viewing on the "Main Board — Allotment of Results" page on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.zhongdidairy.hk**.

(7) None of the website or any of the information contained on the website forms part of this prospectus.

(8) **Share certificates are expected to be issued on Tuesday, December 1, 2015, but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Wednesday, December 2, 2015. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely of their own risk.**

(9) **e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.**

You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, any of the Underwriters, any of our or their respective directors, officers, employees, partners, agents, representatives or advisers or any other parties involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information disclosed elsewhere in this prospectus. As this is a summary only, it does not contain all the information that may be important to you and we urge you to read the entire prospectus carefully before making your investment decision. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a dairy farming company producing premium raw milk in China. We ranked 11th in terms of herd size of dairy cows and 18th in terms of raw milk sales volume out of over 1,000 dairy farming companies in China in 2014, and our market share was 0.2% while the aggregate market share for the 10 largest dairy farming companies combined was 9.9% in 2014, according to Frost & Sullivan. We engage in business operations mainly including raising dairy cows, breeding dairy cows, raw milk production and sale, as well as importing and selling dairy cows of quality breeds, participating in multiple stages of the dairy farming industry value chain in China. Over more than ten years of development, we have grown into a National Flagship Enterprise for Industrialization of Agriculture (農業產業化國家重點龍頭企業) accredited by the MOA.

We have established a network of dairy farms strategically located in regions suitable for dairy farming in China. As of June 30, 2015, we owned and operated four modernized dairy farms located in Beijing and the Inner Mongolia Autonomous Region in northern China, Liaoning Province in northeastern China, and the Ningxia Hui Autonomous Region in northwestern China, respectively. As of December 31, 2014 and June 30, 2015, we had a total herd of 28,482 and 37,160 Holstein cows at our dairy farms (including our four operating dairy farms as well as Shanxi Tianzhen Farm, Hebei Wen'an Farm and Inner Mongolia Shangdu Farm (Phase II) which were under development as of June 30, 2015), respectively. To help ensure the quality and stable supply of feeds at efficient cost, we had also leased or contracted land of approximately 37,000 mu in total as of June 30, 2015 to grow feeds at our five crop farms surrounding or close to our dairy farms.

We also engage in an import trading business primarily in cows, alfalfa hay and other animal husbandry-related products in China. According to Frost & Sullivan, we were the third largest importer of dairy cows in China in terms of volume in 2014, with a market share of 18.1%. Our import trading business supports the expansion of our network of dairy farms primarily by importing quality dairy cows from overseas in a timely manner as foundation cows for our expanded or newly developed dairy farms.

As of June 30, 2015, we were developing (i) the second phases of two of our four operating dairy farms and (ii) two new dairy farms. In addition, we were in the process of converting our Tianjin Import Quarantine Farm into a new dairy farm, the Tianjin Farm. We intend to commence developing the second phase of our operating Liaoning Kuandian Farm by the second quarter of 2016. Upon completion of our current expansion, our network of dairy farms is expected to cover seven provinces or provincial-level cities in China, including Beijing, Tianjin, Shanxi Province, Hebei Province and the Inner Mongolia Autonomous Region in northern China, Liaoning Province in northeastern China, and the Ningxia Hui Autonomous Region in northwestern China. Upon completion of such developments, the land occupied by our dairy farms is expected to reach a total size of approximately 12,220 mu, with an aggregate designed capacity to raise approximately 71,413 dairy cows. For more details about our expansion, please see the subsection headed "— Our Production Facilities — Expansion Plan" in the section headed "Business" commencing on page 202 of this prospectus.

OUR BUSINESS OPERATIONS

Dairy Farming Business

Our dairy farming business is primarily engaged in feeding, breeding and milking dairy cows and selling the raw milk primarily to industrial customers. All our dairy cows are of the Holstein breed, which ranks first among the dairy breeds in the world in terms of average milk yield per head according to Frost & Sullivan. The following table sets forth the total number, breakdown and other related information of our dairy cows as of the dates indicated.

	Number of Dairy Cows			
	Milkable Cows	Heifers and calves	Reproduced heifers/calves held for sale	Total
	(head)			
As of December 31,				
2012	3,813	1,809	1,800	7,422
2013	5,143	6,429	131	11,703
2014	8,671	19,311	500	28,482
As of June 30,				
2015	10,374	26,286	500	37,160

Import Trading Business

We conduct an import trading business primarily in cows, alfalfa hay, live poultry, breeding stock and other animal husbandry-related products such as frozen bull semen. Our import trading business is conducted under two distinctive business models: principal trading and agency services. Under the principal trading model, we primarily import dairy cows and alfalfa hay into China as principal and sell to customers, enjoying the premium, if any, of the sale price over the import price and related costs as our return. Under our agency services model, we primarily import live poultry, breeding stock and other animal husbandry-related products such as frozen semen of farm animals as agent of our customers. We charge the customer a commission for acting as its agent. A substantial majority of our trading business by value had been conducted under the principal trading model during the Track Record Period and up to the Latest Practicable Date.

OUR FINANCIAL PERFORMANCE

The following table sets forth our revenue, gross profit and gross profit margin with respect to the dairy farming business and the import trading business, respectively, for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB'000, except percentages)				
				(unaudited)	
Dairy farming business					
Revenue	150,824	182,751	308,426	153,488	180,566
Gross profit before biological fair value adjustments	68,458	74,598	130,451	74,337	82,165
Gross profit margin before biological fair value adjustments	45.4%	40.8%	42.3%	48.4%	45.5%
Import trading business					
Revenue	256,055	126,309	413,129	179,294	49,283
Gross profit before biological fair value adjustments	21,570	19,556	58,358	8,713	5,576
Gross profit margin before biological fair value adjustments	8.4%	15.5%	14.1%	4.9%	11.3%

Our profit from continuing operations before fair value adjustments was RMB67.2 million, RMB73.7 million, RMB103.3 million and RMB42.4 million, respectively, for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015. Our net profit before fair value adjustments and excluding government grants was RMB60.4 million, RMB62.0 million, RMB87.0 million and RMB34.4 million, respectively, during the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015. The government grants we received during the Track Record Period included (i) government grants relating to income, (ii) government grants relating to biological assets and (iii) government grants relating to other assets. For more details about the government grants, please see the subsection headed "— Description of Certain Income Statement Items — Other Income" in the section headed "Financial Information" on page 285 of this prospectus. Our net profit margin from continuing operations before biological fair value adjustments was 16.5%, 23.8%, 14.3% and 18.5%, respectively, for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015. Please see the section headed "Financial Information" commencing on page 263 of this prospectus for details regarding the performance of our dairy farming business during the Track Record Period.

COMPETITIVE LANDSCAPE AND PRICE FLUCTUATION IN THE PRC DAIRY INDUSTRY

According to Frost & Sullivan, in recent years, foreign dairy brands increased their market penetration in China due to the growing demand for high-quality dairy products. Because of the short shelf life of raw milk, the major foreign competition for domestic raw milk producers has been from foreign producers of milk powder, which can be used as a substitute for raw milk for certain dairy products. The volume of imported milk powder increased substantially from 247,800 tonnes in 2009 to 923,700 tonnes in 2014, representing a CAGR of 30.1% during that period. In particular, due to a shortage of supply of raw milk and the surge in raw milk prices in China in the second half of 2013, the volume of imported milk powder increased significantly from 573,100 tonnes in 2012 to 854,400 tonnes in 2013. In 2014, the total volume of imported milk powder accounted for 19.8% of raw milk production in China. According to the China Customs, the volume of imported milk powder decreased by 64.5% from 681,500 tonnes in the first half of 2014 to 242,200 tonnes in the second half of 2014 and increased by 42.0% to 344,000 tonnes in the first half of 2015. Due to the seasonality of raw milk production in the southern hemisphere, the volume of imported milk powder into China is usually higher in the first quarter and therefore the import volume in the first half is usually higher than that in the second half. According to Frost & Sullivan, the volume of imported milk powder in 2015 is likely to be lower than that in 2013 and 2014. The average import price of milk powder decreased sharply from RMB3,933 per tonne in May 2014 to RMB1,994 per tonne in April 2015. As the average raw milk prices decreased from RMB4,158 per tonne in May 2014 to RMB3,404 per tonne in April 2015, the price gap between milk powder and raw milk significantly widened from 5.7% in May 2014 to 70.7% in April 2015. The price gap narrowed to 66.6% in September 2015. For details about the competition from foreign dairy brands, please see the subsection headed "Competition from Foreign Dairy Brands and Foreign Milk Powder Imports" in the section headed "Industry Overview" commencing on page 87 of this prospectus.

According to Frost & Sullivan, the average raw milk price in China increased from RMB2,433 per tonne in 2009 to RMB4,042 per tonne in 2014, in line with the growing domestic demand and the rising costs of feeds and labor. During the Track Record Period, the market price of raw milk in China increased steadily from January 2012 to June 2013, and surged in the second half of 2013 until February 2014 due to the shortage of raw milk supply. Since March 2014, due to the import of large amounts of milk powder, the market price of raw milk has been subject to downward pressure. Notwithstanding the decline since March 2014, the average market price of raw milk in China was RMB4,042 per tonne in 2014, up 11.9% from 2013, which represented a CAGR of 10.7% from 2009 to 2014. The average raw milk price in China decreased substantially from RMB4,228 per tonne in March 2014 to RMB3,440 per tonne in February 2015, and remained stable at around RMB3,400 per tonne from February 2015 to September 2015. The average raw milk price in China decreased by 11.8% from RMB3,900 per tonne in the second half of 2014 to RMB3,438 per tonne in the first half of 2015, primarily due to, among other things, an increase by 42.0% in the volume of imported milk powder into China from 242,200 tonnes in the second half of 2014 to 344,000 tonnes in the first half of 2015. Based on Chinese consumers' increasing demand for dairy products, the decreasing volume of imported milk powder into China, the price trends for raw milk, milk powder and other dairy products and a variety of other relevant factors, Frost & Sullivan expects the average raw milk price in China to recover slightly from the current level in the second half of 2015, resulting in an annualized decline of approximately 12.7% in 2015, and to rise gradually in the next three to four years. Due to the decreasing market price since March 2014, our average raw milk selling price decreased from RMB4,785 per tonne in 2014 to RMB4,398 per tonne in the first half of 2015. Notwithstanding the decrease in the average selling price and certain downward adjustments to the minimum purchase volumes in the raw milk purchase agreements of one of our key customers, the gross profit margin of our dairy farming business increased slightly from 42.3% in 2014 to 45.5% in the first half of 2015 due to, among other things, our continued efforts to increase the average milk yield of our milking cows and to manage our feed cost. For details about fluctuations in the raw milk price in China and the market trend, please see the subsection headed "Raw Milk Price" in the section headed "Industry Overview" commencing on page 102 of this prospectus.

LONG-TERM STRATEGIC COOPERATION AGREEMENTS WITH MENGNIU AND YILI

Our raw milk customers are mainly industrial customers. We sold the raw milk produced by our dairy cows directly to a limited number of dairy companies during the Track Record Period, such as Mengniu and Yili, two leading dairy companies in China targeting the national market. In August and September 2014, we entered into long-term strategic cooperation agreements with Mengniu and Yili, respectively. Under the Mengniu Strategic Agreement, Mengniu is committed to purchase, and we are committed to sell to Mengniu, until July 31, 2024, (i) 50% of all raw milk to be produced at our Ningxia Helan Farm (including both phases I and II), (ii) all raw milk to be produced at our Liaoning Kuandian Farm (including both phases I and II) and our Beijing Shunyi Farm, and (iii) all raw milk to be produced at our Shanxi Tianzhen Farm and our Hebei Wen'an Farm, both of which were under development as of June 30, 2015, in each case, provided that the raw milk meets certain prescribed quality standards. Under the Yili Strategic Agreement, Yili is committed to purchase, and we are committed to sell, for a period of ten years, (i) 50% of all raw milk to be produced at our Ningxia Helan Farm (including both phases I and II), and (ii) all raw milk to be produced at our Inner Mongolia Shangdu Farm (including both phases I and II), in each case, provided that the raw milk meets certain prescribed quality standards.

We will be deemed to fail to supply raw milk to Mengniu or Yili and breach the relevant cooperation agreements if we do not deliver our raw milk to Mengniu or Yili, respectively, in accordance with the mutually agreed schedule, quantity or quality standards. The relevant raw milk purchase and sale agreement entered into pursuant to the Mengniu Strategic Agreement is deemed to be unilaterally terminated by us if we continuously refuse to supply any quality raw milk to Mengniu for a consecutive period of more than five days, and is deemed to be unilaterally terminated by Mengniu if Mengniu continuously refuses to purchase any raw milk at all that we deliver to it for a consecutive period of more than five days. The relevant raw milk purchase and sale agreement entered into pursuant to the Yili Strategic Agreement is deemed to be unilaterally terminated by us if we fail to supply raw milk to Yili for more than 30 instances within one year, and is deemed to be unilaterally terminated by Yili if Yili fails to purchase raw milk we deliver to it for more than 30 instances within one year.

The committed sales volume of milk to Mengniu and Yili covers 100% of our existing milk production capacity and over 90% of our estimated capacity expected upon completion of our expansion plans in 2017. In the next 3-5 years, we expect that no less than 80% of our total dairy farming revenue will be derived from the sales to Mengniu and Yili. As such, we rely heavily on Mengniu and Yili for sales of our raw milk. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, revenue generated from the sales to Mengniu and Yili amounted to RMB144.4 million, RMB126.6 million, RMB216.9 million and RMB180.3 million, respectively, representing 95.8%, 69.2%, 70.3% and 99.8% of our total dairy farming revenue and 35.5%, 40.9%, 30.1% and 78.5% of our total revenue during the respective periods.

Our cooperation with Mengniu and Yili has allowed us to secure purchase commitments for all the raw milk that meets certain prescribed quality standards we produce at our four operating dairy farms and five of the dairy farms (including second phases of certain operating dairy farms) covered under our current expansion plans for the next ten years. However, we may choose to waive Mengniu and Yili's purchase commitments and compensation to us for their breach of such commitments due to their dominant position in the market and strong bargaining power, as well as our heavy reliance on them. Mengniu and Yili were our top two customers during the six months ended June 30, 2015. Due to a shortage of supply of raw milk and the surge in raw milk prices in China in the second half of 2013, dairy companies started to import milk powder from foreign countries, such as Australia and New Zealand, to meet their production requirements and reduce their costs of raw materials. Milk powder can be used as a substitute for raw milk for certain dairy products and was generally cheaper than domestic raw milk during the Track Record Period. With substantial amounts of unconsumed imported milk powder in stock, one of our key customers proposed, and we agreed after due and careful consideration, to adjust downwards its minimum purchase volume in our raw milk purchase and sale agreements from December 2014 to June 2015. There has been no such downward adjustment of purchase volume since July 2015. The referenced key customer has stronger bargaining power than us due to its dominant position in the market. Although we believe that the temporary mutual arrangements we reached with this customer to accommodate the short term market fluctuations are in our best interests and indicative of a relationship that is built on good faith, we may continue to choose to waive such minimum purchase volume requirements for such customer and may choose to do so for other customers in the future. There is no cap on the amount of the downward adjustments of purchase volume that may be proposed by the referenced key customer and potentially other customers; however, we may choose not to agree to such proposed reductions. The unsold amounts would have represented approximately RMB1.1 million and RMB18.8 million of revenue in 2014 and the first half of 2015, respectively, if we had actually sold all the originally agreed purchase volume of our raw milk to that key customer. The difference between the originally agreed purchase volume and the decreased purchase volume for such customer during 2014 and the first half of 2015 was equal to approximately 1% and 11% of our total raw milk production volume in the respective periods. From December 2014 to June 2015, we sold approximately 20% of this raw milk to another key customer, which was a leading national dairy company, and to other alternative buyers, which were local dairy processors that had long-term relationships with us. We dehydrated the remainder into unprocessed milk powder, which is intended to be used to feed new calves in our expanded dairy farms. The unsold raw milk that was dehydrated into unprocessed milk powder was recorded as inventories, being stated at the lower of cost and net realizable value. The carrying amounts of such inventories were approximately RMB0.7 million and RMB13.0 million, respectively, for the year ended December 31, 2014 and the six months ended June 30, 2015. For further details, please see the section headed "Business — Long-term Strategic Cooperation Agreements with Mengniu and Yili" commencing on page 176 of this prospectus.

RECENT DEVELOPMENTS

Our Inner Mongolia Shangdu Farm (Phase II), Ningxia Helan Farm (Phase II) and Shanxi Tianzhen Farm commenced production in July 2015, August 2015 and August 2015, respectively, and such dairy farms are ramping up their production to reach full-scale operation. During August and September 2015, we experienced temporary construction delays at the Shanxi Tianzhen Farm and temporary production disruptions at the Inner Mongolia Shangdu Farm (Phase II).

We have received orders for 4,600 imported cows from customers this year. Due to the lead time of approximately seven months for these transactions, we expect that these cows will be delivered to our customers by January 2016 with the revenue recognized in the same period. As such, we do not expect any further revenue from the import trading of cows in the second half of 2015.

Our average raw milk selling price was approximately RMB4,200 per tonne in September 2015 based on management accounts. According to Frost & Sullivan, the average raw milk market price in China was RMB3,436 per tonne in September 2015 and the import price of milk powder (milk equivalent, CIF China) was RMB2,063 per tonne in September 2015.

In October 2015, the eighteenth Central Committee of the Communist Party convened the fifth meeting and announced the "two-child policy", which ended the "one-child policy" that was implemented from the late 1970s. Under the new policy, each Chinese family is allowed to have two children in order to cope with the severe aging population problem in China and promote balanced development of the Chinese population. The new policy, if approved during the Chinese parliament's annual session as early as December 2015, is expected to stimulate the growth of the Chinese dairy industry, especially the Chinese infant formula milk powder industry. Frost & Sullivan expects the "two-child policy" will bring positive development for raw milk producers and dairy cow importers. For details, please see the subsection headed "Influence of the "Two-Child Policy"" in the section headed "Industry Overview" on page 90 of this prospectus.

On November 6, 2015, Mr. NG Ming Hon tendered his resignation as the chief financial officer of the Company for personal reasons. The resignation was approved by our Board on November 6, 2015 and became effective on November 7, 2015. Mr. NG Ming Hon confirmed that he had no disagreement with our Board and that there are no other matters relating to his resignation that are required to be brought to the attention of the Shareholders. We appointed Ms. HE Shan as the new chief financial officer for our Company, which appointment was accepted and duly approved on November 6, 2015 and became effective on November 7, 2015. For details about Ms. HE Shan, please see the section headed "Directors and Senior Management - Senior Management - HE Shan (何珊)" on page 246 of this prospectus. Despite his resignation, Mr. NG Ming Hon agreed to stay with our Company for a transition period for handing over his work to Ms. HE Shan by December 31, 2015 at the latest. Our Company agreed to continue to pay him salary by the standard in his original employment agreement until December 31, 2015 at the latest.

Expected Significant Declines in Revenue and Profit for the Year Ending December 31, 2015 and Material Adverse Change Relating to Our Import Trading Business

Our Directors expect that our total revenue, gross profit before biological fair value adjustment for our import trading business and our profit for the year ending December 31, 2015 to be lower than that in the year ended December 31, 2014 primarily due to the following factors:

(i) the performance of our import trading business in the first half of 2015 was impacted by significant declines in raw milk prices in China since March 2014. Revenue from our import trading business decreased by 72.5% from RMB179.3 million in the first half of 2014 to RMB49.3 million in the first half of 2015 as the number of orders for dairy cows decreased significantly. Due to the lead time for delivery of imported cows, the 4,600 cows orders we received from our customers this year are only expected to be delivered by January 2016 with the revenue recognized in the same period. As such, we do not expect any further revenue from the import trading of cows in the second half of 2015. In light of this, we expect the revenue from our import trading business for the year ending December 31, 2015 to be substantially lower than that for the year ended December 31, 2014;

(ii) based on our management account, our average milk yield in the third quarter of 2015 was lower than that in the first half of 2015 primarily because the average milk yield at certain of our dairy farms that commenced production in July and August 2015 was adversely affected by our expansion plan as it usually takes one or two months for our dairy cows to adapt to the new milking system and the new environment;

(iii) based on our management account, the average selling price for our raw milk for the third quarter of 2015 was lower than that for the first half of 2015 primarily because certain quality indicators of the raw milk produced at certain of our newly expanded or developed dairy farms decreased slightly as it usually takes one or two months for our dairy cows to adapt to the new milking system and the new environment; and

(iv) the listing expenses to be incurred by our Company in the year ending December 31, 2015 are expected to be much higher than that in the year ended December 31, 2014.

As a result of the foregoing, our Directors expect that our financial performance for the year ending December 31, 2015 will be materially adversely affected.

Save as disclosed above, there is no event since June 30, 2015 which would materially adversely affect the audited financial information as set out in Appendix I to this prospectus.

OUR CUSTOMERS

During the Track Record Period, our Group's top five customers primarily included (i) various leading national dairy companies such as Yili, Mengniu and Sanyuan, who purchased the raw milk produced by our dairy farming business as their raw materials, and (ii) various dairy farming companies, who purchased the dairy cows imported and sold by our import trading business.

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, revenue generated from the top five customers of our import trading business amounted to RMB162.9 million, RMB120.4 million, RMB229.1 million and RMB46.9 million, respectively, representing 63.7%, 95.3%, 55.4% and 95.1% of our total import trading revenue in the respective periods. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, revenue generated from the largest customer of our import trading business amounted to RMB76.2 million, RMB70.0 million, RMB73.6 and RMB29.0 million, respectively, representing 29.8%, 55.4%, 17.8% and 58.8% of our total import trading revenue during the respective periods.

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, revenue generated from the top five customers of our dairy farming business amounted to RMB144.5 million, RMB163.4 million, RMB294.4 million and RMB180.6 million, respectively, representing 95.8%, 89.3%, 95.4% and 100.0% of our total dairy farming revenue in the respective periods. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, revenue generated from the largest customer of our dairy farming business amounted to RMB132.2 million, RMB111.2 million, RMB140.1 million and RMB92.0 million, respectively, representing 87.7%, 60.8%, 45.4% and 51.0% of our total dairy farming revenue during the respective periods.

RAW MATERIALS AND SUPPLIERS

The principal raw materials we use include (i) feeds for dairy cows, mainly including corn silage, alfalfa hay and concentrates, (ii) frozen semen used to breed dairy cows, and (iii) vaccines and veterinary drugs for our dairy cows. A substantial portion of our corn silage and some of our alfalfa are sourced from our crop farms in the vicinity of our dairy farms. We import a portion of alfalfa hay consumed by our dairy cows from the U.S. while we also purchase alfalfa hay of comparable quality from domestic growers and suppliers at a competitive price. We purchase frozen semen imported from the U.S., Canada and Germany. We source the remaining raw materials from multiple domestic third-party suppliers.

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, purchases from our Group's five largest suppliers amounted to RMB235.6 million, RMB376.8 million, RMB935.2 million and RMB161.0 million, respectively, representing approximately 68.9%, 56.4%, 71.9% and 44.4% of our total purchases in the respective periods. Purchases from our Group's single largest supplier amounted to RMB121.5 million, RMB160.7 million, RMB434.0 million and RMB108.3 million, respectively, representing approximately 35.5%, 24.0%, 33.4% and 29.9% of our total purchases in the respective periods.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths are critical to our continuing success in China:

- we have established a network of dairy farms strategically located in regions suitable for dairy farming in China;

- we have a scalable operating model that should enable us to further grow our market share in a sustainable manner;
- we produce premium raw milk that dairy companies use to process into high-end liquid milk;
- we enjoy a stable supply of quality feeds at efficient cost;
- our strategic cooperation agreements with Mengniu and Yili help secure long-term demand for our raw milk and increase certainty and reliability of our future revenue stream;
- we focus on investing in and improving the breeds and genetic features of our dairy cows to achieve higher and sustainable productivity; and
- we have an experienced and professional management team, focusing on the sustainable growth of our business.

OUR STRATEGIES

We intend to continue expanding our operation scale, and ultimately become one of the largest dairy farming companies in China, producing premium and safe raw milk. Key strategies for reaching our goals are as follows:

- continue to expand existing and develop new dairy farms;
- pursue opportunities to expand into downstream processing operations of the dairy industry value chain;
- continue to improve operational efficiency of our dairy farms; and
- seek to establish additional new crop farms and further improve yield and efficiency of our crop farms.

OUR SHAREHOLDERS AND CONTINUING CONNECTED TRANSACTIONS

Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai, as parties acting-in-concert, are regarded as our Ultimate Controlling Shareholders. We expect to continue certain continuing connected transactions with entities controlled by the Ultimate Controlling Shareholders after Listing, among which the transactions with Urban Construction for construction of our dairy farms are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. We have applied for and the Stock Exchange has conditionally granted to us a waiver from strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules. For more information, please see the section headed "Connected Transactions" commencing on page 231 of this prospectus.

As a part of our Reorganization, a number of Pre-IPO Investors acquired our Shares and were granted certain special rights which will be terminated and discontinued upon Listing. For more details, please see the sections headed "History, Development and Reorganization" and "Relationship with Our Controlling Shareholders" commencing on page 125 and page 254, respectively, of this prospectus.

SUMMARY HISTORICAL FINANCIAL INFORMATION

Our profit from continuing operations before fair value adjustments was RMB67.2 million, RMB73.7 million, RMB103.3 million and RMB42.4 million, respectively, for the years ended 31 December 2012, 2013 and 2014 and the six months ended June 30, 2015. Our profit before fair value adjustments and excluding government grants was RMB60.4 million, RMB62.0 million, RMB87.0 million and RMB34.4 million, respectively, during the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015. Our profit margin from continuing operations before biological fair value adjustments was 16.5%, 23.8%, 14.3% and 18.5%, respectively, for the years ended 31 December 2012, 2013 and 2014 and the six months ended June 30, 2015.

The following table sets forth selected consolidated statements of profit or loss and other comprehensive income items for the periods indicated.

	Year ended 31 December									Six months ended 30 June					
	2012			2013			2014			2014			2015		
	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
										(unaudited)	(unaudited)	(unaudited)			
Continuing operations															
Revenue	406,879	—	406,879	309,060	—	309,060	721,555	—	721,555	332,782	—	332,782	229,849	—	229,849
Cost of sales	(316,851)	(77,955)	(394,806)	(214,906)	(85,209)	(300,115)	(532,746)	(177,668)	(710,414)	(249,732)	(79,558)	(329,290)	(142,108)	(81,149)	(223,257)
Gross profit	90,028	(77,955)	12,073	94,154	(85,209)	8,945	188,809	(177,668)	11,141	83,050	(79,558)	3,492	87,741	(81,149)	6,592
Gains arising from changes in fair value less costs to sell of biological assets	—	19,301	19,301	—	31,868	31,868	—	110,959	110,959	—	23,550	23,550	—	5,008	5,008
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	—	62,591	62,591	—	61,164	61,164	—	115,699	115,699	—	67,332	67,332	—	76,209	76,209
Other income[1]	8,839	—	8,839	14,556	—	14,556	20,112	—	20,112	14,062	—	14,062	9,284	—	9,284
Other gains and losses	(455)	—	(455)	524	—	524	(2,787)	—	(2,787)	(386)	—	(386)	(1,509)	—	(1,509)
Distribution costs	(6,748)	—	(6,748)	(6,905)	—	(6,905)	(11,952)	—	(11,952)	(5,050)	—	(5,050)	(9,133)	—	(9,133)
Administration expenses	(16,835)	—	(16,835)	(21,964)	—	(21,964)	(39,328)	—	(39,328)	(18,082)	—	(18,082)	(21,327)	—	(21,327)
Other expenses	(143)	—	(143)	(172)	—	(172)	(9,752)	—	(9,752)	(1,359)	—	(1,359)	(8,369)	—	(8,369)
Profit before change in fair value of convertible preferred shares, finance costs and tax from continuing operations	74,686	3,937	78,623	80,193	7,823	88,016	145,102	48,990	194,092	72,235	11,324	83,559	56,687	68	56,755
Change in fair value of convertible preferred shares	—	—	—	—	—	—	(13,474)	—	(13,474)	—	—	—	—	—	—
Finance costs	(7,456)	—	(7,456)	(6,485)	—	(6,485)	(28,307)	—	(28,307)	(13,524)	—	(13,524)	(14,241)	—	(14,241)
Profit before tax from continuing operations	67,230	3,937	71,167	73,708	7,823	81,531	103,321	48,990	152,311	58,711	11,324	70,035	42,446	68	42,514
Income tax expenses	—	—	—	—	—	—	(15)	—	(15)	(15)	—	(15)	—	—	—
Profit for the year/period from continuing operations	67,230	3,937	71,167	73,708	7,823	81,531	103,306	48,990	152,296	58,696	11,324	70,020	42,446	68	42,514

	Year ended 31 December									Six months ended 30 June					
	2012			2013			2014			2014			2015		
	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
										(unaudited)	(unaudited)	(unaudited)			
Discontinued operation															
Profit (loss) for the year/period from discontinued operation	148	(672)	(524)	(511)	(226)	(737)	(1,836)	(2,112)	(3,948)	(1,836)	(2,112)	(3,948)	—	—	—
Profit for the year/period	67,378	3,265	70,643	73,197	7,597	80,794	101,470	46,878	148,348	56,860	9,212	66,072	42,446	68	42,514
Profit and total comprehensive income for the year/period attributable to owners of the Company	67,378	3,265	70,643	73,197	7,597	80,794	101,470	46,878	148,348	56,860	9,212	66,072	42,446	68	42,514
Earnings per share															
From continuing and discontinued operations															
- Basic (RMB cents per share)			8.4			7.3			10.5			6.0			2.4
- Diluted (RMB cents per share)			N/A			N/A			10.5			6.0			2.4
From continuing operations															
- Basic (RMB cents per share)			8.5			7.4			10.8			6.3			2.4
- Diluted (RMB cents per share)			N/A			N/A			10.8			6.3			2.4

Note:

(1) Our other income includes government grants, bank interest income and other income. The government grants we received during the Track Record Period included (i) government grants relating to income, (ii) government grants relating to biological assets and (iii) government grants relating to other assets. Government grants relating to income were unconditional government subsidies awarded to give immediate financial support to our operations, which were recognized when there was reasonable assurance that we would comply with the conditions attaching to them and the grants would be received. To qualify for such grants, we must submit our business plans for certain agricultural projects, such as innovative dairy cow breeding experiments, to the competent government authority and obtain their approvals. These grants were project based and the government authority had discretion to approve or reject our applications based on the merits of our business plans. Government grants relating to biological assets were awarded under the local government schemes designed to promote the local dairy farming industry and were recognized in profit or loss only when such grants became receivable. To qualify for such grants, we must engage in dairy farming business and submit our dairy cow importing plans or alfalfa growing plans to the local governments and obtain their approvals. The local governments granted such subsidies to us based on the number of dairy cows we planned to import and the scale of alfalfa we planned to grow. Government grants relating to other assets were awarded by local governments to support the construction and development of our dairy farm infrastructure or the purchase of advanced machinery used in our dairy farming business. Such grants were conditional on the construction, purchase, or acquisition of the relevant non-current assets by us, and were recognized upon receipt as deferred income in our consolidated statement of financial position and released to profit or loss on a systematic and rational basis over the useful lives of the related non-current assets. To qualify for such grants, we must engage in dairy farming business and submit our dairy farm construction plans or equipment purchase plans to the local governments and obtain their approval. The local governments granted such subsidies to us based on the capital expenditures we planned to spend on the dairy farm infrastructure or the equipment.

During the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we recognized government grants amounting to RMB6.8 million, RMB11.8 million, RMB16.3 million and RMB8.0 million, respectively, representing 1.7%, 3.8%, 2.3% and 3.5% of our revenue and 9.6%, 14.4%, 10.7% and 18.9% of our profit from continuing operations in the respective periods. The government grants in the respective periods included (i) government grants relating to income of RMB5.4 million, RMB9.3 million, RMB2.4 million and RMB2.0 million, (ii) government grants relating to biological assets of nil, RMB1.0 million, RMB10.7 million and RMB5.5 million, and (iii) government grants relating to other assets of RMB1.4 million, RMB1.4 million, RMB3.2 million and RMB0.5 million.

The following table sets forth selected consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Non-current assets	451,836	830,788	1,751,662	2,036,328
Current assets	331,103	550,196	506,842	388,200
Current liabilities	261,608	692,632	647,352	581,701
Net current assets/(liabilities)	69,495	(142,436)	(140,510)	(193,501)
Total assets less current liabilities	521,331	688,352	1,611,152	1,842,827

The following table sets forth selected consolidated statements of cash flow for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Net cash from (used in) operating activities	52,462	146,737	(21,848)	130,793
Net cash used in investing activities	(156,905)	(501,893)	(726,833)	(312,674)
Net cash from financing activities	222,394	302,989	792,772	146,280
Net increase (decrease) in cash and cash equivalents	117,951	(52,167)	44,091	(35,601)
Cash and cash equivalents at beginning of year	36,273	154,224	102,057	146,148
Cash and cash equivalents at end of year	154,224	102,057	146,148	110,547

BIOLOGICAL ASSETS

Our biological assets primarily include (i) cows held for sale for our import trading business, and (ii) milkable cows, heifers and calves, reproduced heifers/calves held for sale and alfalfa roots for our dairy farming business. Our biological assets were valued by JLL, an Independent Third Party, with appropriate qualifications and experience in valuation of biological assets. The following table sets forth the fair value and number of our biological assets by different groups as of the dates indicated.

	As of December 31,									As of June 30,		
	2012			2013			2014			2015		
	Herd size (head)	Aggregate value (RMB'000)	Average value (RMB)	Herd size (head)	Aggregate value (RMB'000)	Average value (RMB)	Herd size (head)	Aggregate value (RMB'000)	Average value (RMB)	Herd size (head)	Aggregate value (RMB'000)	Average value (RMB)
Import trading business												
Cows held for sale	—	—	—	6,252	98,516	15,758	1,669	37,775	22,634	—	—	—
Dairy cows held at quarantine farms for own use	2,986	63,013	21,103	669	10,542	15,758	7,030	159,116	22,634	—	—	—
Dairy Farming Business												
Milkable cows	3,813	107,090	28,085	5,143	164,970	32,077	8,671	275,320	31,752	10,374	336,110	32,399
Heifers and calves	1,809	43,028	23,786	6,429	136,228	21,190	19,311	453,373	23,477	26,286	676,260	25,727
Reproduced heifers/calves held for sale	1,800	29,342	16,301	131	1,832	13,985	500	6,377	12,753	500	6,640	13,280
Alfalfa	—	—	—	—	—	—	—	2,582	—	—	—	—
Breeder hogs	933	2,433	2,608	735	2,340	3,184	—	—	—	—	—	—
Commodity hogs	4,260	3,552	834	5,419	4,656	859	—	—	—	—	—	—

Please see the section headed "Financial Information — Certain Statement of Financial Position Items — Biological Assets — Key Assumptions and Inputs" on page 303 of this prospectus for more information about the key assumptions and inputs for the valuation of our biological assets and the section headed "Financial Information — Certain Statement of Financial Position Items — Biological Assets — Sensitivity Analysis" on page 306 of this prospectus for more information about the sensitivity analysis on the estimated value of milkable cows.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods indicated or as of the dates indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2012	2013	2014	2015
Return on equity [(1)]	19.1%	14.6%	14.5%	2.9%
Return on assets [(2)]	10.8%	7.5%	8.4%	1.8%
Current ratio [(3)]	1.3	0.8	0.8	0.7
Quick ratio [(4)]	1.0	0.6	0.5	0.4
Gearing ratio [(5)]	40.1%	64.5%	41.4%	52.1%

(1) Calculated as profit from continuing operations for the period divided by the average of the opening and closing balance of total equity, then multiplied by 100%.

(2) Calculated as profit from continuing operations for the period divided by the average of the opening and closing balance of total assets, then multiplied by 100%.
(3) Calculated as current assets divided by current liabilities.
(4) Calculated as current assets less inventories divided by current liabilities.
(5) Calculated as total borrowings divided by total equity, then multiplied by 100%.

Please see the section headed "Financial Information — Key Financial Ratios" on page 320 of this prospectus for the descriptions of calculations and fluctuations of the above ratios.

RISK FACTORS

You should note that there are certain risks and uncertainties involved in our operations, which may have a material and adverse impact on our business, financial condition, results of operations and prospects. You should read carefully the entire section headed "Risk Factors" together with all the other information set out in this prospectus prior to making an investment decision.

We may be affected by real or perceived incidents of product contamination. In addition, we are susceptible to outbreaks of disease at our dairy farms or in the neighboring areas. We may be unable to adequately manage our future expansion of operations and growth or achieve our growth plan within the desired time frame to meet the minimum supply commitments to our customers.

We rely heavily on a limited number of customers, such as Mengniu and Yili, for sales of our raw milk and our business, results of operations and financial condition could be materially and adversely affected in the event of breach or early termination of our raw milk purchase and sale agreements or if we do not enforce the minimum purchase obligations of Mengniu or Yili. Under the Mengniu Strategic Agreement, the Yili Strategic Agreement and the relevant raw milk purchase and sale agreements, we will breach the relevant raw milk purchase and sale agreements if we fail to deliver raw milk to such customers in accordance with the prescribed schedule, quantity or quality, and, in such case, we may be required to compensate such customers in accordance with the PRC laws. From time to time, in implementing the monthly supply schedule between us and each of Mengniu and Yili, we may mutually agree with Mengniu or Yili, as the case maybe, to adjust downwards the minimum purchase volume after taking into account, among other things, our ability to meet the minimum supply level for that month, our customers' demand for our raw milk and the raw milk market price in that region. We may choose to waive Mengniu and Yili's purchase commitments and compensation to us for breach of their commitments due to their dominant position in the market and strong bargaining power, as well as our heavy reliance on them. If our key customers reduce their minimum purchase volumes for an extended period of time and we are unable to sell the unsold raw milk to alternative buyers at similar prices, our financial performance may be materially adversely impacted.

Our results of operations are subject to fair value adjustments in relation to biological assets and agricultural produce at the point of harvest, which can be volatile and are subject to a number of assumptions.

We recorded positive operating cash flows of RMB130.8 million in the six months ended June 30, 2015. We recorded negative operating cash flows of RMB21.8 million in 2014, primarily reflecting a significant decrease in trade and other payables of RMB146.8 million, which was primarily due to the decrease in advance payments from customers for importing cows for our principal trading customers from RMB161.7 million as of December 31, 2013 to RMB27.9 million as of December 31, 2014. Some of our principal trading customers ordered approximately 6,000 cows from us in the second half of 2013 and as a result, we received approximately RMB91.1 million from such customers as advance payments, which were reflected as cash inflows from operating activities in our

Consolidated Statement of Cash Flows for the year ended December 31, 2013. At the beginning of 2014, the corresponding advance payments for the aforementioned orders of 6,000 cows were paid to our cow suppliers and thus reflected as cash outflows from operating activities in our Consolidated Statement of Cash Flows for the year ended December 31, 2014. For more details about the payment schedule under our principal trading model, please see the subsection headed "— Import Trading Business — Principal Trading" in the section headed "Business" commencing on page 172 of this prospectus.

NET CURRENT LIABILITIES

We recorded net current liabilities of RMB142.4 million, RMB140.5 million, RMB193.5 million and RMB262.9 million as of December 31, 2013, December 31, 2014, June 30, 2015 and September 30, 2015, respectively, because establishing new dairy farms and expanding our existing farms require significant capital and there is typically a time lag between our investment of capital and the commencement of production and sales of raw milk at these new farms. We expect that our capital expenditures relating to our expansion plan will gradually decrease in the future as we complete the construction of infrastructure and the purchase of machinery, equipment and foundation cows for our expanding or new dairy farms. We intend to improve our net current liabilities position by (i) replacing more short-term borrowings with long-term banking facilities; (ii) utilizing cash flows from operating activities as more heifers in our dairy herd become milkable cows and start producing raw milk; (iii) managing our operations and expansions more efficiently; and (iv) receiving the proceeds from the Global Offering. For a detailed discussion about our net current liabilities, please see the subsection headed "Net Current Liabilities" in the section headed "Financial Information" commencing on page 316 of this prospectus.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

We have not declared any dividends during the Track Record Period. Our Board at its discretion may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. The payment of any dividends will also be subject to our Articles of Association, restrictions in our loan agreements, applicable laws and other relevant factors. We cannot guarantee whether, when and in what form dividends will be paid in the future. As of June 30, 2015, our distributable reserves were RMB620.8 million. Please see the subsection headed "— Dividend Policy and Distributable Reserves" in the section headed "Financial Information" on page 322 of this prospectus.

OFFERING STATISTICS

Offering size:	391,056,000 Offer Shares, subject to the Over-allotment Option
Offering structure:	39,108,000 Offer Shares under the Hong Kong Public Offering, subject to reallocation
	351,948,000 Offer Shares under the International Offering, subject to reallocation and the Over-allotment Option
Over-allotment Option:	Up to 15% of the number of Offer Shares initially available under the Global Offering
Indicative Offer Price range:	HK$1.20 to HK$1.30 per Offer Share

	Based on an Offer Price of HK$1.20 per Offer Share	Based on an Offer Price of HK$1.30 per Offer Share
Our Company's capitalization upon completion of the Global Offering(1)	HK$2,607.0 million	HK$2,824.3 million
Unaudited pro forma adjusted consolidated net tangible asset per Share(2)	RMB1.22 equivalent to approximately HK$1.49	RMB1.25 equivalent to approximately HK$1.52

(1) The calculation of market capitalization is based on 2,172,536,000 Shares expected to be in issue immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" to this prospectus and on the basis that 1,498,856,000 Shares are in issue assuming that the Global Offering had been completed on June 30, 2015 but takes no account of any Preferred Shares or any effects of the automatic conversion feature of the Preferred Shares as set out in the section headed "History, Development and Reorganization" in this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$438.7 million after deducting the underwriting fees and expenses payable by us as of June 30, 2015 in the Global Offering, assuming no Over-allotment Option is exercised and an Offer Price of HK$1.25 per Offer Share, being the mid-point of the indicative Offer Price range between HK$1.20 and HK$1.30 per Offer Share. We intend to use the net proceeds we will receive from the Global Offering for the following purposes: approximately 45% of the net proceeds to finance our current expansion plans; approximately 45% of the net proceeds to import quality heifers from Australia and New Zealand, raise the foundation cows and breed and raise reproduced heifers for our newly developed or expanded dairy farms; and the remaining approximately 10% of the net proceeds to supplement our working capital and other general corporate purposes. Please see the section headed "Future Plans and Use of Proceeds" commencing on page 326 of this prospectus for details.

LISTING EXPENSES

During the Track Record Period, we incurred expenses in connection with the Global Offering amounting to approximately RMB17.0 million, of which RMB8.7 million and RMB8.3 million were expensed and accounted for as part of our other expenses for the year ended December 31, 2014 and the six months ended June 30, 2015, respectively. Between June 30, 2015 and completion of the Global Offering, we expect to incur additional listing expenses of approximately RMB41.1 million (based on an Offer Price of HK$1.25 per Offer Share, being the mid-point of the indicative Offer Price range between HK$1.20 and HK$1.30 per Offer Share, and the assumption that the Over-allotment Option is not exercised), among which an estimated amount of RMB19.3 million will be recognized as other expenses and an estimated amount of RMB21.9 million will be recognized directly in equity.

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

"Agriculture Investment"	Agriculture Investment Company Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on April 29, 2014 and a direct Shareholder
"Agriculture Investment Fund"	Beijing Agriculture Investment Fund (Limited Partnership) (北京農業產業投資基金(有限合夥)), a limited partnership established under the laws of the PRC on September 23, 2009 and a former shareholder of ZhongDi Beijing
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) or **GREEN** Application Form(s), individually or collectively, as the context so requires, any of them, which is used in relation to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on October 28, 2015 (as amended from time to time), which will become effective on the Listing Date, a summary of which is set out in Appendix III to this prospectus
"Beijing Import Quarantine Farm"	one of our existing import quarantine farms located in Beijing; for more details, please see the section headed "Business — Our Production Facilities — Our Import Quarantine Farms" in this prospectus
"Beijing Shunyi Crop Farm"	one of our existing crop farms located in Shunyi District, Beijing; for more details, please see the section headed "Business — Our Production Facilities — Our Crop Farms" in this prospectus
"Beijing Shunyi Farm"	one of our operating dairy farms located in Shunyi District, Beijing; for more details, please see the section headed "Business — Our Production Facilities — Our Dairy Farms" in this prospectus
"Board"	the board of Directors
"business day"	a day that is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	British Virgin Islands
"CAAS"	Chinese Academy of Agricultural Sciences (中國農業科學院)

"CAGR"	compound annual growth rate
"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant
"CCASS Operational Procedure"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, except where the context requires otherwise excluding Hong Kong, Macau and Taiwan
"Co-lead Manager"	Convoy Investment Services Limited
"Companies Law"	the Companies Law (2013 Revision) of the Cayman Islands, as amended or supplemented from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company", "our Company" or "the Company"	China ZhongDi Dairy Holdings Company Limited (中國中地乳業控股有限公司), which was incorporated in the Cayman Islands as an exempted company with limited liability on April 24, 2014
"Concert Parties Arrangement"	the oral agreement reached among Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai in February 2003, as recorded by the letter of confirmation and undertaking executed on April 15, 2015, details of which are set out in the section headed "Relationship with Our Controlling Shareholders" in this prospectus

"Controlling Shareholders"	Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai, our Ultimate Controlling Shareholders, and the companies through which they hold interest in our Company, namely, YeGu Investment and its wholly-owned subsidiary Green Farmlands Group, SiYuan Investment and Tai Shing
"CSRC"	China Securities Regulatory Commission
"Dannon"	The Dannon Company, Inc. (a subsidiary of Danone) and its subsidiaries, an Independent Third Party
"Director(s)"	the director(s) of our Company
"EU"	European Union
"First Shareholders Agreement"	the first shareholders agreement dated June 26, 2014 and entered into by, among others, our Company, ZhongDi Hong Kong, ZhongDi Beijing and the Series A Investors, details of which are set out in the section headed "History, Development and Reorganization — Pre-IPO Investments" in this prospectus
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company which prepared the Frost & Sullivan Report
"Frost & Sullivan Report"	an industry report commissioned by us and prepared by Frost & Sullivan
"GAAP"	generally accepted accounting principles
"GAQSIQ"	the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局)
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Green Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "the Group", "we", "us", or "our"	our Company and our subsidiaries from time to time

"Guangxi Beihai Import Quarantine Farm"	one of our existing import quarantine farms located in Beihai City, Guangxi Zhuang Autonomous Region; for more details, please see the section headed "Business — Our Production Facilities — Our Import Quarantine Farms" in this prospectus
"Hebei Tangshan Import Quarantine Farm"	one of our existing import quarantine farms located in Tangshan City, Hebei Province; for more details, please see the section headed "Business — Our Production Facilities — Our Import Quarantine Farms" in this prospectus
"Hebei Wen'an Crop Farm"	one of our existing crop farms located in Wen'an County, Langfang City, Hebei Province; for more details, please see the section headed "Business — Our Production Facilities — Our Crop Farms" in this prospectus
"Hebei Wen'an Farm"	one of our dairy farms, located in Wen'an County, Langfang City, Hebei Province, that is currently under development; for more details, please see the section headed "Business — Our Production Facilities — Expansion Plan — Dairy Farms under Current Expansion Plans" in this prospectus
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 39,108,000 Shares initially being offered for subscription in the Hong Kong Public Offering and subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus

"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Takeovers Code" or "Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Hong Kong Underwriter(s)"	the underwriter(s) of the Hong Kong Public Offering as listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated November 19, 2015, relating to the Hong Kong Public Offering, entered into among, inter alia, the Sole Global Coordinator, the Hong Kong Underwriters, our Controlling Shareholders and our Company, as further described in the section headed "Underwriting — Underwriting Agreement And Expenses — Hong Kong Public Offering" in this prospectus
"Huishan" or "Huishan Group"	China Huishan Dairy Holdings Company Limited (中國輝山乳業有限公司), a company listed on the Stock Exchange with stock code 6863, and its subsidiaries, an Independent Third Party
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party"	a person or entity who is not considered a connected person of our Company under the Listing Rules
"Inner Mongolia Shangdu Crop Farm"	one of our existing crop farms located in Shangdu County, Ulangab City, Inner Mongolia Autonomous Region; for more details, please see the section headed "Business — Our Production Facilities — Our Crop Farms" in this prospectus

"Inner Mongolia Shangdu Farm"	one of our dairy farms located in Shangdu County, Ulangab City, Inner Mongolia Autonomous Region, comprising two phases — Inner Mongolia Shangdu Farm (Phase I), which is currently in operation, and Inner Mongolia Shangdu Farm (Phase II), which commenced production in July 2015; for more details, please see the sections headed "Business — Our Production Facilities — Our Dairy Farms" and "Business — Our Production Facilities — Expansion Plan — Dairy Farms under Current Expansion Plans" in this prospectus
"International Offer Shares"	the 351,948,000 Offer Shares initially being offered by us for subscription under the International Offering together, where relevant, with any additional Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option, and subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the offer of the International Offer Shares at the Offer Price outside the United States (including to professional, institutional and other investors within Hong Kong) in offshore transactions in accordance with Regulation S or another available exemption from registration requirement of the U.S. Securities Act
"International Underwriter(s)"	Morgan Stanley & Co. International plc, China Merchants Securities (HK) Co., Limited and Convoy Investment Services Limited
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and expected to be entered into by, inter alia, our Company and the International Underwriters on or about November 25, 2015, as further described in the section headed "Underwriting — International Offering" in this prospectus
"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"Joint Bookrunners" or "Joint Lead Managers"	Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司) and China Merchants Securities (HK) Co., Limited
"Kaixin Peak Ring"	Kaixin Peak Ring Holding (HK) Limited (開信平潤控股(香港)有限公司), a company incorporated in Hong Kong with limited liability on May 30, 2012 and an indirect wholly-owned subsidiary of our Company

"Latest Practicable Date"	November 13, 2015, being the latest practicable date for ascertaining certain information in this prospectus before its publication
"Liaoning Kuandian Farm"	one of our dairy farms located in Kuandian County, Dandong City, Liaoning Province, comprising two phases — Liaoning Kuandian Farm (Phase I), which is currently in operation, and Liaoning Kuandian Farm (Phase II), which we intend to develop under our current expansion plans; for more details, please see the sections headed "Business — Our Production Facilities — Our Dairy Farms" and "Business — Our Production Facilities — Expansion Plan — Dairy Farms under Current Expansion Plans" in this prospectus
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about December 2, 2015, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Luannan Huayuan"	Luannan Huayuan Livestock Breeding and Cultivation Co., Ltd. (灤南華元畜牧養殖有限公司), a limited liability company established under the laws of the PRC on April 30, 2009 and an indirect wholly-owned subsidiary of our Company
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted on October 28, 2015 (as amended from time to time) which will become effective on the Listing Date, a summary of which is set out in Appendix III to this prospectus
"Mengniu" or "Mengniu Group"	China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司), a company listed on the Stock Exchange with stock code 2319, and its subsidiaries, an Independent Third Party

"Mengniu Strategic Agreement"	the strategic cooperation agreement dated August 20, 2014 for a term of ten years, as amended from time to time, entered into between Mengniu and our Company in relation to the sale of raw milk produced at our certain dairy farms; for more details, please see the section headed "Business — Long-term Strategic Cooperation Agreements with Mengniu and Yili — Long-term Strategic Cooperation with Mengniu" in this prospectus
"MOA"	the Ministry of Agriculture of the PRC (中華人民共和國農業部)
"Modern Dairy" or "Modern Dairy Group"	China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司), a company listed on the Stock Exchange with stock code 1117, and its subsidiaries, an Independent Third Party
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Ningxia Helan Crop Farm"	one of our existing crop farms located in Helan County, Yinchuan City, Ningxia Hui Autonomous Region; for more details, please see the section headed "Business — Our Production Facilities — Our Crop Farms" in this prospectus
"Ningxia Helan Farm"	one of our operating dairy farms located in Helan County, Yinchuan City, Ningxia Hui Autonomous Region, comprising two phases — Ningxia Helan Farm (Phase I), which is currently in operation, and Ningxia Helan Farm (Phase II), which commenced production in August 2015; for more details, please see the sections headed "Business—Our Production Facilities—Our Dairy Farms" and "Business—Our Production Facilities—Expansion Plan—Dairy Farms under Current Expansion Plans" in this prospectus
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

"Offer Price"	the final price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be sold by our Company pursuant to the exercise of the Over-allotment Option
"Ordinary Share(s)"	ordinary share(s) with nominal value of US$0.00001 each in the share capital of our Company
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 58,658,000 additional new Shares (representing in aggregate approximately 15% of the initial Offer Shares) to, among other things, cover over-allocations in the International Offering, if any, details of which are described in the section headed "Structure of the Global Offering — Over-allotment Option" in this prospectus
"PBOC"	People's Bank of China
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally approved and adopted by our Shareholders on October 28, 2015, for the benefit of our Directors, members of senior management, employees and other eligible participants as defined in the scheme, a summary of which is set out in the section headed "Statutory and General Information — D. Other Information — 1. Post-IPO Share Option Scheme" in Appendix IV to this prospectus
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended from time to time
"Preferred Share(s)"	collectively, the Series A Preferred Share(s) and the Series B Preferred Share(s)
"Pre-IPO Investments"	collectively, the Series A Pre-IPO Investment and the Series B Pre-IPO Investment

"Pre-IPO Investors"	collectively, the Series A Investors and the Series B Investor
"Price Determination Agreement"	the agreement to be entered into between our Company and the Sole Global Coordinator, acting on behalf of the Underwriters, on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be November 25, 2015, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than November 30, 2015
"prospectus"	this prospectus
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the reorganization arrangements of our Group in preparation for the Listing as described in the section headed "History, Development and Reorganization — The Reorganization" in this prospectus
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of China
"SAFE"	State Administration of Foreign Exchange of the PRC
"SAIC"	State Administration for Industry and Commerce of the PRC
"Sanyuan"	Beijing Sanyuan Foods Co., Ltd. (北京三元食品股份有限公司)
"SAT"	State Administration of Taxation of the PRC
"Second Shareholders Agreement"	the second shareholders agreement dated August 22, 2014 and entered into by, among others, our Company, ZhongDi Hong Kong, ZhongDi Beijing, the Series A Investors and the Series B Investor, the details of which are set out in the section headed "History, Development and Reorganization — Pre-IPO Investments" in this prospectus
"Series A Investors"	collectively, Green Farmlands Group, Jingm Investment Company Limited, Chingford Holding Ltd., Optimum Result Developments Ltd. and Swift Achiever Limited
"Series A Preferred Share(s)"	the series A preferred share(s) with nominal value of US$0.00001 each issued by our Company to the Series A Investors pursuant to the Series A Share Purchase Agreement

"Series A Pre-IPO Investment"	collectively, the pre-IPO investments in our Company undertaken by the Series A Investors, details of which are set out in the section headed "History, Development and Reorganization — Pre-IPO Investments" in this prospectus
"Series A Share Purchase Agreement"	the series A preferred share purchase agreement dated June 26, 2014 and entered into by, among others, our Company, ZhongDi Hong Kong, ZhongDi Beijing and the Series A Investors, details of which are set out in the section headed "History, Development and Reorganization" in this prospectus
"Series B Investor"	Fortune Hero Investments Limited (瑞雄投資有限公司), a company incorporated in BVI on July 30, 2014 and wholly-owned by SF Holding Limited (順豐控股有限公司), an Independent Third Party
"Series B Preferred Share(s)"	the series B preferred share(s) with nominal value of US$0.00001 each issued by our Company to the Series B Investor pursuant to the Series B Share Purchase Agreement
"Series B Pre-IPO Investment"	the pre-IPO investment in our Company undertaken by the Series B Investor, details of which are set out in the section headed "History, Development and Reorganization — Pre-IPO Investments" in this prospectus
"Series B Share Purchase Agreement"	the series B preferred share purchase agreement dated August 22, 2014 and entered into by, among others, our Company, ZhongDi Hong Kong, ZhongDi Beijing, the Series A Investors and the Series B Investor, details of which are set out in the section headed "History, Development and Reorganization — Pre-IPO Investments" in this prospectus
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Shanghai Jingmu"	Shanghai Jingmu Investment Center (上海京牧投資中心(有限合夥)), a limited partnership established under the laws of the PRC on March 13, 2014 and an indirect substantial Shareholder

"Shanxi Tianzhen Farm"	one of our dairy farms, located in Tianzhen County, Datong City, Shanxi Province, that commenced production in August 2015; for more details, please see the section headed "Business — Our Production Facilities — Expansion Plan — Dairy Farms under Current Expansion Plans" in this prospectus
"Share(s)"	Ordinary Share(s) and Preferred Share(s), and, upon completion of the Global Offering, Ordinary Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"Shengmu" or "Shengmu Group"	China Shengmu Organic Milk Limited (中國聖牧有機奶業有限公司), a company listed on the Stock Exchange with stock code 1432, and its subsidiaries, an Independent Third Party
"SinoFarm Group"	SinoFarm Genetics & Seeds (Group) Co., Ltd. (中地種業(集團)有限公司), a limited liability company established under the laws of the PRC on March 2, 2000 and owned by YeGu Agriculture, Mr. Liu Dai and Mr. Zhang Kaizhan as to 51%, 35% and 14%, respectively, and a connected person of our Company after Listing
"SiYuan Investment"	SiYuan Investment Company Limited, a company incorporated as an exempted company with limited liability in the Cayman Islands on April 16, 2014 and one of our Controlling Shareholders
"Sole Sponsor" or "Sole Global Coordinator"	Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司), which is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and is a restricted licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
"Stabilizing Manager"	Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sunlon"	Beijing Sunlon Development Dairy Co., Ltd. (北京首農畜牧發展有限公司)
"Tai Shing"	Tai Shing Company Limited, a company incorporated as an exempted company with limited liability in the Cayman Islands on April 16, 2014 and one of our Controlling Shareholders

"Tianjin Crop Farm"	one of our existing crop farms located in Tianjin; for more details, please see the section headed "Business—Our Production Facilities—Our Crop Farms" in this prospectus
"Tianjin Farm"	one of our dairy farms that is in the process of being converted from our Tianjin Import Quarantine Farm under our current expansion plans; for more details, please see the section headed "Business—Our Production Facilities—Expansion Plan—Dairy Farms under Current Expansion Plans" in this prospectus
"Tianjin Import Quarantine Farm"	one of our existing import quarantine farms located in Tianjin; for more details, please see the section headed "Business—Our Production Facilities—Our Import Quarantine Farms" in this prospectus
"Track Record Period"	the three financial years ended December 31, 2014 and the six months ended June 30, 2015
"Ultimate Controlling Shareholders"	Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Urban Construction"	Beijing Urban Construction Engineering Company Limited (北京城股建設工程有限公司), a company established under the laws of the PRC on April 28, 1994 which is an associate of Mr. Zhang Jianshe, our executive Director, and therefore a connected person of our Company after Listing
"USD" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited

"YeGu Agriculture"	Beijing YeGu Agriculture Technology Development Company Limited (北京野穀農業技術開發有限公司), a limited liability company established under the laws of the PRC on April 29, 1999 and wholly-owned by Mr. Zhang Jianshe, and a connected person of our Company after Listing
"YeGu Investment"	YeGu Investment Company Limited, a company incorporated as an exempted company with limited liability in the Cayman Islands on April 16, 2014 and one of our Controlling Shareholders
"Yili" or "Yili Group"	Inner Mongolia Yili Industrial Group Co., Ltd. (內蒙古伊利實業集團股份有限公司), a company listed on the Shanghai Stock Exchange with stock code 600887, and its subsidiaries, an Independent Third Party
"Yili Strategic Agreement"	the strategic cooperation agreement dated September 28, 2014 for a term of ten years, entered into between Yili and our Company in relation to the sale of raw milk produced at our certain dairy farms; for more details, please see the section headed "Business — Long-term Strategic Cooperation Agreements with Mengniu and Yili — Long-term Strategic Cooperation with Yili" in this prospectus
"YuanShengTai" or "YuanShengTai Group"	YuanShengTai Dairy Farm Limited (原生態牧業有限公司), a company listed on the Stock Exchange with stock code 1431, and its subsidiaries, an Independent Third Party
"ZhongDi Beijing"	Beijing ZhongDi Stud Livestock Co., Ltd. (北京中地種畜有限公司), a limited liability company established under the laws of the PRC on June 4, 2004 and an indirect wholly-owned subsidiary of our Company
"ZhongDi Brothers"	Beijing ZhongDi Brothers Investment Management Center (Limited Partnership) (北京中地兄弟投資管理中心(有限合夥)), a limited partnership established under the laws of the PRC on November 18, 2011, the partners of which include, among others, certain senior management, employees and ex-employees of ZhongDi Beijing and SinoFarm Group
"ZhongDi Helan"	Helan ZhongDi Farming Co., Ltd. (賀蘭中地生態牧場有限公司), a limited liability company established under the laws of the PRC on September 23, 2011 and an indirect wholly-owned subsidiary of our Company

"ZhongDi Hong Kong"	China ZhongDi Dairy Investment (HK) Company Limited (中國中地乳業投資(香港)有限公司), a company incorporated in Hong Kong with limited liability on May 9, 2014 and a direct wholly-owned subsidiary of our Company
"ZhongDi Kuandian"	Kuandian ZhongDi Farming Co., Ltd. (寬甸中地生態牧場有限公司), a limited liability company established under the laws of the PRC on October 31, 2002 and an indirect wholly-owned subsidiary of our Company
"ZhongDi Langfang"	Langfang ZhongDi Farming Co., Ltd. (廊坊中地生態牧場有限公司), a limited liability company established under the laws of the PRC on December 13, 2012 and an indirect wholly-owned subsidiary of our Company
"ZhongDi Meijia"	Beijing ZhongDi Meijia Breeding Hogs Co., Ltd. (北京中地美加種豬有限公司), a limited liability company established under the laws of the PRC on April 12, 2005 and a former indirect wholly-owned subsidiary of our Company
"ZhongDi Meijia Disposal Agreement"	the equity transfer agreement dated August 12, 2014 and entered into between ZhongDi Beijing and Urban Construction in relation to the disposal of ZhongDi Meijia, the details of which are set out in the section headed "History, Development and Reorganization — Disposal of ZhongDi Meijia" in this prospectus
"ZhongDi Shangdu"	Shangdu ZhongDi Farming Co., Ltd. (商都中地生態牧場有限公司), a limited liability company established under the laws of the PRC on January 24, 2003 and an indirect wholly-owned subsidiary of our Company
"ZhongDi Technology"	Beijing ZhongDi Livestock Technology Co., Ltd. (北京中地畜牧科技有限公司), a limited liability company established under the laws of the PRC on December 16, 2003 and an indirect wholly-owned subsidiary of our Company
"ZhongDi Tianzhen"	Tianzhen ZhongDi Farming Co., Ltd. (天鎮中地生態牧場有限公司), a limited liability company established under the laws of the PRC on October 16, 2013 and an indirect wholly-owned subsidiary of our Company
"%"	per cent

The English names of PRC laws, regulations, governmental authorities, institutions, and of companies or entities established in the PRC included in this prospectus are translations of their Chinese names or vice versa and are included for identification purposes only. In the event of inconsistency, the Chinese versions shall prevail.

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

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

"aerobic plate count"	the count of microbes and bacteria in raw milk, an important safety indicator of raw milk
"average annual milk yield per milkable cow"	the total milk production volume of a dairy herd over the period divided by total number of days for which the milkable cows are raised during the period, and then multiplied by 365 days
"average annual milk yield per milking cow"	the total milk production volume of a dairy herd over the period divided by total number of days for which the milking cows are raised during the period, and then multiplied by 365 days
"brucellosis"	a highly contagious disease that is spread by infected material at time of calving or abortion and that can result in infertility, habitual miscarriage and reduced milk yield
"bovine tuberculosis" or "bovine TB"	a chronic, highly infectious disease that primarily affects cattle but can be transmitted to humans, and is caused by Mycobacterium bovis, a group of bacteria that usually affects the respiratory system
"calf" or "calves"	young bovine animal(s) up to six months of age from birth; in this prospectus, unless otherwise specified, refer to females only
"calving interval"	the amount of time (days or months) between the birth of a calf and the birth of a subsequent calf, both from the same milkable cow
"CFU"	colony-forming unit, a measure of viable bacterial or fungal number in a sample
"colostrum milk"	the first milk given by a dairy cow following birth, which is rich in fat and protein and has immunity elements. Colostrum milk is given to newborn calves in the first 24 hours of life
"dairy cows"	calves, heifers and milkable cows
"dry cow(s)"	milkable cow(s) that are in the dry period of a lactation cycle, during which they do not produce any raw milk

"EU Standard"	the raw milk quality standards in Council Directive 92/46/EEC adopted in EU; please see the section headed "Industry Overview—Dairy Farming—Market Overview—Premium Raw Milk" in this prospectus for quality indicators of such standard
"Foot-and-Mouth Disease" or "FMD"	a highly infectious and contagious disease affecting, among other things, cattle, pigs, sheep, goats, deer, elk and other cloven hoofed animals which can cause significant loss of productivity, such as reduced milk yields or lameness, and even fatality in young animals
"foundation cows"	the founding stock of a dairy herd, usually comprising of cows selected for strong abilities to pass on their desired traits to offspring
"freemartin"	a sterile heifer born twin with a bull
"free stall"	a type of facility to house dairy cows that provides the animals with a clean, dry, comfortable resting area and easy access to food and water. In free-stall farms, cows are not restrained and are free to enter, lie down, rise and leave the barn as they desire
"fresh milk"	also known as pasteurized milk, which has been exposed briefly to temperatures between 60-90°C to destroy micro-organisms that can cause diseases and to improve its quality and shelf life
"heifer(s)"	a female bovine animal older than six months that has not given birth to a calf or bull
"high-end liquid milk"	liquid dairy products with a retail price of more than RMB12 per liter in 2013, mainly including UHT milk, fresh milk (also known as pasteurized milk), and yogurt
"Holstein"	a breed of cattle known with distinctive color patterns of black and white, as well as strong adaptability to nearly all kinds of conditions, which is currently as the world's highest-production dairy cows in terms of the largest volumes of raw milk production
"kg"	kilogram
"km"	kilometer
"mastitis"	inflammation of the mammary gland that, when infected, can significantly reduce milk production and may lead to other abnormal reactions in the infected dairy cow

"melamine"	an industrial chemical used for the production of melamine resins which, in 2008, was found to have been illegally added to milk-based products in China by certain operators of milk stations to increase the apparent protein content of such products
"milkable cow(s)"	female bovine animal(s) that have given birth to a calf and are either dry cows or milking cows
"milking cow(s)"	milkable cow(s) that are in the lactation period of a lactation cycle, during which they produce raw milk
"mu"	an area unit used in China, equals to approximately 667 square meters
"PRC Standard"	the GB19301—2010 National Food Safety Standard on raw milk published by the then PRC Ministry of Public Health in 2010; please see the section headed "Industry Overview—Dairy Farming—Market Overview—Premium Raw Milk" in this prospectus for quality indicators of such standard
"premium raw milk"	raw milk with protein content above 3.2%, fat content above 3.7%, aerobic plate count below 100,000 CFU/ml, and somatic cell count below 400,000 CFU/ml
"reserve cow(s)"	female calves and heifers
"silage"	succulent, moist feed made by storing a green crop in a silo; the crop most used for silage is corn; others are sorghum, sunflowers, legumes, and grass; corn silage is produced by cutting the entire corn crops after they have reached dough stage, and then chopping up the corn crops into silage
"SmartDairy"	a software for dairy farms operation and the herd management, which was developed by Bou-Matic, L.L.C.
"somatic cell count"	the number of somatic cells (mainly consists of white blood cells) per milliliter of milk; as an indicator of udder health, somatic cell count in milk has an impact on the production volume and quality of milk and the storage life of dairy products
"tonne"	metric ton, one tonne of raw milk equals to approximately 970.9 liters of raw milk based on the average density of raw milk of 1.030 g/cm^3 at 20˚C
"UHT milk"	sterilized milk that has been heat-treated at an ultra-high temperature (135 to 150°C) for one to two seconds, i.e. to a higher temperature than regular pasteurization

"U.S. Standard"	the raw milk quality standards in Grade "A" Pasteurized Milk Ordinance issued by U.S. Department of Health and Human Services; please see the section headed "Industry Overview—Dairy Farming—Market Overview—Premium Raw Milk" in this prospectus for quality indicators of such standard

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will", "expect", "anticipate", "estimate", "believe", "going forward", "ought to", "may", "seek", "should", "intend", "plan", "projection", "could", "vision", "goals", "objective", "target", "schedules" and "outlook") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our business and operating strategies and our ability to implement such strategies;
- future developments, trends and conditions in the industry and markets in which we operate;
- our expansion plans;
- the due performance of our customers, such as Mengniu and Yili, under their respective strategic cooperation agreements and raw milk purchase and sale agreements;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- uncertainties relating to our ability to comply with all relevant environmental, health and safety laws and regulations;
- changes in our planned use of proceeds;
- uncertainties relating to our future prospects, business development, results of operations and financial condition;
- changes in our future capital needs, and capital expenditure plans;
- the actions and developments of our competitors;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- general economic trends in the PRC;

- the expected impact of the recently announced "two-child" policy;
- risks arising from future acquisition and/or disposal activities; and
- all other risks and uncertainties described in the section in this prospectus under the heading "Risk Factors".

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to the above cautionary statement.

You should carefully consider the risks described below and all other information contained in this prospectus before making an investment decision. You should pay particular attention to the fact that almost all of our operations are conducted in the PRC, the legal and regulatory environment of which differs in certain respects from that which prevails in other countries. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of our Shares could decline, and you may lose part or all of your investment.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS

Real or perceived incidents of product contamination could materially adversely affect our reputation, results of operations and financial condition, and subject us to regulatory actions and contractual liabilities.

Product safety and quality is critical to our business. Our reputation, results of operations and financial condition could be materially and adversely affected by product contamination or our association with any contamination incidents with respect to our raw milk. The raw milk sold by us has never been found to have contaminants or reported to be associated with any contamination incidents, and we have not been subject to any product liability claims during the Track Record Period and up to the Latest Practicable Date. However, there can be no assurance that contamination will not happen during the production and transportation of our products. In addition, the mere publication of information or speculation asserting that our raw milk contains or has contained any contaminants could damage our reputation and have a material adverse effect on us, regardless of whether such information or speculation have any factual basis. According to the purchase and sale agreements for our raw milk, the *Contract Law of PRC* (《中華人民共和國合同法》) and other relevant regulations, if our raw milk is found to be contaminated, our customers may refuse to accept our products and even claim for damages, which could negatively impact our financial condition and damage our relationships with our customers. Particularly, under the Mengniu Strategic Agreement and the Yili Strategic Agreement, we are committed to supply to Mengniu and Yili with raw milk that meets certain prescribed quality thresholds. We will be in breach of the Mengniu Strategic Agreement, the Yili Strategic Agreement and the corresponding raw milk purchase and sale agreements if, among other things, our raw milk fails to comply with any required quality standards or contains any contaminants or banned substances, the consequences of which could result in our obligation to compensate Mengniu and/or Yili for monetary losses. For more details, please see the section headed "Business — Long-term Strategic Cooperation Agreements with Mengniu and Yili" in this prospectus. Moreover, the *Product Quality Law of PRC* (《中華人民共和國產品質量法》) and other relevant regulations provide that if any downstream dairy products manufactured by our customers are found to be contaminated in a manner which can be ultimately traced back to the raw milk supplied by us, we could be subject to product liability claims by our customers and end consumers for damages, including without limitation, medical expenses, disability and wrongful death.

Furthermore, we may be subject to regulatory actions if our raw milk is found to be contaminated and in violation of the applicable PRC laws, such as the *Agriculture Product Quality and Safety Law of PRC* (《中華人民共和國農產品質量安全法》) and the *Food Safety Law of PRC* (《中華人民共和國食品安全法》). Possible penalties include monetary fines, confiscation of illegal gains or utensils, equipment, raw materials and other articles used for illegal production and operation and revocation of licenses necessary to conduct our business, which could materially adversely affect our business, results of operations and financial condition.

In the event that Mengniu or Yili's products are contaminated through no fault of our own, or rumored to be contaminated, Mengniu or Yili's sales of dairy products may be materially adversely affected, which may increase their likelihood of proposing downward adjustment of their purchase volume of our raw milk. As we rely heavily on Mengniu and Yili for sales of our raw milk, we may choose not to enforce their minimum purchase obligations under the Mengniu Strategic Agreement and the Yili Strategic Agreement in such event. Therefore, real or perceived incidents of product contamination in connection with Mengniu or Yili may indirectly have material adverse impacts on our business, results of operations and financial condition.

Outbreak of diseases at our dairy farms or in their neighboring areas could materially and adversely affect our business.

Outbreak of illness or disease at any of our dairy farms would have a significant adverse impact on our raw milk production capacity and volume. We have implemented a strict and comprehensive disease control system to maintain the overall health of our herd. For more details, please see the section headed "Business — Herd Management — Disease Control" in this prospectus. We had not experienced any material outbreak of diseases at our dairy farms during the Track Record Period and up to the Latest Practicable Date. However, there can be no assurance that such incidents will not happen in the future. Although we carry insurance policies to cover us against losses related to cow diseases, and we may also be entitled to receive certain government compensations in the event of an outbreak of diseases among our dairy cows, we cannot assure you that these will be sufficient to cover all of our losses in the event of an outbreak of disease. For more details, please see the risk factor headed "— Our insurance coverage and government compensation may not be sufficient to cover all of our potential losses" below. Any outbreak of diseases, including Foot-and-Mouth Disease, or FMD, brucellosis, and bovine tuberculosis, or bovine TB, could lead to significant shortfalls in our raw milk output and death of our dairy cows.

In addition, outbreak of illness or disease in the neighboring areas of any of our dairy farms could raise concerns of the public and our customers on the safety and quality of our products. Furthermore, in order to prevent the spread of certain infectious diseases, the PRC government may order a mass slaughter of animals in the affected areas, which could result in the loss of healthy dairy cows in our dairy farms located in the neighboring area. For example, in 2013, the PRC government responded to the outbreak of bird flu (H7N9) by ordering the mass slaughter of chickens, ducks, geese, and pigeons in affected regions, including healthy animals in poultry farms in the neighboring areas. The occurrence of any similar events, which is beyond our control, could materially and adversely affect our business, results of operations and financial condition.

We rely heavily on a limited number of customers, such as Mengniu and Yili, for sales of our raw milk and our business, results of operations and financial condition could be materially adversely affected in the event of breach or early termination of our raw milk purchase and sale agreements or if we do not enforce the minimum purchase obligations of Mengniu or Yili. Under the Mengniu Strategic Agreement, the Yili Strategic Agreement and the relevant raw milk purchase and sale agreements, we will breach the relevant raw milk purchase and sale agreements if we fail to deliver raw milk to such customers in accordance with the prescribed schedule, quantity or quality, and, in such case, we shall compensate such customers in accordance with the PRC laws.

Heavy reliance on a limited number of customers

During the Track Record Period, substantially all of the raw milk produced by our dairy farms had been sold to a limited number of national dairy companies, who have established processing operations in the vicinity to our dairy farms, such as Mengniu, Yili, Dannon and Sanyuan. Such sales were generally conducted under annual sales agreements. For details of the terms under our raw milk sales agreements during the Track Record Period, please see the section headed "Business — Sales and Marketing — Raw Milk Sales Contracts" in this prospectus. In August and September 2014, we entered into strategic cooperation agreements with Mengniu and Yili for a term of ten years, respectively. Under the Mengniu Strategic Agreement, Mengniu is committed to purchase, and we are committed to sell, until July 31, 2024, (i) 50% of all the raw milk to be produced at our Ningxia Helan Farm (including both phases I and II), (ii) all raw milk to be produced at our Liaoning Kuandian Farm (including both phases I and II) and Beijing Shunyi Farm, and (iii) all raw milk to be produced at our Shanxi Tianzhen Farm and Hebei Wen'an Farm that were under development as of June 30, 2015, in each case, provided that the raw milk meets certain prescribed quality standards. Under the Yili Strategic Agreement, Yili is committed to purchase, and we are committed to sell, for a period of ten years, (i) 50% of all raw milk to be produced at our Ningxia Helan Farm (including both phases I and II), and (ii) all raw milk to be produced at our Inner Mongolia Shangdu Farm (including both phases I and II), in each case, provided that the raw milk meets certain prescribed quality standards. For more details, please see the section headed "Business — Long-term Strategic Cooperation Agreements with Mengniu and Yili" in this prospectus. The committed sales volume of milk to Mengniu and Yili covers 100% of our existing milk production capacity and over 90% of our estimated capacity expected upon completion of our expansion plans in 2017. In the next 3-5 years, we expect that no less than 80% of our total dairy farming revenue will be derived from the sales to Mengniu and Yili. As such, we rely heavily on Mengniu and Yili for sales of our raw milk. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, revenue generated from the sales to Mengniu and Yili amounted to RMB144.4 million, RMB126.6 million, RMB216.9 million and RMB180.3 million, respectively, representing 95.8%, 69.2%, 70.3% and 99.8% of our total dairy farming revenue and 35.5%, 40.9%, 30.1% and 78.5% of our total revenue during the respective periods.

Mengniu Strategic Agreement

Under the Mengniu Strategic Agreement and the relevant raw milk purchase and sale agreements, we will breach the relevant raw milk purchase and sale agreement if we fail to deliver raw milk to Mengniu in accordance with the prescribed schedule, quantity or quality, and, in such case, we are required to compensate Mengniu in accordance with the PRC laws. If we decline to deliver any raw milk for a consecutive period of not more than five days, we will be liable to compensate Mengniu liquidated damages, calculated by reference to the volume of milk that was not supplied during the relevant period (determined in accordance with the agreements) and the previous month's raw milk price for such breach. In addition, if we continuously, for a consecutive period of more than one month, fail to meet our minimum supply commitment (including permitted deviations), Mengniu may claim liquidated damages to be calculated by reference to the volume of milk that we fail to supply during that period and the raw milk price during that month; Mengniu may also unilaterally terminate the relevant raw milk purchase and sale agreement. We will be deemed to have terminated the agreement if we continuously refuse to supply any quality raw milk to Mengniu for a consecutive period of more than five days, and we shall be liable to pay Mengniu liquidated damages of an amount equivalent to 20% of the value of the unperformed agreement, by reference to the then raw milk price. If we deliver less than the prescribed quantity of raw milk (taking into account any permitted deviation), the raw milk price payable by Mengniu shall be discounted and such discount is calculated by reference to the extent of the gap between the actual quantity delivered and the quantity required to be delivered in accordance with the prescribed supply schedule (including any permitted deviation). Mengniu will breach the relevant raw milk purchase and sale agreement if it fails to purchase raw milk we deliver to it in accordance with the agreement, adjusts its quality standards without reasonable explanation, or fails to settle the consideration payable to us. In each case, Mengniu shall be liable to compensate us in accordance with the PRC laws. If Mengniu declines to purchase any raw milk at all that we deliver to it for a consecutive period of not more than five days, Mengniu will be liable to compensate us liquidated damages, calculated by reference to the volume of milk that was not purchased during the relevant period (determined in accordance with the agreements) and the previous month's raw milk price for such breach. Mengniu will be deemed to have terminated the agreement if it continuously refuses to purchase any raw milk at all that we deliver to it for a consecutive period of more than five days, and Mengniu shall be liable to pay us liquidated damages of an amount equivalent to 20% of the value of the unperformed agreement, by reference to the then current raw milk price.

Yili Strategic Agreement

Under the Yili Strategic Agreement and the relevant raw milk purchase and sale agreements, we will breach the relevant agreements if we fail to supply raw milk to Yili that satisfies its prescribed quality standards and we shall be liable to compensate Yili for the economic losses it incurs as a result. We will also breach the relevant agreements if we fail to deliver the quantity of raw milk to Yili as prescribed in the relevant agreements, and we are liable to pay liquidated damages to Yili calculated by reference to the amount of raw milk not delivered to Yili (determined in accordance with the agreements) and 30% of the raw milk price that would have been payable (or a multiple of a pre-determined amount). If the raw milk we delivered to Yili contains contaminants or banned substances, we are liable to pay Yili a fixed sum per instance of breach. If we fail to supply raw milk to Yili for more than 30 instances within one year, we are deemed to have unilaterally terminated the relevant raw milk purchase and sale agreement. Yili will breach the relevant agreements if it does not purchase raw milk we deliver to it that meets the prescribed quality standards, fails to settle the consideration payable to us, or adjusts it quality standards without reasonable explanation. In each case, it will be liable to compensate us for any economic losses we incur as a result of such breach, pay any interest accrued on outstanding payables to us at the applicable bank loan lending interest rate, and pay liquidated damages to us for any raw milk we delivered to Yili but not purchased by it in accordance with the relevant agreements, calculated by reference to the amount of milk not purchased by Yili (determined in accordance with the agreements) and 30% of the raw milk price that would have been payable (or a multiple of a pre-determined amount). If Yili fails to purchase raw milk we deliver to it for more than 30 instances within one year, it is deemed to have unilaterally terminated the relevant raw milk purchase and sale agreement.

If the Mengniu Strategic Agreement or the Yili Strategic Agreement is terminated, we may not be able to find an equivalent strategic partner in a short period of time because Mengniu and Yili ranked in first and second place, with a market share of 27.4% and 26.2%, respectively, in terms of retail sales value in the PRC liquid milk market in 2014. Though we are eligible for the aforementioned liquidated damages in the event of termination of the strategic agreements and may sell our raw milk to alternative buyers with whom we have established long-term relationships in the past, we cannot assure you that such liquidated damages and the sales to alternative buyers can fully compensate our loss of profits as a result of the termination of the strategic agreements. In such case, our operational and financial results could be materially adversely impacted.

Downward adjustment of minimum purchase volumes

From time to time, in implementing the monthly supply schedule between us and each of Mengniu and Yili, we may agree with Mengniu and Yili, respectively, to adjust downwards the minimum purchase volume after taking into account, among other things, our ability to meet the minimum supply level for that month, our customers' demand for our raw milk and the raw milk market price in that region. From December 2014 to June 2015, in implementing the monthly supply schedule between us and one of our key customers, we mutually agreed to adjust downwards the minimum purchase volume in our raw milk purchase and sale agreements. There has been no such downward adjustment of purchase volume since July 2015. Such monthly downward adjustments have been negotiated on a case by case basis. Our PRC legal advisers have advised that such adjustments neither amend nor supersede the agreed minimum purchase levels set out in the relevant long-term strategic cooperation agreement for future periods. Our PRC legal advisers have confirmed that the relevant provisions of the Mengniu Strategic Agreement and the Yili Strategic Agreement continue to be effective and legally enforceable and our Group is still legally entitled to enforce the terms of these agreements. However, we may choose not to enforce our rights to compensation under such long-term strategic cooperation agreements due to our key customers' dominant position in the market and strong bargaining power, as well as our heavy reliance on them. When the downward adjustments are made, we have the discretion to dispose of the unsold raw milk as we desire, including selling it to alternative buyers or by using it in our own operations by, for example, dehydrating it into unprocessed milk powder to feed our calves. If our key customers reduce their minimum purchase volumes for an extended period of time and we are unable to sell the unsold raw milk to alternative buyers at similar prices, our financial performance could be materially adversely impacted.

Our business, results of operations and financial condition for our dairy farming business are, and will continue to be, dependent on and affected by, among other things, Mengniu and Yili's due performance of the Mengniu Strategic Agreement, the Yili Strategic Agreement and the relevant raw milk purchase and sale agreements, respectively, and our continued relationships with Mengniu and Yili. If, for any reason, any one of these customers seeks to adjust downwards the minimum purchase volume which may have an adverse impact on us, we may nevertheless choose to accept such downward adjustments, in light of our overall desire to maintain a continuing long-term relationship with these customers, rather than asserting in full our rights under the raw milk purchase and sale agreements. Any of these customers may also breach their respective contractual obligations under these agreements to purchase the raw milk or decline to renew the raw milk purchase and sale agreement. In each of these scenarios, we may not be able to timely find alternative buyers, or any buyers at all, for our unsold raw milk, and we may suffer losses if such alternative buyers offer a lower purchase price than that under the relevant agreements. In addition, if we are unable to sell our raw milk, we may dehydrate our unsold raw milk into unprocessed milk powder to feed heifers or calves in our dairy farms under expansion and we cannot guarantee that such unprocessed milk powder will be fully consumed before it expires, in which case we may record a loss. We will also be subject to liabilities for liquidated damages as provided under the relevant agreements and/or in accordance with the PRC laws in the event of our breach or early termination of the same agreements unless our customers agree to such downward adjustment to the supply volume within a reasonable period of time. Any of these circumstances could result in a significant decrease in our sales volume of raw milk or significant liabilities, which in turn could materially and adversely affect our business, results of operations and financial condition. Furthermore, if Mengniu and/or Yili fail to make timely payments, we may be unable to recover substantial amounts of trade receivables and our cash flow and financial position could be adversely affected.

Negative publicity of our major customers

Lastly, some of our major customers may have in the past been, and may continue to be, the subject of negative publicity. We cannot assure you that such negative publicity will not be imputed to us or our association with such customers will not bring us unwarranted scrutiny. Any such imputation or scrutiny may harm our reputation and divert our management resources, thereby materially and adversely affecting our business, operating results and financial condition.

We face competition from foreign dairy brands and foreign milk powder imports.

According to Frost & Sullivan, in recent years, foreign dairy brands increased their market penetration in China due to the growing demand for high-quality dairy products. Because of the short shelf life of raw milk, the major foreign competition for domestic raw milk producers is from the foreign producers of milk powder, which can be used as a substitute for raw milk for certain dairy products. The volume of imported milk powder increased substantially from 247,800 tonnes in 2009 to 923,700 tonnes in 2014, representing a CAGR of 30.1% during that period. Due to the shortage of raw milk supply and the surge in raw milk prices in China in the second half of 2013, the volume of imported milk powder increased significantly from 573,100 tonnes in 2012 to 854,400 tonnes in 2013 and further to 923,700 tonnes in 2014. In 2014, the total volume of imported milk powder accounted for 19.8% of raw milk production in China. The volume of imported milk powder was 344,000 tonnes in the first half of 2015 while it was 681,500 tonnes in the first half of 2014.

Since the imported milk powder was generally cheaper than domestically-produced raw milk, many dairy companies started to purchase more imported milk powder and less domestically-produced raw milk to reduce their costs of raw materials for certain dairy products. With substantial amounts of unconsumed imported milk powder in stock, one of our key customers proposed, and we agreed after due and careful consideration, to adjust downwards its minimum purchase volume in our raw milk purchase and sale agreements from December 2014 to June 2015. There has been no such downward adjustment of purchase volume since July 2015. The referenced key customer has stronger bargaining power than us due to its dominant position in the market. Although we believe that the temporary mutual arrangements we reached with this customer to accommodate the short term market fluctuations are in our best interests and indicative of a relationship that is built on good faith, we may continue to choose to waive such minimum purchase volume requirements for such customer and may choose to do so for other customers in the future. There is no cap on the amount of the downward adjustments proposed by the referenced key customer and potentially other customers; however, we may choose not to agree to such proposed reductions. The unsold amounts would have represented approximately RMB1.1 million and RMB18.8 million of revenue in 2014 and the first half of 2015, respectively, if we had actually sold all the originally agreed purchase volume of our raw milk to that key customer. The difference between the originally agreed purchase volume and the decreased purchase volume for such customer during 2014 and the first half of 2015 was equal to approximately 1% and 11% of our total raw milk production volume in the respective periods. From December 2014 to June 2015, we sold approximately 20% of this raw milk to another key customer, which was a leading national dairy company, and to other alternative buyers, which were local dairy processors that had long-term relationship with us. We dehydrated the remainder into unprocessed milk powder, which is intended to be used to feed new calves in our expanded dairy farms. The unsold raw milk that was dehydrated into unprocessed milk powder was recorded as inventories, being stated at the lower of cost and net realizable value. The carrying amounts of such inventories were approximately RMB0.7 million and RMB13.0 million, respectively, for the year ended December 31, 2014 and the six months ended June 30, 2015.

Due to the increase of the volume of imported milk powder into China and various other factors described in the subsection headed "Raw Milk Price" in the section headed "Industry Overview" in this prospectus, the market price of raw milk has been subject to downward pressure since March 2014. The average raw milk price in China decreased substantially from RMB4,228 per tonne in March 2014 to RMB3,440 per tonne in February 2015, and remained stable at around RMB3,400 per tonne from February 2015 to September 2015.

According to the China Customs, the volume of imported milk powder decreased by 64.5% from 681,500 tonnes in the first half of 2014 to 242,200 tonnes in the second half of 2014 and increased by 42.0% to 344,000 tonnes in the first half of 2015. Due to the seasonality of raw milk production in the southern hemisphere, the volume of imported milk powder into China is usually higher in the first quarter and therefore the import volume in the first half is usually higher than that in the second half. If the competition from foreign dairy brands and foreign milk powder imports continue to intensify, the raw milk price may be subject to further downward pressure, and our business, financial condition and results of operations may be materially adversely impacted.

We may be unable to adequately manage our future expansion of operations and growth or achieve our growth plan within the desired timeframe to meet the guaranteed minimum supply commitments to our customers.

As of June 30, 2015, we were developing (i) the second phases of two of our four operating dairy farms and (ii) two new dairy farms. In addition, we were in the process of converting our Tianjin Import Quarantine Farm into a new dairy farm, the Tianjin Farm. We intend to commence developing the second phase of our operating Liaoning Kuandian Farm by the second quarter of 2016. For more details about our expansion plans, please see the section headed "Business — Our Production Facilities — Expansion Plan" in this prospectus. We cannot assure you that we will be successful in expanding the production capacity and the scale of operation of our dairy farming business as we currently plan. Failure to expand our production capacity and scale of our operations could hinder our ability to raise more dairy cows and achieve higher production volumes, which would prevent us from increasing our sales of raw milk and meeting our minimum supply commitments of raw milk to Mengniu and Yili. In August and September 2014, we entered into strategic cooperation agreements with each of Mengniu and Yili for a term of ten years, respectively, under which we have secured long-term purchase commitments from Mengniu and Yili for all raw milk to be produced at our four operating dairy farms and nearly all our expanded or new dairy farms under current expansionplans that meets certain prescribed quality standards. We have committed to supply an average minimum amount of raw milk on a daily basis for the duration of the respective strategic cooperation agreements to each of Mengniu and Yili which generally increases over the years, reflecting the expected increase in raw milk production as our herd size expands. Failure to meet these minimum supply levels could result in the early termination of the relevant purchase and sale agreements and may even attract penalties for breach of contract unless we are able to mutually agree a lower minimum supply level with Mengniu or Yili, as the case may be, for a particular month. Our ability to renegotiate a lower minimum supply level at the relevant time will depend on a variety of factors such as the then market demand for quality milk, overall milk prices in the region at the relevant time, the relevant customer's ability to source replacement milk and our then relationship with the relevant customer, being factors which are not entirely within our control. If our expansion plans cannot be implemented successfully and in accordance with our expected schedule, we may not be able to ramp up our raw milk production to meet our contractual commitments to Mengniu and Yili. For more details, please see the section headed "Business — Long-term Strategic Cooperation Agreements with Mengniu and Yili" in this prospectus. We estimate that it will take us approximately 2-3 months from the start of commercial production of our farms to reach the production levels necessary to meet our contractual commitments with Mengniu and Yili. Our inability to ramp up our raw milk production could also prevent us from meeting increased market demand and expanding our market share. In addition, if we are unable to replicate our standardized dairy farming operation model at our newly developed or expanded dairy farms, the quantity and quality of our raw milk could be affected, and our operating efficiency could be reduced.

Dairy farms require significant land areas that are suitable for dairy cow raising, abundant fresh water, and sufficient feeds supplies in their vicinity. To ensure the quality and stable supply of feeds at efficient costs, we endeavor to establish crop farms in the vicinity of our dairy farms. For more details about our existing crop farms, please see the section headed "Business — Our Production Facilities — Our Crop Farms" in this prospectus. We cannot assure you that we would be able to acquire suitable natural resources, including land and water resourses, or secure land leases in desirable locations for new dairy farms and crop farms, which could delay or impair our plans for further expansion in the future. As a result, our business, results of operations and financial condition could be materially and adversely affected.

Our ability to manage our expansion and growth requires continuous improvement of our operational, financial and management systems, the skills of our management team and employees, and our sales and technological capabilities. We cannot assure you that our systems, procedures, controls, personnel and expertise will be adequate to support our future growth. Furthermore, expanding existing or developing new dairy farms requires significant time, management attention and financial investment. Our managerial, operational and financial resources may be strained in the execution of our expansion plans. If we fail to manage our growth effectively, our profitability may not be sustained and our business, results of operations and financial condition could be materially and adversely affected.

Our production and quality of raw milk may be adversely affected during the transition period in which we expand our operating dairy farms.

When we expand our operating dairy farms, the operation of such dairy farms may be adversely affected or temporarily disrupted by the construction, as well as the installation of equipment during the transition period. The production and quality of the raw milk of our dairy cows may also be adversely affected because it usually takes one or two months for our dairy cows to adapt to a new milking system and the new environment. As of June 30, 2015, we were developing the second phases of our operating dairy farms, namely the Inner Mongolia Shangdu Farm (Phase II) and the Ningxia Helan Farm (Phase II). Our Inner Mongolia Shangdu Farm (Phase II) commenced production in July 2015 and our Ningxia Helan Farm (Phase II) commenced production in August 2015. The production and quality of raw milk in these farms had been adversely affected for about one month after the commencement of production. The future expansion of our operating dairy farms may similarly affect or disrupt our operation during the transition period and our financial condition may be materially adversely impacted in such event.

Our business and results of operations are dependent on the market prices for raw milk, which are driven by exogenous supply and demand factors.

Our dairy farming business primarily produces and sells premium raw milk to national dairy companies, who process the premium raw milk into high-end liquid milk for sale in China. A substantial portion of our revenue has been, and we anticipate will continue to be, derived from the sales of our premium raw milk. Under the Mengniu Strategic Agreement and Yili Strategic Agreement, we are committed to supply to Mengniu and Yili such minimum amounts of raw milk that meet certain prescribed quality standards. The price of raw milk we supply to Mengniu is generally determined by a quality-based scheme, comprising a base amount and top-up amounts depending on whether and the degree to which our raw milk delivered surpasses a pre-determined set of quality indicators. The pricing scheme is to be set up by Mengniu in a reasonable manner based on the principles that (i) prevailing market prices shall be followed, and (ii) the more superior the quality of our raw milk delivered, the higher the applicable price. The price of raw milk we supply to Yili is to be determined according to a pricing scheme similar in nature to our strategic cooperation with Mengniu. The pricing scheme with Yili is to be adjusted annually to reflect the overall market price and the raw milk sale price of other large-scale dairy farms in the same region. For more details, please see the section headed "Business — Long-term Strategic Cooperation Agreements with Mengniu and Yili" in this prospectus. We cannot assure you that the applicable price with respect to our raw milk as determined in accordance with the applicable strategic cooperation agreements will reach our expected level. In the event that the applicable price is less than our expected level, our business, results of operations and financial condition could be materially and adversely affected.

Furthermore, the fluctuation of market prices for raw milk in China would also affect the results of our import trading business. The demand of dairy cows generally increases when the market price for raw milk rises. On the other hand, a decrease in the raw milk price normally reduces the market demand for dairy cows, which would in turn negatively affect our revenue from trading of dairy cows. For example, the number of dairy cows delivered under our import trading business decreased from 10,606 heads in the first half of 2014 to 1,635 heads in the first half of 2015 primarily due to a significant decrease in raw milk prices in China from March 2014 to February 2015. As a result, revenue from our principal trading of dairy cows decreased from RMB177.9 million in the first half of 2014 to RMB40.8 million in the first half of 2015.

The market price of raw milk is subject to various market forces and factors, including the volume of imported milk powder from foreign suppliers, the import price of milk powder, the seasonality in the northern and southern hemispheres and the overall supply and demand dynamics in the Chinese and the international markets. For example, in March 2014, due to the import of large amount of milk powder into China, which can be used as a substitute for raw milk for certain dairy products, the market price of raw milk has been subject to downward pressure. The average raw milk price in China decreased substantially from RMB4,228 per tonne in March 2014 to RMB3,440 per tonne in February 2015. For more details, please see "Industry Overview — Dairy Farming — Raw Milk Price" in this prospectus. Although the average raw milk price in China remained stable at around RMB3,400 per tonne from February 2015 to September 2015, we cannot assure you that there will not be any significant and sustained adverse movement in the market price of raw milk in the future, which could materially and adversely affect our financial condition and results of operations. Consumer demand for dairy products may also affect the market price of raw milk. For example, if the consumers in China no longer consume large quantities of dairy products or high-end dairy products in particular, the demand for raw milk will diminish and the price premium enjoyed by our premium raw milk over mass-market raw milk will decrease, which could in turn materially and adversely affect our business, results of operations and financial condition. Further, due to the rising number of dairy cows in China and the increasing average milk yield, the raw milk supply is expected to grow and reach approximately 46.7 million tonnes in 2018. If the raw milk demand in China cannot grow in tandem with the growth in supply, the market price for raw milk may decrease, which would have a material adverse impact on our business, financial condition and results of operations.

Our results of operations are subject to fair value adjustments in relation to biological assets and agricultural produce at the point of harvest, which can be volatile and are subject to a number of assumptions.

We engage in agricultural activities by managing the biological transformation and harvest of our biological assets for sale or for conversion into agricultural produce or into additional biological assets. Our biological assets primarily consist of heifers, calves, milkable cows, cows held for sale and alfalfa roots, which are required to be measured at fair value less the estimated cost to sell such assets at each reporting date in accordance with IFRS. The fair values of our biological assets at the end of each reporting period and agricultural produce at the point of harvest were determined by independent professional valuers, using a number of assumptions that may vary from time to time. While these assumptions as adopted in the valuation process have been in line with the actual results, we cannot assure you that these assumptions would be the same with the actual results in the future. For more details on the valuation of our biological assets, please see the section headed "Financial Information — Certain Statement of Financial Position Items — Biological Assets — Valuation Method" in this prospectus.

In accordance with IFRS, gains or losses arising on initial recognition of our biological assets, from changes in fair values of our biological assets, and on initial recognition of agricultural produce will be included in our net profit or loss for the period in which such gains or losses arise. As a result, the recognition of such fair value gains or losses may increase the volatility of our earnings. For example, although there will not be any change to our cash position as long as we continue to hold the relevant biological asset, a fair value gain needs to be recognized in our net profit for the period. Our historical results of operations have been affected by such fair value adjustments. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, gains arising from changes in fair value less cost to sell of our biological assets amounted to RMB19.3 million, RMB31.9 million, RMB111.0 million and RMB5.0 million, respectively; gains arising on initial recognition of agricultural produce at fair value less cost to sell at the point of harvest amounted to RMB62.6 million, RMB61.2 million, RMB115.7 million and RMB76.2 million, respectively. We expect that our results of operations will continue to be affected by such fair value adjustments.

Failure to maintain the quality of our raw milk could materially adversely affect our business.

We rely heavily on our quality control system to ensure the safety and quality of the raw milk produced at our dairy farms. For more details on our quality control system, please see the section headed "Business — Quality Control" in this prospectus. We cannot assure you that failures in our quality control system will not occur in the future. Such failures may occur due to technical malfunctions, such as malfunctions of measurement instruments designed to detect nutrition contents of raw milk, chemical residue in feeds and veterinary drug residue in raw milk, or human lapses in enforcing our quality control procedures. In the event of any failure in our quality control system, we may not be able to prevent feed contamination or the production of substandard raw milk. In addition, the quality of our raw milk could also be adversely affected by other factors such as unfavorable weather conditions, installation of new milking systems or other changes in the environment surrounding or in our dairy farms. We cannot assure you that we will be able maintain the quality of our raw milk in the future.

Under the Mengniu Strategic Agreement and the Yili Strategic Agreement and their corresponding raw milk purchase and sale agreements, the price of the raw milk we supply to Mengniu and Yili is determined by a quality-based scheme, comprising a base price and top-up amounts depending on whether and the degree to which our raw milk delivered surpasses a pre-determined set of quality indicators. Generally, the more superior the quality of our raw milk delivered, the higher the top-up amounts. Accordingly, the price at which we sell our raw milk will directly be affected by the quality of our milk. In addition, Mengniu and Yili may decline to purchase our milk if it fails the prescribed quality standards. Penalties and other contractual liabilities may be imposed if we deliver sub-quality milk. In the event of any failure in our quality control system, the quality of our raw milk delivered to Mengniu and Yili may be negatively impacted, leading to downward pressure on the price of our raw milk and/or potential contractual liabilities under these agreements. As a result, our business, results of operations and financial condition could be materially adversely affected.

We cannot guarantee that we will be able to maintain our average milk yield.

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our average annual milk yield per milking cow was approximately 10.0 tonnes, 9.8 tonnes, 10.8 tonnes and 11.5 tonnes per head, respectively, and our average annual milk yield per milkable cow was approximately 8.8 tonnes, 8.3 tonnes, 9.6 tonnes and 10.1 tonnes per head, respectively. Despite the general upward trend of our average milk yield during the Track Record Period, we cannot assure you that such trend will continue or we can maintain our average milk yield in the future. The average milk yield is affected by various factors including weather conditions, the quality of feeds and the lactation periods and health conditions of our dairy cows, among other things. If our average milk yield is adversely affected for any reason, our business, results of operations and financial condition could be materially adversely affected.

Fluctuations in feeds prices and disruptions of our feeds supply could materially adversely affect our business and results of operations.

Our dairy farming operations require a substantial amount of feeds which mainly include roughages and concentrates. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our feed costs represented 83.5%, 78.1%, 80.1% and 83.8% of the cost of sales for raw milk before biological fair value adjustment. In addition, we plan to continually improve our feeds formula to provide better nutrition for our dairy cows, which could lead to an increase in our feeds costs and may negatively affect our profit margins if the improved feeds formula fails, or proves to be less effective than we expected, in increasing the milk yield of our dairy cows or enhancing the nutrition value of our raw milk. For more details, please see the section headed "Business — Herd Management — Feeding" in this prospectus.

A substantial portion of our corn silage is sourced from our crop farms in the vicinity of our dairy farms. We engage third-party growers to grow, process and sell corn silage to our Company at our Beijing Shunyi Crop Farm, Inner Mongolia Shangdu Crop Farm, Ningxia Helan Crop Farm, Hebei Wen'an Crop Farm and Tianjin Crop Farm. For the remaining portion of corn silage consumed by our dairy cows, we enter into purchase agreements with the local growers. We import a portion of alfalfa hay consumed by our dairy cows from the U.S. while we also purchase alfalfa hay of comparable quality from domestic growers and suppliers at a competitive price. In addition, we commenced growing alfalfa at Ningxia Helan Crop Farm in the spring of 2013. For other feeds such as soybean meal, cotton seed meal, wheat bran and sheep grass, we primarily purchase from domestic third-party suppliers. As with most agricultural products, the availability and prices of feeds are volatile and may be affected by various factors, including but not limited to changes in weather conditions, plant diseases, pests, acts of nature, harvest conditions of the feeds, the PRC government policies, market competition, strikes and other disruptions to production. In the event of price increases or interruptions in our feeds supplies, we may be unable to obtain sufficient quantities of feed supplies on acceptable terms, or at all. With respect to the corn and alfalfa sourced from our crop farms, we cannot assure you that the corn and alfalfa grown at our crop farms will provide feeds of satisfactory quality at favorable cost or at all. Any inability to obtain sufficient quantities of feeds or to pass on increased costs to our customers could have a material adverse effect on our business, results of operations and financial condition.

We have engaged Urban Construction, one of our connected persons, to provide construction services substantially for all of our dairy farms during the Track Record Period and if we engage other construction companies or if Urban Construction is no longer controlled by our connected persons, there is no assurance that we will receive satisfactory construction services on comparable terms.

Since Urban Construction is beneficially owned by Mr. Zhang Dashe (張大社), the elder brother of Mr. Zhang Jianshe, as to 51%, Urban Construction will become our connected person after the Listing in accordance with Rule 14A.07(4) of the Listing Rules. Urban Construction commenced providing construction services to our Group in 2008. During the Track Record Period, Urban Construction provided construction services for substantially all of our dairy farms and import quarantine farms. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the total construction fees in relation to the construction services provided by Urban Construction to our Group were approximately RMB33.0 million, RMB160.7 million, RMB249.9 million and RMB108.3 million, respectively. Pursuant to the existing construction services agreements entered into between our Group and Urban Construction, the estimated amounts of construction fees payable by us for the two years ending December 31, 2016 are approximately RMB289.6 million and RMB170.1 million, respectively. For more details, please see the section headed "Connected Transactions — Non-Exempt Continuing Connected Transactions — Construction Services Agreements" in this prospectus.

If we engage other construction companies with which we are not familiar or Urban Construction is no longer controlled by our connected persons and it does not continue this contractual relationship with us, there is no assurance that we will receive satisfactory construction services on comparable terms. In addition, we may experience various difficulties during cooperation with new construction companies or any new management members of Urban Construction, which may delay the construction process and affect our commencement of commercial milk production at expanded or new dairy farms as planned. As a result, our results of operations and financial condition could be materially adversely affected.

We have primarily sourced our dairy cows from a limited number of suppliers.

We have sourced our dairy cows from three suppliers of dairy cows in Australia and New Zealand, from whom we import quality heifers into China to satisfy customer orders of our import trading business or provide the foundation cows for our expanded or newly developed dairy farms. During the Track Record Period, all of our purchases of dairy cows were from the three suppliers in Australia and New Zealand.

We cannot assure you that we can continue to maintain business relationships with our major suppliers of dairy cows, or supply from them will continue to satisfy the needs of our import trading business and dairy farming business. Furthermore, according to Frost & Sullivan, as of the Latest

Practicable Date, only five countries, namely Australia, New Zealand, Uruguay, Romania and Chile, are approved by the PRC government to export dairy cows to China. Partially due to this limitation on source countries we may not be able to source sufficient supply of quality heifers from alternative suppliers on a timely basis and on commercially acceptable terms, or at all. If so, we may not be able to fulfil the orders from the customers of our import trading business or provide the necessary amount of foundation cows for our expanded or newly developed dairy farms. We may also incur significant additional costs if there are any material increases in the prices upon which the dairy cows are supplied to us. Upon any of these circumstances materializing, our business, results of operations and financial condition could be materially adversely affected.

We may not continue to benefit from favorable government policies, such as the exemption from enterprise income tax or government grants that support our operation.

Our historical results have been positively affected by government policies which benefit the PRC dairy farming industry. Our subsidiaries in the PRC were generally subject to PRC Enterprise Income Tax rate of 25% for each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015. However, according to the *Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)*, income arising from agricultural activities under the PRC laws is exempted from enterprise income tax. In addition, for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we recognized government grants in the amounts of RMB6.8 million, RMB11.8 million, RMB16.3 million and RMB8.0 million, respectively. The government grants we received during the Track Record Period included (i) government grants relating to income, (ii) government grants relating to biological assets and (iii) government grants relating to other assets. For more details about the government grants, please see the subsection headed "— Description of Certain Income Statement Items — Other Income" in the section headed "Financial Information" in this prospectus and Notes 9 and 14 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus.

There can be no assurance that the PRC government will continue to exempt companies in the agricultural and husbandry industries from enterprise income tax. In addition, there can be no assurance that we will continue to receive significant amounts of government grants or any government grants at all in the future. If the PRC government starts collecting enterprise income tax from us, or if we fail to receive significant amounts of government grant that support our operation, our business, results of operations and financial condition could be materially adversely affected.

Disruptions of operations at our facilities could materially and adversely affect our business.

Our business depends on the smooth operations at our facilities. For example, our import trading business depends on, among other things, our ability to feed the cows at our import quarantine farms and finally deliver these imported cows to our customers; our dairy farming business depends on our ability to procure nutritious feeds, manage our dairy farms, produce quality raw milk and timely deliver quality raw milk to our customers. In addition, Mengniu and Yili, pursuant to the Mengniu Strategic Agreement and the Yili Strategic Agreement, respectively, are entitled to inspect and monitor our facilities to ensure compliance with their internal quality standard. Damage to or disruption at our import quarantine farms, dairy farms and other facilities or our inability to meet the internal quality standard of Mengniu or Yili could materially and adversely affect our business and our ability to satisfy our obligations to Mengniu and Yili. Such damage or disruption could result from the following factors, among other things:

- forced closure or suspension of our import quarantine farms, dairy farms or other production facilities;
- outbreak of diseases at our import quarantine farms or dairy farms or in the neighboring areas;
- utility supply disturbances, unfavourable weather conditions, fires, natural disasters, terrorist attacks, strikes or other *force majeure* events;
- our failure, or the failure of any of our suppliers or logistics providers, to comply with applicable food safety regulations, environmental protection regulations and quality assurance guidelines, which could lead to temporary product seizure or recalls, production shutdowns or delays and product shortages;
- interruption of the information technology systems that facilitate the management of our dairy farms and other production facilities;
- production accidents which may result in suspension of operations, property damage, severe personal injuries or even fatalities; and
- opposition from, or disputes with, local communities with respect to our continued operation or further development or new development of our dairy farms.

We have not experienced any material damages or disruptions to our import quarantine farms, dairy farms and other production facilities and we have not received any notification from Mengniu and Yili that we were unable to comply with their internal quality standard during the Track Record Period and up to the Latest Practicable Date. However, we cannot assure you that any of the above events and factors will not occur and result in any material and adverse impact on our business operations. If we fail to take adequate steps to mitigate the likelihood or potential impact of such events or factors, or to effectively respond to such events or factors if they occur or materialize, our business, results of operations and financial condition could be materially adversely affected.

Natural disaster, acts of war or terrorism, extreme weather conditions or other factors beyond our control may materially adversely affect our business, results of operations and financial condition.

We require large areas of land for our dairy farms, crop farms and import quarantine farms, which cannot be relocated easily without incurring significant time and expenditures. Natural disasters, such as earthquakes and floods, extreme weather conditions, outbreak of diseases and catastrophic events may disrupt the operations at our dairy farms and other production facilities, which could lead to loss of revenues. For example, since dairy cows generally prefer temperate weather than extremely cold or hot weather, extended extreme cold or hot weather could potentially reduce our raw milk production volume. Similarly, wars, terrorist activities or threats, social unrest, geopolitical uncertainty and other factors beyond our control could affect international or regional economic climate, which could in turn materially and adversely affect our business, results of operations and financial condition. Furthermore, the nature of our business is such that we may not be able to adequately prepare for such events in terms of contingency planning or may not have recovery capabilities in place to deal with a major incident or crisis. In addition, we currently do not maintain any business interruption insurance or insurance on production facilities, thus, we may be required to use our own financial resources to cover the relevant losses, damages and liabilities caused by the above mentioned incidents or crises. For more details, please see the risk factor headed "— Our insurance coverage and government compensation may not be sufficient to cover all of our potential losses" below. As a result, our operational continuity, as well as our business, results of operations and financial condition could be materially adversely affected.

We recorded net current liabilities as of December 31, 2013, December 31, 2014, June 30, 2015 and September 30, 2015. We cannot assure you that we will be able to record net current assets in the future.

The expansion of our dairy farming business has been capital intensive. We recorded net current liabilities of RMB142.4 million, RMB140.5 million, RMB193.5 million and RMB262.9 million as of December 31, 2013, December 31, 2014, June 30, 2015 and September 30, 2015, respectively, primarily reflecting the expenditures incurred in relation to construction of infrastructure, purchase of equipment and import of heifers for the expanded or newly developed dairy farms under our expansion plans. During the Track Record Period, we have funded our liquidity and capital requirements primarily through capital contributions from our Shareholders, bank borrowings and cash generated from our operating activities. For more details on our net current liabilities, please see the section headed "Financial Information — Liquidity and Capital Resources — Net Current Liabilities" in this prospectus. We cannot assure you that we will not record net current liabilities in the future. Our future liquidity will primarily depend on our ability to maintain adequate cash inflows from our operating activities and secure adequate external financing. Our ability to generate adequate cash inflows from operating activities may be affected by decreasing sales or downward movements in the prices for our raw milk. Also, we may not be able to renew or refinance our existing bank borrowings or secure additional external financing. The occurrence of any of the foregoing may cause us not to have sufficient cash flow to fund our operating costs and, in that event, our business, financial condition and results of operations could be materially adversely affected.

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

With respect to the dairy cows raised at our dairy farms, our insurance policies generally cover, among other things, death caused by certain diseases, accidents or natural disasters, infertility resulting from a previous difficult birth, and losses incurred as a result of government orders of mass slaughters of farm animals in the relevant region. In addition, according to the *Animal Epidemic Disease Prevention Law of the PRC* (《中華人民共和國動物防疫法》), dairy farms are entitled to government compensation for losses resulting from compulsory livestock slaughter and destruction of animal products and relevant goods due to mandatory government measures taken to prevent, control or eliminate epidemics. With respect to the imported cows for our import trading business, our overseas suppliers usually obtain insurances covering the risks involved during the transportation from the departure port in overseas to the arrival port in China. For further information, please see the section headed "Business — Insurance" in this prospectus. However, there can be no assurance that the current insurance coverage and government compensation, the amount of which will be determined by the PRC government, would be sufficient to cover all of our potential losses. Furthermore, even if we do receive sufficient compensation for replacing the lost cows, there is no assurance that any replacement cows would be of the same quality as the lost ones.

We do not maintain any third-party product liability insurance, occupier's liability insurance or insurance coverage for our main production facilities, equipment and buildings. As a result, we may be required to use our own financial resources to cover the relevant losses, damages and liabilities, such as those caused by accidents, earthquakes, fires, extreme weather conditions, wars, floods, power outages, strikes, terrorist attacks, product contamination or other disruptive events. Furthermore, any product liability claims may subject us to liabilities to compensate the claimants if we are held liable. Losses incurred or payments that we may be required to make may have a material adverse effect on our business, results of operations and financial condition, to the extent that such losses or payments are not insured or the insured amount is not adequate.

We may not have full control over third-party contractors or service providers.

We engage third-party contractors in our business operations. For example, we engage contracted third-party growers to grow corn at all of our crop farms. We also engage third-party contractors to design and construct our expanded or newly developed dairy farms. As a result, our operations are affected by the performance of our third-party contractors. We require the third-party contractors to carry out their work in accordance with the specifications and schedules of the relevant assignments as well as our quality, safety and environmental standards. We supervise and monitor the work of such third-party contractors. However, we cannot assure you that these third-party contractors will work in accordance with our requirements at all times or produce goods that meet our requirements, and any failure by them to meet our requirements may result in sub-standard quality of our products and even our non-compliance with the relevant government rules and regulations. Furthermore, if we fail to retain our third-party contractors or find replacements on commercially acceptable terms in the event of any breach of contract by such contractors, our business, results of operations and financial condition could be materially adversely affected.

We also engage third-party logistics providers to deliver our raw milk to our customers. Timely delivery and proper transportation of our raw milk are crucial to our business. Due to its perishable nature, our raw milk could be spoilt if it is not delivered to our customers in a timely manner and under controlled environment and temperatures. As a result, any delay or failure by the third-party logistics providers to deliver our raw milk on a timely basis and in good condition, whether due to bad weather, technical problem or any other reasons, could affect our sales volume and business operations. Additionally, any delay or failure to deliver the raw milk to our customers on a timely basis and in good condition could affect our relationships with these customers and, as a result, our customers may not renew their raw milk purchase agreements with us. As a result, our business, results of operations and financial condition could be materially adversely affected.

We require various approvals, licenses and permits to operate our business and the loss of or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect our business and results of operations.

In accordance with the laws and regulations of the PRC, we are required to maintain various approvals, licenses and permits in order to operate our business. For example, our dairy farm needs to obtain, among other things, license for production and operation of breeding livestock and poultry, certificate for animal epidemic disease prevention, approval for environmental impact assessment report and inspection approval for completed environmental protection facilities. These approvals, licenses and permits are achieved upon satisfactory compliance with the applicable laws and regulations. Most of these licenses are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation.

As of the Latest Practicable Date, we have obtained all key licenses, permits and approvals required under the PRC laws, save as disclosed in the section headed "Business — Legal Compliance and Proceedings" in this prospectus. With respect to our various non-compliance incidents, we may be subject to fines, orders to cease construction or operation of the relevant production facilities, or terminate usage of the relevant properties.

In addition, there can be no assurance that we will be able to renew all of the licenses when they expire. If we cannot obtain and maintain all licenses required by us to operate our business, our business could be interrupted or the continued operations of our business may be subject to fine and penalty. Furthermore, we need new approvals, licenses and permits for our expanded or newly developed dairy farms under our expansion plans. If we are not able to obtain the required approvals, licenses and permits for our expanded or newly developed dairy farms, we will not be able to expand the scale of our operation as we plan. We may even fail to produce and deliver sufficient amount of raw milk to Mengniu and Yili, under the Mengniu Strategic Agreement, the Yili Strategic Agreement and the corresponding raw milk purchase and sale agreements, respectively. As a result, our business, results of operations and financial condition could be materially adversely affected.

We have not obtained all required approvals for one parcel of leased land occupied by one of our operating dairy farms.

We lease one parcel of land with a total site area of approximately 118 mu together with certain buildings located on such land in Liaoning Province from a local regiment of the People's Liberation Army in China for a term of ten years, where our Liaoning Kuandian Farm (Phase I) is located. Our PRC legal advisers have advised us that in accordance with applicable PRC laws, the People's Liberation Army may lease its properties to a third party, provided that, if the lease is for a term of ten years or more or the leased land is above a certain size, the lease will need to be approved by the General Logistics Department (總後勤部) of the People's Liberation Army. Our PRC legal advisers have advised us that it is the lessor's obligation to obtain approval from the General Logistics Department with respect to our lease of the relevant property. As of the Latest Practicable Date, the lessor has not obtained the required approval from the General Logistics Department. For more details, please see the section headed "Business — Properties — Leased Properties — Leased Lands" in this prospectus.

Due to the lessor's failure to obtain the necessary approval, our lease of the parcel of land occupied by Liaoning Kuandian Farm (Phase I) may be terminated by the General Logistics Department. In the event of such termination, we may be forced to relocate. Although we have sought replacement land at the planned Liaoning Kuandian Farm (Phase II) which is located in the same town as Liaoning Kuandian Farm (Phase I), we will only commence the development of Liaoning Kuandian Farm (Phase II) by the second quarter of 2016. Accordingly, we may not be able to relocate to this replacement land on a timely basis or at all, and we may experience significant disruption to our business operations during the relocation. As a result, our business, results of operations and financial condition could be materially adversely affected.

If our employees or agents engage in illegal practices, our reputation, business, financial condition and results of operations may be materially adversely affected.

Although we adopted internal policies Measures for Administration of Entertainment Activities《招待管理辦法》in relation to third party entertainment activities and the Anti-fraud and Reporting Regulations《反舞弊及舉報管理規定》in relation to reporting of corruption instances, our employees or agents may fail to comply with our internal policies and engage in illegal practices. We may not be able to prevent or detect actions by our employees or agents which violate applicable anti-corruption laws and regulations. Bribery and other misconduct by our employees or agents may be difficult to prevent or to detect on a timely basis, or at all.

Although we had not received any report or complaints in relation to corruption and bribery instances as of the Latest Practicable Date, there can be no assurance that we will be able to prevent or detect such misconduct in the future. If our employees or agents engage in behaviors that are contrary to our guidelines and authorizations set forth in such internal policies, our reputation may be harmed, and our sales and business prospects may suffer. We may also be subject to third party claims and regulatory investigations. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

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

We depend on certain key qualified personnel, key senior management and other employees in our business, including those personnel set out in the section headed "Directors and Senior Management" in this prospectus. The expertise, industry experience and contributions of our senior management are crucial to our success. There can be no assurance that such persons will continue to provide services to us or will honor the agreed upon terms and conditions of their employment contracts. For example, Mr. NG Ming Hon tendered his resignation as the chief financial officer of our Company for personal reasons on November 6, 2015. The resignation was approved by our Board on November 6, 2015 and became effective on November 7, 2015. We appointed Ms. HE Shan as the new chief financial officer for our Company, which appointment was accepted and duly approved on November 6, 2015 and became effective on November 7, 2015. Any loss of key personnel or failure to recruit and retain key personnel for our future operations and development may have a material adverse effect on our business, results of operations and financial condition.

We may experience a labor shortage or labor disputes and our labor costs may increase.

Our staff cost, including salaries, bonuses and allowances, contributions to retirement benefit schemes amounted to RMB14.9 million, RMB23.8 million, RMB43.6 million and RMB28.9 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. Labor costs in China have been increasing and may continue to increase in the future. We cannot assure you that our cost of labor will not continue to increase. Any such increase could cause our production costs to increase and we may not be able to pass such cost increase to our customers due to competitive pricing pressures. Moreover, we can give no assurance that we will not experience any shortage of labor for our business operations, particularly our dairy farming business. Any such shortage could hinder our ability to maintain or expand our business operations. In such circumstances, our business, financial condition and results of operations may be materially adversely affected.

Furthermore, our ability to successfully operate our business is dependent on our ability to maintain a stable workforce. We have not experienced any labor disputes that materially adversely affected our business during the Track Record Period. However, we cannot assure you that we will not be involved in any labor disputes in the future. If our operations are disrupted for any significant period of time as a result of labor disputes, our production volume could be reduced, which could materially adversely affect our business, financial condition and results of operations and hinder our growth.

Our results of operations may be materially adversely affected if there are failures in our information system.

We rely, to a large extent, on our information system for the management of our dairy farms, which helps us improve the operating efficiency and management capabilities of our dairy farms through the provision of data recording, operation guidance and performance evaluation. For more details, please see the section headed "Business — Herd Management — Farm Management Technologies" in this prospectus. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any major information system failure that materially adversely affected our business. However, we cannot assure you that any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires, natural disasters and other similar events relating to our information system will not happen in the future. Additionally, restoring any damaged information system may cause us to incur significant expenditures and require additional workforce. If any serious damage or significant interruption occurs, our operations may be disrupted, which could have a material adverse effect on our business, financial condition and results of operations.

Our Ultimate Controlling Shareholders have substantial influence over our Company and their interests may not be fully aligned with the interests of other Shareholders.

Immediately following the completion of the Global Offering, our Ultimate Controlling Shareholders, including Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai, will hold in the aggregate 40.28% of our issued share capital, assuming that the Over-allotment Option is not exercised. Although our business operations are run independently by our Board of Directors and management, our Ultimate Controlling Shareholders, subject to our Memorandum and Articles of Association and applicable laws and regulations, will have substantial influence over our business. In addition, our Ultimate Controlling Shareholders may have interests that conflict with those of the other Shareholders, and may take actions that would not be in the best interests of the other Shareholders. This may discourage, delay or even prevent a change in control of our Company, which could deprive you as Shareholders of the opportunity to receive a premium for your Shares in a sale of our Company or may reduce the market price of our Shares.

We may face challenges and incur additional costs if we expand into the downstream dairy products market in the future.

As part of our business development strategy, we intend to pursue opportunities to expand into the downstream processing operations of the dairy industry value chain, while taking into consideration of the amount of capital required, the supply and demand dynamic of the PRC dairy products and maturity of our dairy farming business. On October 15, 2014, we entered into a non-binding, non-exclusive letter of intent with S.F. Express Co., Ltd. (順豐速運有限公司) ("**SF Express**"), a Chinese delivery services company, with respect to possible cooperation in fresh milk and yogurt production and distribution projects. SF Express is under common control with our Series B Investor. Both parties intend to further negotiate specifics of the expected cooperation, which are expected to be incorporated in a binding cooperation agreement to be executed by both parties. We may also consider acquiring at opportune time regional downstream dairy processors in China that are potentially competitive, so that we can achieve accelerated growth in scale in our future downstream dairy operations. For more details, please see the section headed "Business — Our Strategies — Pursue opportunities to expand into downstream processing operations of the dairy industry value chain" in this prospectus.

As of the Latest Practicable Date, we did not have any definitive timetable for expanding into the downstream processing operations of the dairy industry value chain. Such expansion will be subject to various factors including our business prospect, market conditions, consumer demand and other factors beyond our control. Therefore, our downstream expansion plans may not be realized to the extent that we currently anticipate, or at all. For example, we may not be able to enter into a binding cooperation agreement with SF Express with respect to the contemplated joint investment in fresh milk and yogurt production and distribution projects. If we do, we cannot assure you that the terms of such binding cooperation agreement will be commercially favorable to us.

If we eventually implement our downstream expansion plans, we expect to incur significant expenditures and face intense competition, with many of our future competitors also being our raw milk customers. The expansion will place pressures on our managerial, marketing, technical, financial, production, operational and other resources, and require significant management attention. We will also need to comply with the additional laws and regulations applicable to production, inspection and sales of processed dairy products.

RISKS RELATING TO OUR INDUSTRY

Adverse publicity concerning food safety incidents of dairy products in China could have a negative impact on the PRC dairy farming industry.

There have been various food safety incidents in recent years in China regarding contaminated dairy products produced by certain Chinese dairy companies, shaking consumers' confidence in the PRC dairy industry. For example, infant formula produced by certain Chinese dairy companies was contaminated with melamine and caused at least six infant deaths in 2008. In 2010, there were also media reports about certain infant formula produced in China that was tainted with unidentified hormone, leading to premature puberty of several infants.

Negative publicity concerning the food safety of dairy products in China, whether truthful or not, could result in loss of overall consumer confidence in dairy products produced in China. The PRC dairy farming industry, providing raw milk to be processed by the downstream dairy processors, could also be adversely affected consequently, even if the relevant food safety issues only result from downstream processing.

We do not produce infant formula and none of our raw milk has been involved in any food safety incidents during the Track Record Period and up to the Latest Practicable Date. However, if the consumer perception and market demand for dairy products produced in China are negatively impacted by publicity about food safety incidents, sales of our raw milk to the PRC dairy producers could also be adversely affected, resulting in a material adverse effect on our business, results of operations and financial condition.

We may incur significant expenditures in complying with the environmental laws and regulations.

We conduct business in an industry that is subject to stringent PRC environmental laws and regulations. Our dairy farming business produces manure and other environmental waste, and is subject to restrictions relating to prevention and control of pollution. For example, we are required to adopt measures to effectively control and properly dispose of the waste materials. In the event that the applicable PRC environmental laws and regulations are amended or more stringent requirements are imposed on us, we may incur significantly increased expenditures to be compliant.

During the Track Record Period, we were not involved in any material environmental claims or violations of any applicable PRC environmental laws and regulations that could materially affect our business and financial conditions. However, we cannot assure you that we will not be involved in such claims or accused of such violation in the future, which could subject us to civil damages, administrative penalties or even criminal sanctions. If we are involved in litigation or other legal proceedings in relation to such claims or violation, the outcome of such proceedings will be uncertain and could materially adversely affect our business, results of operations and financial condition. Furthermore, such proceedings could entail substantial legal expenses as well as significant diversion of our management's time and attention.

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

Our business operations are currently subject to extensive public health and food safety laws and regulations promulgated by a wide range of PRC authorities, such as the State Council, GAQSIQ, and MOA.

We cannot assure you that the relevant PRC authorities will not change the existing laws or regulations, or adopt additional or more stringent laws or regulations applicable to us and our business operations. For example, on September 16, 2010, the State Council promulgated the *Notice Regarding Measures to Further Strengthen Quality and Safety of Dairy Products* (《關於進一步加强乳品質量安全工作的通知》), which called for strengthening of legal and regulatory measures regarding quality and safety of dairy products, by imposing rigorous laws and regulations and raising the quality and safety standards. Such future laws and regulations may require the reconfiguration or upgrading of methods and procedures for sourcing raw materials, production, processing and transportation of dairy products. We cannot accurately predict the details of such future laws and regulations, or accurately estimate their potential impact on our business operations.

The costs of complying with current or future legal or regulatory requirements may be significant, and could force us to curtail our operations or otherwise have a material adverse effect on our business, results of operations and financial condition. Failure to comply could subject us to civil damages, administrative penalties or even criminal sanctions, which could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Adverse changes in the economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could materially adversely affect our business.

Substantially all of our business operations are conducted in China. Accordingly, our business, financial condition and results of operations are subject to a significant degree to economic, political and legal developments in China as a whole. While the Chinese economy has experienced significant growth in the past three decades, growth has been uneven among various sectors of the economy, geographically and during different periods. We cannot assure you that the Chinese economy will continue to grow or that, if there is growth, such growth will be steady and uniform, or that, if there is a slowdown, such slowdown will not have a negative effect on our business.

The financial market in China could also be unpredictable. The PBOC's statutory deposit ratio and lending guideline imposed on commercial banks may restrain loan market and materially affect our liquidity and access to capital. Our business, results of operations and financial condition could also be materially adversely affected by governmental control over capital investment or changes in environmental protection, health, labor and tax policies applicable to us.

Government control of currency conversion and the fluctuation of the Renminbi may materially adversely affect our operations and our ability to pay dividends.

Substantially all of our revenue is denominated and settled in Renminbi, which is currently not a freely convertible currency. We also undertake certain operating transactions in foreign currencies, such as USD, Australian Dollar, and New Zealand Dollar. For more details, see Note 36 to section A of the Accountants' Report of our Group set out in Appendix I to this prospectus.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance in foreign currencies out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the SAFE or its local branch, provided that we satisfy certain procedural requirements. However, capital account transactions must be approved by or registered with SAFE or its local branch. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. We cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits out of the PRC.

Furthermore, the value of Renminbi against the USD and other foreign currencies may fluctuate as a result of PRC government's policy changes, and is subject to domestic as well as international economic and political developments in addition to supply and demand dynamics. Fluctuations in exchange rates between Renminbi and other relevant foreign currencies may limit our ability to purchase goods and services outside China or otherwise fund our business activities that are conducted in foreign currencies. In addition, if the PRC foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders, which would adversely affect the value of your investment.

A sudden expansion of the RMB floating range and a sharp devaluation of the RMB by the PBOC in August 2015 have resulted in significant fluctuations in the exchange rates of the RMB against the USD, the Australian Dollar and the New Zealand Dollar. Though the PBOC claimed that the change was a one-time adjustment and that the RMB exchange rate would remain stable, the RMB is facing a possibility of further depreciation if China's export growth remains sluggish. If the RMB continues to weaken significantly, the cost of importing cows, alfalfa hay and other animal husbandry-related products will increase, and our operations, especially that relating to our import trading business, could be materially adversely affected.

Uncertainties with respect to the PRC legal system could materially and adversely affect us.

Our business and operations in China are governed by the PRC legal system that is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. As a result, interpretation of the PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. We may not become aware on a timely manner of our violation of such governmental policies and rules with retroactive application. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors including you.

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

A substantial portion of our assets and the assets of our Directors are located in China. It may not be possible for investors to effect service of process upon us or those persons in China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned* (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"), pursuant to which a party with an enforceable final court judgment rendered by any designated people's court of the PRC or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of the PRC or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

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

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

We may be deemed to be a PRC tax resident under the EIT Law, and as a result, our PRC-sourced income, dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to PRC withholding tax.

We are a holding company incorporated under the laws of the Cayman Islands and indirectly hold interests in our PRC operating subsidiaries. Pursuant to the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), or the EIT Law, which took effect on January 1, 2008, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10.0% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement.

The EIT Law provides that if an enterprise incorporated outside the PRC has its ''de facto management bodies'' within the PRC, such enterprise may be deemed a "PRC resident enterprise" for tax purposes and be subject to an enterprise income tax rate of 25% on its global incomes. "De facto management body" is defined as the body that exercises substantial overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the SAT promulgated a circular to clarify the certain criteria for the determination of the "de facto management bodies" for Chinese-invested companies registered abroad. These criteria include: (i) the enterprise's senior management personnel and department who are responsible for managing the day-to-day production and operation perform their obligations primarily in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (iv) 50.0% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. Meanwhile, the measure of "de facto management bodies" shall apply based on the principle of substance over form. The SAT further issues administrative rules in July 2011 and January 2014 regarding administrative procedures for recognizing PRC resident enterprise status of a Chinese-invested company registered abroad.

According to the aforesaid SAT circulars, a Chinese-invested company registered abroad could either apply for PRC resident enterprise status with the competent PRC tax authority in the place where its major Chinese investor is located and the application will be subject to approval of competent PRC tax authorities, or be recognized as a PRC resident enterprise by competent PRC tax authorities. In this regard, there are uncertainties that whether a Chinese-invested company registered abroad would be treated as a PRC resident enterprise before obtaining the relevant approval from competent PRC tax authorities. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises which are not controlled by PRC enterprises (including companies like ourselves).

Therefore, it remains unclear how the PRC tax authorities will treat a case such as ours. We cannot assure you that we will not be considered as a PRC resident enterprise for PRC enterprise income tax purposes and be subject to the uniform 25.0% enterprise income tax on our global incomes. However, there have been no official implementation rules regarding the determination of the ''de facto management bodies'' for foreign enterprises which are not controlled by PRC enterprises (including companies like ourselves). In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempt from enterprise income tax, due to the relatively short history of the EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC-incorporated subsidiaries to us will meet such qualification requirements even if we are considered as a PRC resident enterprise for tax purposes.

Furthermore, the EIT Law provides that, (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interest of enterprises domiciled in the PRC, then such dividends or capital gains are treated as PRC-sourced income. It is not clear how "domicile" may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered as a PRC resident enterprise for tax purposes, any dividends we pay to our overseas corporate shareholders who are not deemed a PRC resident enterprise as well as gains realized by such shareholders from the transfer of our Shares may be regarded as PRC-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10.0%.

We face uncertainty relating to the SAT Circular No.7.

On February 3, 2015, *the PRC State Administration of Taxation issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises* (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("**Circular 7**"), which abolished certain provisions in the *Notice on Strengthening the Administration of Enterprise Income Tax on on-Resident Enterprises* (《關於加強非居民企業股權轉讓企業所得稅管理的通知》) ("**Circular 698**"), which was previously issued by the State Administration of Taxation on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**").

For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in Circular No. 7, transfers of Chinese taxable property under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the value of the overseas enterprise is directly or indirectly from Chinese taxable properties; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of Chinese taxable property, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of Chinese taxable property; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold Chinese taxable property and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organisation forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organisation forms suggest; or (iv) the income tax from the indirect transfer of Chinese taxable property payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such Chinese taxable property.

Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

During the Reorganization, Peak Ring Holding Limited, the sole shareholder of Kaixin Peak Ring, assigned all of the shares, being one (1) share, it held in Kaixin Peak Ring to ZhongDi Hong Kong for a consideration of 89,800,000 ordinary shares issued to Peak Ring Holding Limited. According to our PRC legal advisers, there is a risk that the relevant transfer of shares, which is governed by Circular No. 7, may be considered by the relevant PRC tax authority as having no “reasonable commercial purpose” and thus subject to PRC enterprise income tax. In such case, Peak Ring Holding Limited will be liable for payment of the tax on the aforementioned transaction. The Group is, however, not subject to PRC enterprise income tax or has any tax withholding obligations in respect of the Reorganization under Circular No. 7.

Our PRC legal advisers have advised that if Circular No. 7 is applicable to non-resident enterprises such as our Shareholders, then the transfer of our Shares will be subject to enterprise income tax calculated as follows: enterprise income tax = (transfer price of shares — cost of shares) × applicable rate (usually 10%). However, the transfer price of shares in a share swap transaction is subject to different methodologies of assessment, such as the income valuation method, the market valuation method and cost valuation method, etc., and it is uncertain which methodology the relevant tax authority will adopt in assessing the relevant transfer of shares. We cannot estimate the amount of tax that may be imposed on our Shareholders if the relevant transfer is deemed by the tax authority to be subject to PRC enterprise tax.

After the Listing, according to our PRC legal advisers, the income obtained by non-resident enterprises from the indirect transfer of Chinese taxable properties is not subject to PRC enterprise income tax if the purchase and sale of the equities of the same overseas listed company is conducted on the open market, and is subject to PRC enterprise income tax if the purchase and sale of the equities of the same overseas listed company is conducted off the open market. Circular No.7 does not contain a clear definition of “open market.” According to the interpretation of the Office of the PRC State Administration of Taxation, the determination of whether or not an offshore market is an open market is primarily based on the factors including the number of independent persons or entities that are allowed to participate in bidding and the process of bidding. According to the *PRC State Administration of Taxation’s Announcement on Several Issues Concerning Management of Enterprise Income Tax on on-Resident Enterprises (The PRC State Administration of Taxation 2011 Announcement No. 24)*《國家税務總局關於非居民企業所得税管理若干問題的公告》(國家税務總局公告2011年第24號), to qualify as the purchase and sale of the equities in an open market, the transaction shall be conducted according to the common transaction rules in a public securities market and the identities of seller and buyer, the amount of shares and the price of shares are not pre-determined.

After the Listing, since the purchase and sale of our Shares by our non-resident enterprise Shareholders will be conducted on the Stock Exchange pursuant to its common transaction rules and the identities of seller and buyer, the amount of Shares and the price of Shares are not pre-determined, according to our PRC legal advisers, our non-resident enterprise Shareholders will be exempted from the reporting obligations and tax liabilities under Circular No.7. Circular No. 7 does not apply to individual Shareholders whether the relevant transactions are conducted on or off the open market.

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

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

Failure by the Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from distributing profits and could expose us and our PRC resident Shareholders to liabilities under the PRC laws.

The *Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles* (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular No. 37**"), which was promulgated by SAFE and became effective on July 14, 2014, requires a PRC institution or individual resident ("**PRC Resident**") to file a "Registration Form of Overseas Investments Contributed by Domestic Individual Residents" and register with the local SAFE branch before he or she contributes assets or equity interests in an offshore special purpose vehicle ("**Offshore SPV**"), that is directly established or controlled by the PRC Resident for the purpose of offshore investment and financing, utilizing assets or interests (onshore or offshore) legally held by the PRC Resident. Following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change in respect of the Offshore SPV, including, among other things, any major change of the Offshore SPV's PRC Resident shareholder, name of the Offshore SPV, term of operation, or any increase or reduction of the Offshore SPV's registered capital, share transfer or swap, and merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties, including the imposition of restrictions on the ability of the Offshore SPV's PRC subsidiary to distribute dividends to its overseas parent.

As SAFE Circular No. 37 was recently promulgated, it remains unclear how this regulation and any future related legislation will be interpreted, amended and implemented by the relevant PRC government authorities. As of the Latest Practicable Date, to the best of our knowledge, our PRC individual resident Shareholders with offshore investments in our Group (including Mr. Zhang Jianshe, Mr. Zhang Kaizhan, Mr. Liu Dai and Ms. Lin Ling) had registered with the SAFE Beijing Branch (國家外匯管理局北京外匯管理部) as to their offshore investments in accordance with the then applicable regulation, namely the *Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Financing and Return Investments Conducted by Domestic Residents via Special Purpose Vehicles* (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular No. 75**"), which was replaced by SAFE Circular No. 37 on July 14, 2014. However, we may not at all times be fully informed of the identities of all our Shareholders who are PRC Residents and we do not have control over our Shareholders. As such, we cannot assure you that all of our PRC Resident beneficial owners will comply with the regulations of SAFE. Any failure by our PRC Resident Shareholders to register with SAFE or update SAFE's records, or the failure of future Shareholders who are PRC Residents to comply with the registration requirements may result in penalties and the prohibition of payment to offshore parents from capital reductions, share transfers or liquidations of our PRC subsidiaries and could materially adversely affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to the Shareholders.

An outbreak of any widespread public health problem, if uncontrolled, could have a negative impact on our operations as well as affect consumer demand for dairy products.

An outbreak of any widespread public health problem in China, such as severe acute respiratory syndrome (also known as SARS), avian influenza or H5N1 influenza, if protracted and uncontrolled, may result in the contraction of such disease among our employees or those with whom we conduct business on a regular basis, making it necessary to suspend or close certain parts of our operations to prevent the spread of the disease. In addition, if there is an outbreak of any widespread public health problem, we cannot assure you that the World Health Organization or the PRC government will not recommend, or even impose, travel restrictions and/or restrictions on the flow of goods to and from areas affected by the virus. For these reasons, an outbreak of any widespread public health problem could cause significant interruption to our business and have a significant impact upon our sales and profitability. Furthermore, adverse publicity about any widespread public health problem, whether or not true, may discourage consumers from purchasing dairy products or cause production and delivery disruptions. If consumers generally were to avoid dairy products, our customers who purchase our raw milk to process into dairy products may in turn reduce their purchases of raw milk, in the event of which our sales could decline substantially and we could suffer serious losses.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior market for our Shares, and the liquidity and market price of our Shares following the Global Offering may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price range disclosed to the public for our Shares was the result of negotiations between us and the Sole Global Coordinator (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied to list and deal in the Shares on the Stock Exchange. We cannot assure you that the Global Offering will result in the development of an active, liquid public trading market for our Shares. In addition, the price and trading volumes of our Shares may be volatile. Factors such as variations in our revenue, earnings and cash flows or any other developments relating to our Company may affect the volume and price at which our Shares will be traded.

Investors could face future dilution as a result of equity financings.

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

Future issuances or sales, or perceived issuances or sales, of substantial amounts of Shares in the public market could materially and adversely affect the prevailing market price of the Shares and our ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of substantial amounts of Shares or other securities relating to the Shares in the public market, including by our Company's substantial Shareholders, or the issuance of new Shares by our Company, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of the Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us, and our Shareholders will experience dilution in their holdings upon our issuance or sale of additional securities in the future.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under Hong Kong law, you may have less protection of your shareholder rights than you would have under Hong Kong law.

Our corporate affairs are governed by, among others, the Memorandum and Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us are to a large extent governed by the common law of the Cayman Islands and the Memorandum and Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. The remedies available to the minority shareholders may be limited compared to the laws of other jurisdictions. See the section headed "Summary of the Constitution of Our Company and Cayman Companies Law" as set out in Appendix III to this prospectus for additional information.

There can be no assurance if and when we will pay dividends in the future.

Our ability to pay dividends will depend on factors including whether we are able to generate sufficient earnings. Distributions of dividends will be determined by our Board at their discretion in accordance with relevant regulations and will be subject to Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows, financial condition, operating and capital expenditure requirements, distributable profits, our Memorandum and Articles of Association, and any applicable laws and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See the section headed "Financial Information — Dividend Policy" in this prospectus for additional details regarding our dividend policy.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official government sources and other third parties contained in this prospectus, and statistics in this prospectus provided by Frost & Sullivan are subject to assumptions and methodologies set forth in the section headed "Industry Overview" in this prospectus.

Facts, forecasts and other statistics in this prospectus relating to the economy and the dairy industry have been collected from various official government publications. We cannot assure you regarding, nor make any representation as to, the accuracy or completeness of such information. Neither we, our Ultimate Controlling Shareholders, or any of our or their respective affiliates or advisers, nor the Underwriters or any of their affiliates or advisers, have prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. Statistics, industry data and other information relating to the economies and the industry derived from official government sources used in this prospectus may not be consistent with other information available from other sources and should not be unduly relied upon. Due to possible flawed collection methods, discrepancies between published information, different market practices or other issues, the statistics, industry data and other information relating to the economies and the industry derived from official government sources and provided by Frost & Sullivan might be inaccurate or might not be comparable to statistics produced from other sources. The statistics contained in the "Industry Overview" and other sections of this prospectus provided by Frost & Sullivan should be read in conjunction with the assumptions and methodologies set forth in the section headed "Industry Overview" in this prospectus. In all cases, you should carefully consider how much weight or importance you should attach or place on such statistics, industry data and other information relating to the economies and the industry.

You should rely only on this prospectus and not place any reliance on any information contained in press articles or other media in making your investment decision.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is not contained in, or is different from what is contained in, this prospectus. Prior or subsequent to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Global Offering. We have not authorized any such press and media reports, and the financial information, financial projections, valuations and other information purportedly about us contained in any such unauthorized press and media coverage may be untrue and may not reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this prospectus and the Application Forms.

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Our principal business and operations are located, managed and conducted in the PRC through our PRC operating subsidiaries. Our entire turnover is generated from the PRC. None of our executive Directors is a Hong Kong permanent resident or is ordinarily based in Hong Kong. As a result, our Company does not, and will not, in the foreseeable future, have sufficient management presence in Hong Kong as required under Rule 8.12 of the Listing Rules. Furthermore, it would be impractical and commercially unnecessary for our Company to appoint additional executive Directors who are ordinarily resident in Hong Kong or to relocate our existing PRC based executive Directors to Hong Kong.

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

(i) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorized representatives of our Company are Mr. Zhang Jianshe, our Chairman, executive Director and Chief Executive Officer, and Ms. Ng Sin Yee, Clare, one of our joint company secretaries, who is ordinarily resident in Hong Kong;

(ii) any meeting between the Stock Exchange and our Directors will be arranged through the authorized representatives or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and compliance adviser;

(iii) each of the authorized representatives will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

(iv) each of the authorized representatives has means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. To enhance the communication between the Stock Exchange, the authorized representatives and the Directors, we have implemented a policy that (a) each Director will provide his/her respective office phone number, mobile phone number, facsimile number and email address to the authorized representatives; and (b) all the Directors and authorized representatives will provide, if available, their office phone numbers, mobile phone numbers, facsimile numbers and email addresses to the Stock Exchange;

(v) the Directors, who are not ordinarily resident in Hong Kong, have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and are able to meet with the Stock Exchange within a reasonable period of time; and

(vi) we have appointed Anglo Chinese Corporate Finance, Limited (英高財務顧問有限公司) as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to act as our additional channel of communication with the Stock Exchange for a period commencing from the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. Our compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after Listing and have full access at all times to the authorized representatives of our Company and the Directors.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of the Hong Kong Institute of Chartered Secretaries;

(ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(iii) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In accessing "relevant experience", the Stock Exchange will consider the followings of the individual:

(i) length of employment with the issuer and other issuers and the roles he or she played;

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to be the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

We have appointed Mr. Lian Enchen and Ms. Ng Sin Yee, Clare as our joint company secretaries. Mr. Lian Enchen joined our Group in January 2012 and has been responsible for company secretarial duties and legal affairs. For more details of Mr. Lian Enchen's biography, please see the section headed "Directors and Senior Management — Senior Management" in this prospectus. Although our Company believes, having regard to Mr. Lian Enchen's past experience in handling administrative and corporate matters, that he has a thorough understanding of our Company and the Board, Mr. Lian Enchen does not possess the requisite qualifications as required by Rule 3.28 of the Listing Rules. Therefore, our Company has appointed Ms. Ng Sin Yee, Clare, who is a Hong Kong resident and possesses such qualifications, to be a joint company secretary of our Company. For more details of Ms. Ng Sin Yee, Clare's biography, please see the section headed "Directors and Senior Management — Joint Company Secretaries" in this prospectus.

Given the important role of the company secretary in the corporate governance of a listed issuer, particular in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have put in place the following arrangements:

(i) Ms. Ng Sin Yee, Clare, one of our joint company secretaries who satisfies the requirements under Rule 3.28 of the Listing Rules, will assist Mr. Lian Enchen so as to enable him to discharge his duties and responsibilities as a joint company secretary of our Company. Given Ms. Ng Sin Yee, Clare's relevant experiences, she will be able to advise both Mr. Lian Enchen and our Company on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;

(ii) Mr. Lian Enchen, one of our joint company secretaries, will be assisted by Ms. Ng Sin Yee, Clare for a period of three years commencing from the Listing Date, which should be sufficient for him to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;

(iii) our Company will ensure that Mr. Lian Enchen has access to the relevant trainings and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Mr. Lian Enchen has undertaken to attend such trainings;

(iv) Ms. Ng Sin Yee, Clare will communicate with Mr. Lian Enchen on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to the operations and affairs of our Company. Ms. Ng Sin Yee, Clare will work closely with, and provide assistance to Mr. Lian Enchen with a view to discharging his duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders' meetings; and

(v) pursuant to Rule 3.29 of the Listing Rules, Mr. Lian Enchen and Ms. Ng Sin Yee, Clare will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Mr. Lian Enchen and Ms. Ng Sin Yee, Clare will be advised by our legal advisers as to Hong Kong law and our compliance adviser as and when appropriate and required.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant to us, a waiver from strict compliance with the requirements under Rules 8.17 and 3.28 of the Listing Rules provided that Ms. Ng Sin Yee, Clare will act as a joint company secretary and provide assistance to Mr. Lian Enchen. The waiver is valid for an initial period of three years commencing from the Listing Date. The waiver will be revoked immediately if Ms. Ng Sin Yee, Clare ceases to provide assistance and guidance to Mr. Lian Enchen. Upon expiry of the initial three-year period, our Company will re-evaluate the qualifications and experiences of Mr. Lian Enchen. Upon the determination of our Company that no on-going assistance to Mr. Lian Enchen is necessary, we will demonstrate to the Stock Exchange that, with the assistance of Ms. Ng Sin Yee, Clare over such three-year period, Mr. Lian Enchen has acquired the requisite knowledge and experience as prescribed in Rule 3.28 of the Listing Rules. The Stock Exchange will then re-evaluate whether any further waiver would be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions for our Company under the Listing Rules following completion of the Global Offering, some of which would constitute non-exempt continuing connected transactions for our Company. We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant to us, a waiver from strict compliance with the requirements set out in Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions of our Company. For details of our continuing connected transactions and the waiver, please see the section headed "Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public about us. Our Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Underwriters, any of their respective directors, officers, employees, partners, agents, employee, representatives or advisers or any other parties involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for our Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

RESTRICTIONS ON SALE OF SHARES

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the listing committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue (including the Ordinary Shares in issue and the Ordinary Shares to be issued upon conversion of the Preference Shares upon Listing) and to be issued pursuant to the Global Offering, the exercise of the Over-allotment Option and the exercise of any options that may be granted under our Post-IPO Share Option Scheme.

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND STAMP DUTY

Our principal register of members in the Cayman Islands will be maintained by Maples Fund Services (Cayman) Limited and in Hong Kong will be maintained by Computershare Hong Kong Investor Services Limited.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Underwriters, any of their respective directors, officers, employees, partners, agents, representatives or advisers or any other parties involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and on the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated.

EXCHANGE RATE

Solely for convenience purposes, this prospectus includes translations of certain Renminbi amounts into Hong Kong dollars. No representation is made that the Renminbi amounts could actually be converted into such foreign exchange at the rate indicated, or at all. Unless otherwise indicated, the translation of Renminbi into Hong Kong dollars was made at the rate of RMB0.8213 to HK$1.00, the exchange rate published by the PBOC on November 13, 2015 for foreign exchange transactions.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Zhang Jianshe (張建設)	Flat 2901, Unit 1 Building 1, UHN International Village No.2 Xibahe Dongli Chaoyang District Beijing the PRC	Chinese
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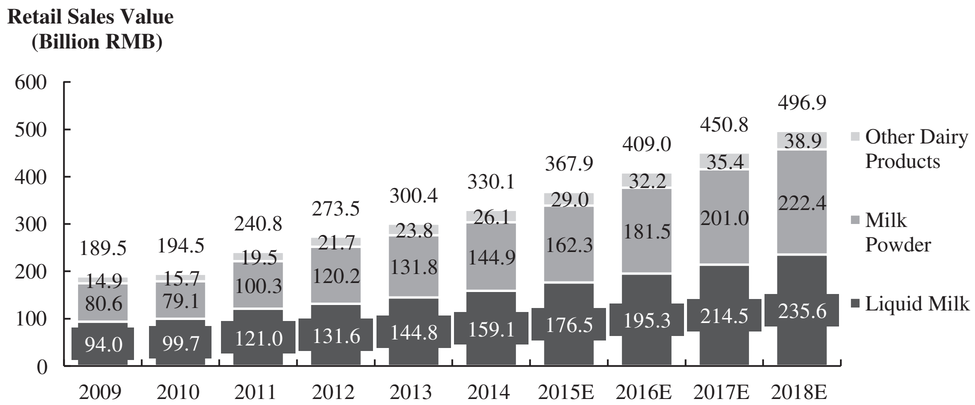
The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, or the Frost & Sullivan Report, which was commissioned by us. Except as otherwise noted, all the data and forecast in this section are derived from the Frost & Sullivan Report. We believe that the information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. Our Directors have confirmed that, after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Underwriters, any of our or its respective directors, officers, employees, partners, agents, representatives, advisers or any other parties involved in the Global Offering no representation is given as to its accuracy or completeness. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of China.

CHINESE DAIRY MARKET OVERVIEW

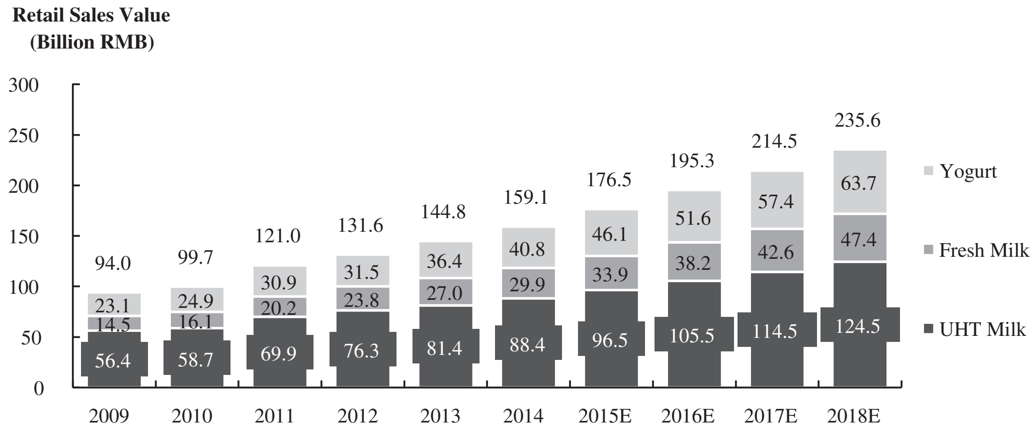
Market reforms started in the Chinese dairy industry in the beginning of the 1990s. Milk production grew rapidly, while market competition became more intense. In the twenty-first century, the rapid growth of the Chinese dairy market has continued. According to Frost & Sullivan, the retail sales value of the Chinese dairy products market, which comprises liquid milk, milk powder and other dairy products, reached approximately RMB330.1 billion in 2014, and it is expected to continue growing at a CAGR of 10.8% to approximately RMB496.9 billion in 2018.

Figure 1: Chinese Dairy Products Market by Retail Sales Value, 2009-2018E



The Chinese liquid milk products market, which represented approximately 48.2% of the overall dairy products market in terms of retail sales value in 2014, has been growing rapidly in recent years. According to Frost & Sullivan, the retail sales value of liquid milk products, which mainly include UHT milk, fresh milk and yogurt, grew at a CAGR of 11.1% from RMB94.0 billion in 2009 to RMB159.1 billion in 2014, and is expected to grow further at a CAGR of 10.3% to RMB235.6 billion by 2018.

Figure 2: Chinese Liquid Milk Market by Retail Sales Value, 2009-2018E



Compared with the overall liquid milk products market, the Chinese fresh milk products market and the yogurt market have experienced stronger growth, expanding at a CAGR of 15.5% and 12.1% from 2009 to 2014 and reached RMB29.9 billion and RMB40.8 billion in 2014, respectively.

Key Drivers for Growth

Increasing Disposable Income

There is generally a positive correlation between the dairy consumption level and per capita GDP of a country. Please see Figure 3 for the correlation between per capita GDP and per capita consumption of dairy products in selected countries or regions. According to Frost & Sullivan, there is still significant growth potential for the Chinese dairy market, as China's per capita consumption of dairy products is still relatively low compared with that in the developed countries.

According to Frost & Sullivan, among people of Chinese or Japanese ancestry, more than half of the adult population are lactose intolerant. Lactose intolerance is the inability of adults to digest lactose, a sugar found in milk and to a lesser extent in other dairy products, causing side effects. Dairy companies can add an enzyme to break down the lactose into glucose and galactose, which are easily digestible. For example, Yili has developed Shuhua milk, a lactose-free milk, for people who suffer deficiency of lactase or lactose intolerance. People are more tolerant of yogurt, which contains lactase produced by bacterial cultures used to make the yogurt, and other dairy products that are low in lactose than fresh milk or UHT milk. To accommodate all kinds of consumers, dairy companies offer a diversified selection of dairy products in China. Therefore, raw milk producers are unlikely to be materially affected by the lactose intolerance issue. As the per capita consumption of dairy products in China is much lower than that in the developed countries, such as Japan where the percentage of lactose intolerant population is similar to China, Frost & Sullivan expects there is significant growth potential for the Chinese dairy market.

In China, the correlation between GDP growth and the resulting rise in disposable income has been one of the driving forces of the increasing demand for dairy products. According to Frost & Sullivan, per capita annual disposable income of Chinese urban households and rural residents will grow at a CAGR of 8.6% and 9.7% from 2014 to 2018, respectively. This growth is expected to result in higher purchasing power, which in turn is expected to further increase the Chinese market demand for dairy products.

Figure 3: Per Capita Consumption of Dairy Products vs. Per Capita GDP, 2014

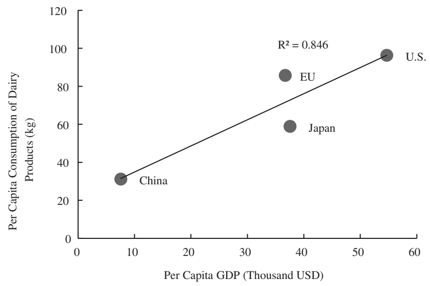
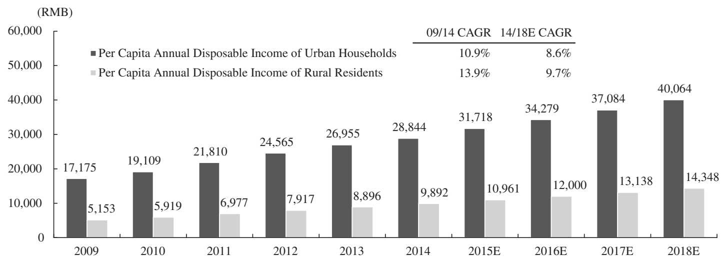


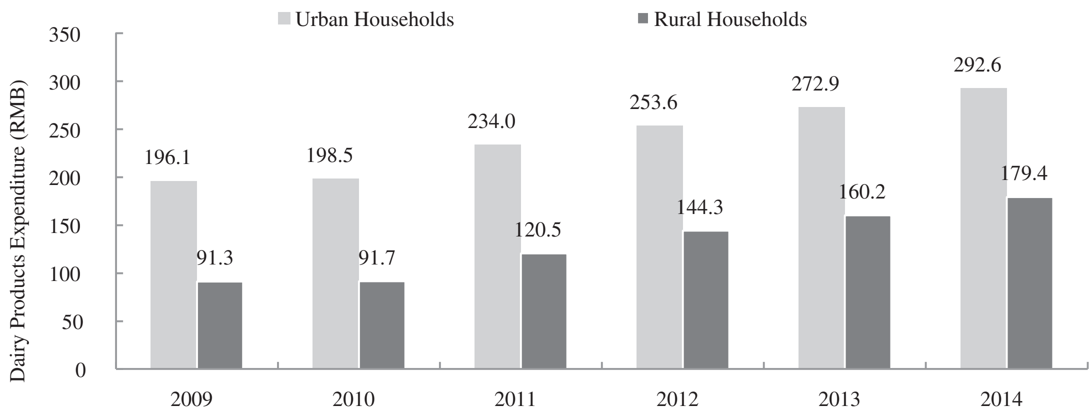
Figure 4: Per Capita Annual Disposable Income (China), 2009-2018E



Continuing Urbanization

China's accelerating urbanization also contributes to the growing Chinese dairy market. Per capita consumption of dairy products is usually higher in the urban areas than in rural areas. When rural residents move to the cities and become urban residents, their dietary patterns usually shift towards those of urban consumers. Increasing urbanization also affects the consumption patterns in rural areas, where urban lifestyles are accepted by a growing portion of the rural population.

Figure 5: Dairy Products Expenditure of Urban and Rural Households (China), 2009-2014



Key Market Trends

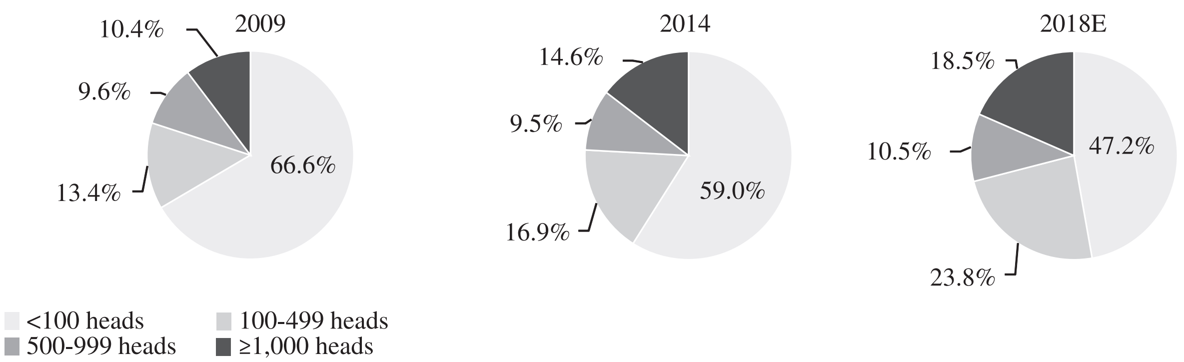
The key trends of the Chinese dairy market are primarily shaped by the following factors in the dairy industry.

On the demand side, the increasing per capita disposable income has consistently driven up demand for high-quality dairy products, various food safety incidents in 2008 regarding contamination of dairy products among certain Chinese dairy companies also led consumers to place greater scrutiny on the safety and quality of dairy products, further strengthening demand for premium quality raw milk.

On the supply side, to minimize contamination risks and regain consumer confidence, there have been increased initiatives from the PRC dairy producers to secure traceable and reliable sources of raw milk supplies. With the competition growing increasingly intense domestically and globally, the PRC dairy producers face more pressures to improve costs and operational efficiencies, expand scale of dairy farms and promote application of world-class production technologies and management techniques.

Against the backdrop of increasing demands from the public for greater safety and quality in dairy products, the PRC government has in recent years imposed stricter food safety standards which have in turn compelled downstream dairy processing companies to increase requirements and strengthen controls over their raw milk sources in the past few years. As a result, dairy farming companies that have not been able to meet these more stringent safety and quality assurance measures and purchase standards have gradually been forced to exit the market. Smaller dairy farming operations have been disproportionately affected. According to Frost & Sullivan, large-scale dairy farms with over 1,000 dairy cows generally produce raw milk of better quality and have a higher milk yield than small dairy farms and individual dairy farmers because the large-scale farms are capable of investing large amounts of capital enabling them to adopt advanced technologies, employ experienced staff and implement standardized operating procedures. Moreover, large dairy farms enjoy economies of scale and produce raw milk at a lower cost than small dairy farms and individual dairy farmers. In addition, the PRC government policies generally favor and support the development and expansion of large-scale dairy farms. According to Frost & Sullivan, the proportion of large-scale dairy farms in China is expected to continue to grow in the future. As additional small dairy farms and individual dairy farmers exit the market, the market space available for large-scale dairy farming companies is expected to widen according to Frost & Sullivan.

Figure 6: Dairy Herd Size Distribution in China, 2009-2018E



According to Frost & Sullivan, national dairy products manufacturers have been working towards strengthening their domestic supply chain to ensure a stable supply of quality raw milk. For example, Mengniu continues to implement projects to encourage domestic dairy farms to produce quality milk and to modernize their farms so as to ensure the quality of their raw milk sources. Yili has also indicated publicly that they are adopting strategies to establish a stable supply chain that could ensure quality of their milk products.

Key Market Challenges

Low Consumer Confidence regarding Food Safety

Repeated food safety scandals in recent years in China have shaken consumer confidence related to dairy products. To regain confidence from consumers, leading dairy brands are actively promoting safety and quality of their dairy products by sourcing raw milk from large-scale dairy farms.

Limited Supply of Premium Dairy Cow Breeds

Dairy cows in China are largely imported and the supply of dairy cows from the source countries is constrained by, among other things, the local climate, reproducing capacities of existing herd, and export control at the source countries. According to Frost & Sullivan, the stock of dairy cows from New Zealand and Australia that are available for export have decreased in recent years. The supply of premium dairy cow breeds is likely to be a challenge for domestic dairy farms relying on imports of overseas dairy cows.

Competition from Foreign Dairy Brands and Foreign Milk Powder Imports

According to Frost & Sullivan, in recent years, foreign dairy brands increased their market penetration in China due to the growing demand for high-quality dairy products. Because of the short shelf life of raw milk, the major competition for domestic raw milk producers is from the foreign producers of milk powder, which can be used as a substitute for raw milk for certain dairy products. The volume of imported milk powder increased substantially from 247,800 tonnes in 2009 to 923,700 tonnes in 2014, representing a CAGR of 30.1% during that period.

Due to a shortage of supply of raw milk and the surge in raw milk prices in China in the second half of 2013, the volume of imported milk powder increased significantly from 573,100 tonnes in 2012 to 854,400 tonnes in 2013 and further to 923,700 tonnes in 2014. In 2014, the total volume of imported milk powder accounted for 19.8% of raw milk production in China in 2014. The volume of imported milk powder was 344,000 tonnes in the first half of 2015. Please see Figure 7 below for the details about the volume of imported milk powder from 2009 to 2015E. According to Frost & Sullivan, the volume of milk powder imported in 2015 is likely to be lower than that in 2013 and 2014 for a number of reasons including the following:

a. There are increasing regulations imposing strict requirements on the import of dairy products into China. At the beginning of 2015, the PRC General Administration of Quality Supervision, Inspection and Quarantine released an announcement to make several amendments on "Administrative Measures on Supervision of Inspection and Quarantine of Import and Export Dairy Products" (進出口乳品檢驗檢疫監督管理辦法). The new measures imposed additional inspection requirements on imported dairy products such as tests for arsenic, chromium and lead in milk powder and modified milk powder, tests for ash and lead in whey and whey protein powder and tests for arsenic and chromium in colostrum powder. In addition, starting from May 2015, the test reports for non-first-time imported milk products must conform to the format of the test report template attached to the foregoing administrative measures, whereas first-time imported milk products are subject to full inspection, and the relevant reports must be submitted as required.

b. As the storage and transportation techniques of fresh milk in China continue to improve, the market for fresh milk in China is expected to correspondingly expand according to Frost

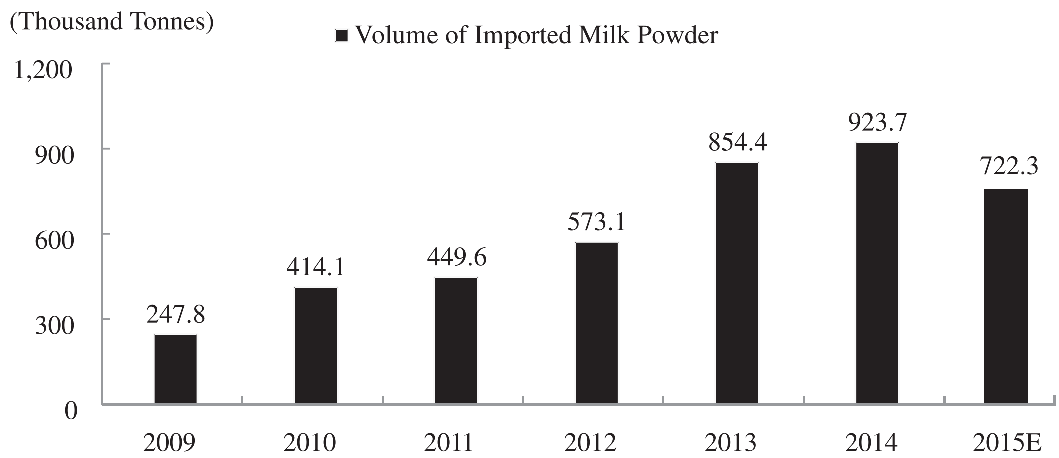
& Sullivan. Production of fresh milk usually requires higher quality (in terms of nutrition and safety indicators) raw milk than production of UHT milk. As a result, fresh milk is usually manufactured and processed through locally-produced fresh raw milk, which is not replaceable by milk powder. Accordingly, the expanding market demand for fresh milk in China and its substitution for UHT milk is expected to increase the demand for locally-produced raw milk and reduce the use of imported milk powder.

c. The overseas supply of dairy products may be unstable and is subject to fluctuations, evidenced by the fact that a recent drought in New Zealand, where 78.8% of China's imported milk powder was sourced in 2014, has caused New Zealand's dairy production levels to decrease significantly.

d. Some dairy processing companies have written down the value of their raw milk powder inventories[1] as such milk powder's shelf-life expires, which will likely result in a re-balancing of such companies' milk powder imports and procurement of domestic raw milk in the long run.

e. According to the China Customs, the volume of imported milk powder decreased by 64.5% from 681,500 tonnes in the first half of 2014 to 242,200 tonnes in the second half of 2014 and increased by 42.0% to 344,000 tonnes in the first half of 2015. Due to the seasonality of raw milk production in the southern hemisphere, the volume of imported milk powder into China is usually higher in the first quarter and therefore the import volume in the first half is usually higher than that in the second half.

Figure 7: Volume of Imported Milk Powder, 2009-2015E



The fluctuation of the import prices of milk powder is caused by many factors including the cost of sales of the foreign producers, the exchange rates of RMB to the currency of the foreign producers' countries and the international market condition. From 2012 to 2014, the import price of milk powder (milk equivalent, CIF China)[2] per tonne increased from RMB2,655 in 2012 to RMB3,224 in 2013 and further to RMB3,700 in 2014, generally in line with the increase of domestically-produced raw milk prices in China during the same period. According to Frost & Sullivan, the price gap between domestic

1 According to the 2014 annual report of Mengniu, it wrote down a significant amount of raw milk powder inventories in 2014.

2 Import price of milk powder (milk equivalent, CIF China) is calculated by dividing the import price of milk powder per tonne by eight because one tonne of milk powder can be restored to approximately eight tonnes of milk.

raw milk and imported milk powder (milk equivalent, CIF China) has decreased from 23.9% in 2012 to 12.1% in 2013 and further to 9.2% in 2014. However, the average import prices of imported milk powder have started to decrease since May 2014 because dairy companies in China have decreased their purchase volume of imported milk powder due to their limited processing capacity and over stock of milk powder. In addition, import traders of milk powder have discounted their selling prices of milk powder significantly as their stock of milk powder is about to expire, which has resulted in further decreases in the import prices of milk powder. The average import price of milk powder (milk equivalent, CIF China) decreased sharply from RMB3,933 per tonne in May 2014 to RMB1,994 per tonne in April 2015. As the average raw milk prices decreased from RMB4,158 per tonne in May 2014 to RMB3,404 per tonne in April 2015, the price gap between milk powder and raw milk significantly widened from 5.7% in May 2014 to 70.7% in April 2015. The price gap narrowed to 66.6% in September 2015. Please see Figure 8 and Figure 9 below for the price trend of domestically-produced raw milk and imported milk powder from 2009 to 2015. Dairy companies are likely to increase their purchase volume of imported milk powder again after running down their inventories of milk powder, which will likely result in an increase in the prices of imported milk powder. According to Frost & Sullivan, the average selling prices of domestically-produced raw milk will be within a reasonable range in 2015 and the rising prices of imported milk powder is not likely to have a great impact on the domestically-produced raw milk prices.

Figure 8: Domestically-produced Raw Milk Prices and the Import Prices of Milk Powder (Milk Equivalent, CIF China), 2009-2015 H1, Annual Average Price

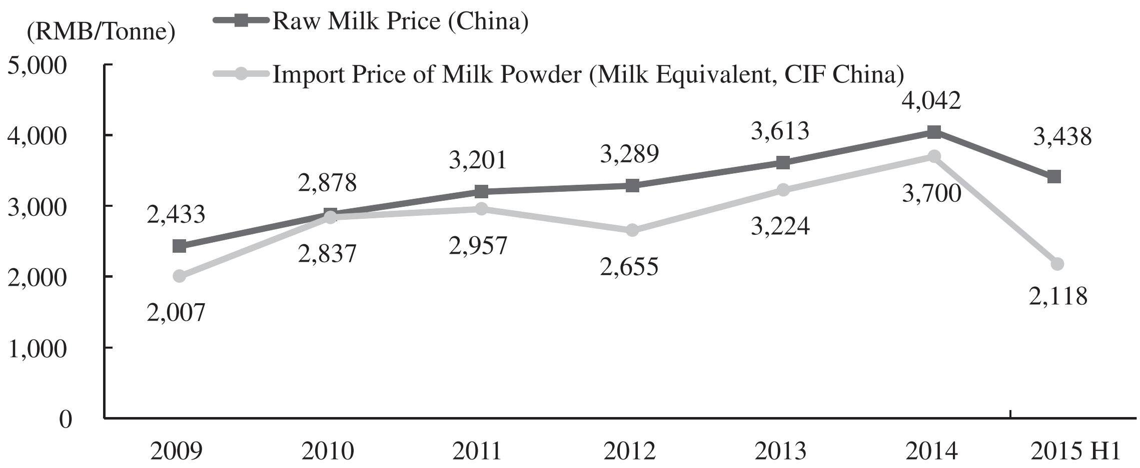
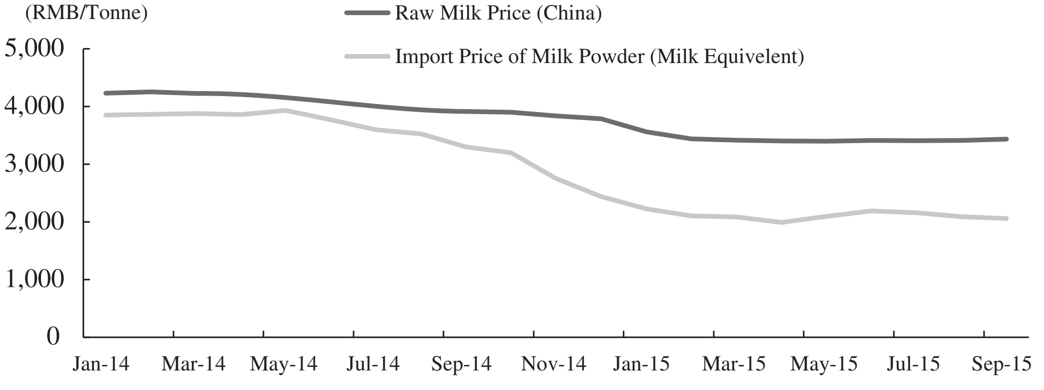


Figure 9: Domestically-produced Raw Milk Prices and Import Prices of Milk Powder (Milk Equivalent, CIF China), January 2014 - September 2015, Monthly Average Price



In addition, some foreign brands, such as Fonterra, Asahi, Meiji, Nestle and Weichuan, have established operating dairy farms in China. According to Frost & Sullivan, the foreign dairy farms in China are still at the early stage of the development and are usually small-scale in herd size and their operations are subject to the same market conditions in China as the domestic dairy farms. If the foreign dairy farms increase their investments and expand substantially in the future, the competition between domestic and foreign dairy farms may intensify.

Influence of the "Two-Child Policy"

In October 2015, the eighteenth Central Committee of the Communist Party convened its fifth meeting and announced the "two-child policy", which ended the "one-child policy" that was implemented from the late 1970s. Under the new policy, each Chinese family is allowed to have two children in order to cope with the severe aging population problem in China and promote balanced development of the Chinese population. The new policy, if approved during the Chinese parliament's annual session, is expected to favor the Chinese dairy industry, especially the Chinese infant formula milk powder industry.

According to Frost & Sullivan, after the full implementation of the "two-child policy", the Chinese population is likely to witness a boom during the next decade. Chinese newborns are likely to reach 18.0 million in 2018, compared to 16.9 million in 2014. The increasing infant population aged 0-3 is likely to be the main force driving the growth of infant formula milk powder market. When the generation of the second child grows up, the demand for liquid milk is likely to increase accordingly in the long run, which will further drive the growth of the entire dairy industry.

Due to the growing demand for dairy products, the demand for raw milk supply and imported heifers and calves is likely to increase accordingly. As a result, leading dairy farming companies will likely import more heifers and calves for their expanded or newly developed dairy farms to ensure stable raw milk supply. Frost& Sullivan expects the "two-child policy" will bring positive development for raw milk producers and dairy cow importers.

Negative market development for individual dairy farmers in Shandong and Shaanxi

The Economic Information Daily, an official economic newspaper of Xinhua News Agency, reported on June 24, 2015 that the raw milk purchase prices for individual farmers in Shandong province and Shaanxi province had decreased significantly since the end of 2014 primarily caused by an increase in volume of imported milk powder, which was cheaper than domestically-produced raw milk, and an increase of raw milk production in China in 2014. According to the report, some individual farmers in Shandong province and Shaanxi province poured away raw milk and sold or slaughtered their dairy cows in response to the negative market development, or even used cheap or bad feeds to save costs, which would lead to health problems of dairy cows and quality issues of the raw milk if antibiotics were applied to such unhealthy cows. Other news reports suggest that some individual farmers in other areas, such as Hebei province, Jiangsu province and Inner Mongolia Autonomous Region, also poured away raw milk and sold their dairy cows in response to the negative market development.

This negative market development primarily impacted Shandong province where a large number of individual dairy farmers concentrated and the downstream milk processing capacity was limited. While some small and medium dairy farms and individual dairy farmers were seriously affected by such trend or even forced to exit the market, large-scale dairy farms were less impacted due to their higher production efficiency and better safety and quality control. If the volume of imported milk powder continues to increase and the raw milk prices remain low, more small and medium dairy farms and individual dairy farmers are expected to exit the dairy industry.

According to Frost & Sullivan, small and medium dairy farms in China refer to farms with less than 1,000 dairy cows and large dairy farms in China refer to farms with 1,000 or more dairy cows. With a herd size of well over 1,000 dairy cows in each of our dairy farms, we enjoy advantages in economies of scale, production efficiency and safety and quality control. While the increase in volume of imported milk powder impacted the average raw milk prices in China as discussed in the previous subsections, we believe that the aforementioned adverse market development for individual dairy farmers in certain areas has very limited impact on our business. Despite the decrease of average selling price of raw milk, the gross profit margin of our dairy farming business increased slightly from 42.3% in 2014 to 45.5% in the first half of 2015 due to, among other things, our continued efforts to increase the average milk yield of our milking cows and to manage our feed cost.

Processing capacity constraint

According to Frost & Sullivan, processing capacity constraint is one of the factors affecting the raw milk procurement volume for most downstream dairy processing companies in China. Due to their limited processing capacities, domestic dairy processing companies have to temporarily increase the proportion of mid-to-low end liquid milk production, and decrease the proportion of high-end liquid milk production to accelerate the reconstitution of milk powder into reconstituted milk and other processed dairy products within the shelf life of imported milk powder.

Strict Food Safety Regulations

The incidents in China in 2008 regarding certain milk products that were contaminated with melamine prompted the PRC government to tighten regulatory controls over food safety for dairy products. Since the 2008 incidents, the PRC government policies have focused on supporting large-scale dairy farms, which are perceived to be more conducive to effective quality and safety control. Strict food safety regulations and industrial policies are likely to gradually squeeze out small household dairy farms.

Scarce Land for Dairy Farms and Feeds Plantations

Dairy farming requires sizable land to raise and house the dairy cattle. In addition, securing vast plots of arable land to grow feeds is a preferred method for many dairy farms to secure feed supply and control feed costs. However, according to Frost & Sullivan, China's existing stock of arable land has been consistently falling close to the minimum level set forth by the central government at 1.8 billion mu (120 million hectares). The limited supply of arable land, coupled with the growing demand from the large-scale dairy farms in China, makes it increasingly difficult for dairy farms, especially large-scale dairy farms, to expand.

Strict Environmental Protections Laws

The dairy farming industry is regulated by various PRC environmental protection laws and regulations that are constantly evolving. Before any new dairy farm could be constructed, an environmental impact assessment must be carried out. Upon completion of the construction, the competent environmental protection authority will conduct inspection of environmental facilities of the newly constructed dairy farm. During operations of the dairy farm, the cow manure and waste water generated from the operations must be processed and disposed of in accordance with the applicable laws and regulations. Compliance with all applicable requirements may lead to significant expenditure and require substantial management attention.

Lengthy Development Process of New Dairy Farms

According to Frost & Sullivan, it usually takes an average of two years to develop a new dairy farm of over 1,000 dairy cows in China, starting from the commencement of construction until commercial raw milk production by the dairy cows. In addition, most of the leading dairy farms in China import the foundation cows from overseas for a newly developed dairy farm. Importing dairy cows into China involves a lengthy and multi-stage process including selecting appropriate cows to import, quarantine inspections at both export and import countries, and long-distance shipment of imported cows. These add further complexity and uncertainties to the timeline of developing a new dairy farm.

DAIRY COWS IMPORTING

Market Overview

The number of dairy cows imported into China has increased significantly over the past few years, reaching approximately 196,700 heads in 2014, which represents 91.3% of the total number of cattle imported into China in that year. The majority of the dairy cows imported into China are of the Holstein breed and Jersey breed. Please see Figure 10 for the number of cattle imported by China from 2009 to 2014.

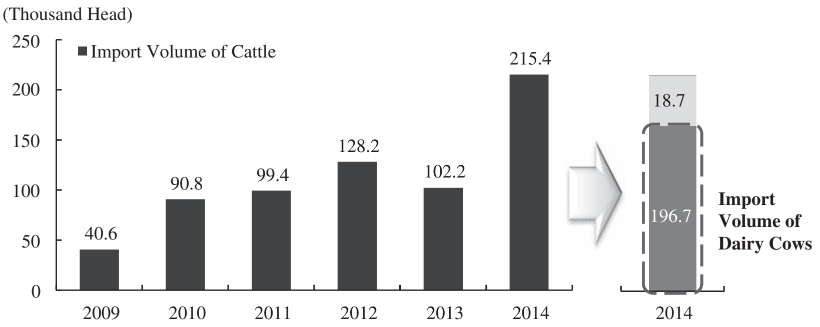
Market Growth Drivers

According to Frost & Sullivan, China's growing import of dairy cows has been partly driven by the overall inferior quality of the domestic dairy breeds. We believe that China needs to import dairy cows to improve the quality of the domestic dairy breeds primarily because, according to the *Development Plan of Major Dairy Farming Regions (2008-2015)* (《全國奶牛優勢區域布局規劃(2008-2015年)》) issued by the MOA, (i) pure-bred Holsteins in major dairy farming regions* are less than 50% of the total number of dairy cows in those regions; (ii) the number of dairy cows with high milk yields could only grow slowly given a relatively low base in China; and (iii) there is a shortage of quality bulls with superior genetic features. As a result, it is projected by Frost & Sullivan that China will need to continually import premium breed dairy cows from overseas to improve the overall genetic pool and prevent regression of desirable features of the local herd.

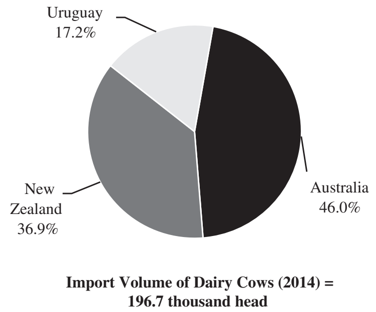
* The major dairy farming regions in China are 313 dairy farming bases in 13 provinces and cities chosen by the MOA.

Moreover, an increasing number of large-scale dairy farms are expanding their operations by developing new dairy farms in China, which will depend heavily on imported heifers as the foundation cows for the newly developed farms. This further enhances the market demand for imported dairy cows.

Figure 10: Number of Cattles(1) Imported into China, 2009-2014



Import Volume of Dairy Cows by Country (China), 2014



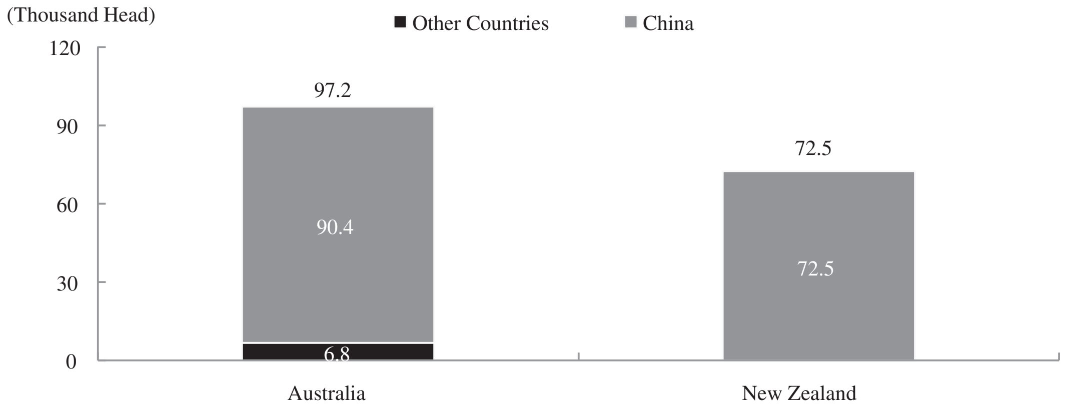
(1) Including dairy cows, bulls and beef cows.

Source Countries for Imported Dairy Cows

Under applicable PRC laws, Australia, New Zealand, Uruguay, Romania and Chile were the only five source countries from which dairy cows are allowed to be imported into China as of December 31, 2014. The dairy cows imported from Australia, New Zealand and Uruguay accounted for approximately 46.0%, 36.9% and 17.2%, respectively, of total dairy cows imported into China in 2014.

China is the largest dairy cows export market for both Australia and New Zealand. In 2014, Australia and New Zealand exported to China approximately 93.0% and 100% of their respective total annual exports of dairy cows, respectively.

Figure 11: Export Volume of Dairy Cows from Australia and New Zealand (2014)



According to Frost & Sullivan, the annual average prices for dairy cows imported into China have been generally trending upward since 2009 due to strong market demand. The price for dairy cows imported into China peaked in 2012, after which it had generally been trending downwards in

2013 and had subsequently recovered in 2014. According to the Australian Bureau of Statistics, the average price (FOB) of Australian dairy cows imported into China reached approximately RMB12,388 per head in 2014. According to Frost & Sullivan, the average price (FOB) for New Zealand dairy cows imported into China reached approximately RMB12,000 per head in 2014.

Price Trend of Heifers and Calves

Due to the accelerating development of large-scale dairy farms, the demand for heifers/calves increased rapidly in the PRC in recent years. The average market price of heifers/calves in China increased from approximately RMB14,000 per head in January 2009 to approximately RMB19,000 per head in December 2014. The market price was approximately RMB19,000 per head at the beginning of 2012 and remained relatively stable during 2012. At the end of 2012, the market price started to decline until the end of 2013 and then recovered in late 2014. The market price remained stable at approximately RMB18,000 per head in the first half of 2015.

As milk producers in China are increasing their investment in raw milk sources, Frost & Sullivan expects the demand for heifers/calves to continue to increase and the average market price of heifers/calves to rise accordingly in the next three to four years.

Impact of Raw Milk Prices on Import Trading of Dairy Cows

Due to the rising domestic demand for dairy products, China has become the world's largest importer of dairy cows in terms of volume of imported dairy cows in recent years. The key factors that influence the import trading of dairy cows include domestic raw milk prices, the number of dairy cows that are allowed to be imported into China, the quality of local breeds and exchange rates of RMB with foreign currencies, among others.

Due to a shortage of supply of raw milk and the surge in raw milk prices in China from January 2013 to February 2014, the volume of imported dairy cows increased significantly by 110.7% from 2013 to 2014. Though the raw milk prices declined from RMB4,228 per tonne in March 2014 to RMB3,413 per tonne in June 2015, the volume of imported dairy cows only decreased by 9.5% from 67,346 heads in the first half of 2014 to 60,937 heads in the first half of 2015.

On the other hand, the prices of imported dairy cows are positively correlated with the raw milk prices save and except for a time lag of approximately half a year to one year in view of the shipping time and observation period in importing quarantine farms. For example, when the raw milk price increased from RMB3,402 per tonne in January 2013 to RMB4,255 per tonne in February 2014, the price of imported dairy cows grew from RMB14,295 per head in November 2013 to RMB18,823 per head in December 2014. When the raw milk price declined from RMB4,228 per tonne in March 2014 to RMB3,413 per tonne in June 2015, the price of imported dairy cows decreased from RMB18,928 per head in January 2015 to approximately RMB17,000 per head in June 2015.

Based on the import trading contracts of cows that have been signed by our customers so far, the average selling price of our imported cows is expected to be much lower in the second half of 2015 than that in the first half of 2015, which is primarily because the demand for dairy cows has decreased since the raw milk prices in China have decreased since March 2014.

Competitive Landscape

Our Company is one of the leading players of the dairy cow importing industry in China, importing approximately 13,700 dairy cows with a corresponding market share of 14.8% in 2013, and approximately 35,500 dairy cows with a corresponding market share of 18.1% in 2014. Set forth below in Table 1 is the industry ranking of Chinese dairy cow importers in terms of volume of dairy cows imported. According to Frost & Sullivan, we are one of the few Chinese dairy cow importers adopting the total mixed ration, or TMR, feeding system at the import quarantine farms, which helps to improve the health conditions and reduce fatalities of imported heifers during the stay at the import quarantine farms.

Table 1: Ranking of Dairy Cow Importers by Volume in China, 2014(1)

Ranking	Name	Import Volume of Dairy Cows (thousand head)	Market Share	Number of Import Quarantine Farms Owned
1	Xiong Te	43.0	21.9%	4
2	Be Green	36.9	18.8%	5
3	**Our Company(2)**	**35.5**	**18.1%**	**4**
	Others	81.3	41.3%	—
	Total	**196.7**	**100.0%**	—

(1) Import volumes are based on the number of imported dairy cows that have completed customs clearance in China by the end of the period.

(2) Our Company's import volume of dairy cows includes those imported for external customers of our import trading business as well as our dairy farming business.

Entry Barriers

Availability of suitable land for quarantine farms and the limited number of source countries and suppliers are two main entry barriers for the dairy cow importing business. If an importer has its own import quarantine farm, the import quarantine farm should be established and managed in compliance with strict livestock quarantine laws and regulations of China. The Chinese laws require the import quarantine farm to be located near the port where the imported dairy cows arrive, resulting in a limited amount of suitable land available for the import quarantine farms. Further, the rising demand for imported dairy cows in China combined with the limited number of source countries and suppliers of import dairy cows mean that it is essential for Chinese importers to maintain long-term and stable business relationships with overseas dairy cow suppliers. We have maintained long-term business relationships with three of the major dairy cow suppliers in Australia and New Zealand to secure stable and premium-quality supply of dairy cows.

Chinese importers of dairy cows are required under the applicable laws to obtain the *Import and Export Operation Right* ("進出口經營權") to import dairy cows into China.

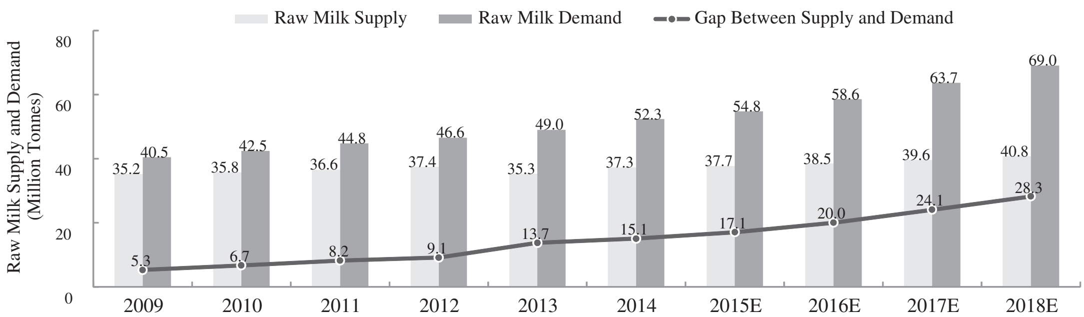
DAIRY FARMING

Market Overview

Raw Milk Demand and Supply

Raw milk is the most important raw material for dairy products. Raw milk demand in China has shown a steady increase from approximately 40.5 million tonnes in 2009 to approximately 52.3 million tonnes in 2014, representing a CAGR of 5.3%. Driven by the increasing demand for dairy products by Chinese consumers, raw milk demand is expected to continue to grow in the next few years. According to Frost & Sullivan, total raw milk demand in China is projected to further increase at a CAGR of 7.2% from 2014 and to approximately 69.0 million tonnes in 2018.

Figure 12: Raw Milk Supply and Demand (China), 2009-2018E



On the supply side, raw milk production in China remained relatively stable during 2009 to 2014, with total production of approximately 35.2 million tonnes in 2009 and approximately 37.3 million tonnes in 2014. According to Frost & Sullivan, powered by the rising number of dairy cows in China and the increasing average milk yield, the raw milk supply is expected to continue to grow and reach approximately 40.8 million tonnes in 2018, representing a CAGR of 2.3% from 2014 to 2018.

According to Frost & Sullivan, raw milk demand in China has consistently outstripped raw milk supply over the years, and the shortfall in supply is expected to expand and reach approximately 28.3 million tonnes in 2018. Please see Figure 12 for the raw milk supply and demand in China from 2009 to 2018.

The raw milk supply in China dropped to approximately 35.3 million tonnes in 2013 from approximately 37.4 million tonnes in 2012. The decrease was primarily attributable to the decline in the total number of dairy cows in 2013, which in turn primarily reflected the exit from the dairy farming business by a large number of individual farmers. These individual farmers ceased their dairy farming businesses due to a variety of factors, such as substantial rise in beef price, significant capital investment required to upgrade breed and equipment, and the rising wages in manufacture and service industries offering more lucrative employment opportunities. The relatively high temperature in the summer of 2013 further exacerbated the situation, as dairy cows prefer dry and cool weather and the milk yield will generally fall under hot and humid weather conditions.

Premium Raw Milk

Fat content, protein content, aerobic plate count and somatic cell count are the four major indicators of raw milk quality. Higher protein and fat content generally indicate higher quality. Lower aerobic plate count and somatic cell count indicate improved sanitation and better health conditions. Please see Table 2 for comparisons of the raw milk statutory quality standards in China, EU and the U.S., and the major raw milk quality indices of our Company and other dairy farming companies in China. According to Frost & Sullivan, medium- to large-scale dairy farms in China can typically produce raw milk of a quality significantly above the statutory quality standard, primarily reflecting their relatively advanced management techniques and superior breed of dairy cows. According to Frost & Sullivan, unlike lower quality raw milk which can largely be substituted by milk powder and therefore are most at risk of being substituted by a surge in milk powder imports, quality fresh milk and premium quality dairy product can only be manufactured from premium raw milk.

Table 2: Raw Milk Quality Standards and Major Quality Indices

Selected standards/large-scale Chinese dairy farming companies	Protein Content	Fat Content	Aerobic Plate Count	Somatic Cell Count
	(%)	(%)	(CFU/ml)	(CFU/ml)
Our Company[(1)]	3.3	4.2	10,000	160,000
YuanShengTai[(2)]	3.4	4.2	4,000	162,000
Shengmu[(3)]	3.3	4.1	30,000	130,000
Huishan Group[(4)]	3.2	4.1	50,000	200,000
Modern Dairy[(5)]	3.2	3.8	<20,000	<250,000
Average of Selected Large-Scale Chinese Dairy Farms[(6)]	3.0-3.2	3.7-3.9	200,000-250,000	300,000-400,000
EU Standard[(7)]	N/A	N/A	<100,000	<400,000
U.S. Standard[(8)]	≥3.2	≥3.5	<100,000	<750,000
PRC Standard[(9)]	≥2.8	≥3.1	≤2,000,000	N/A

(1) Based on our raw milk production data in 2014.

(2) Based on raw milk production data for 2012 as disclosed in its prospectus dated November 14, 2013.

(3) For its premium non-organic raw milk as disclosed in its prospectus dated June 30, 2014.

(4) Based on raw milk production data for 2012 as disclosed in its prospectus dated September 13, 2013.

(5) As disclosed in its 2013 results announcement dated March 21, 2014 and published on its official website at www.moderndairyir.com.

(6) Including 230 large-scale dairy farms selected and monitored in 2013 by the PRC National Dairy Cow Industry and Technology System (中國國家奶牛產業技術體系), a joint initiative between the MOA and the PRC Ministry of Finance to promote the development of China's dairy farming industry.

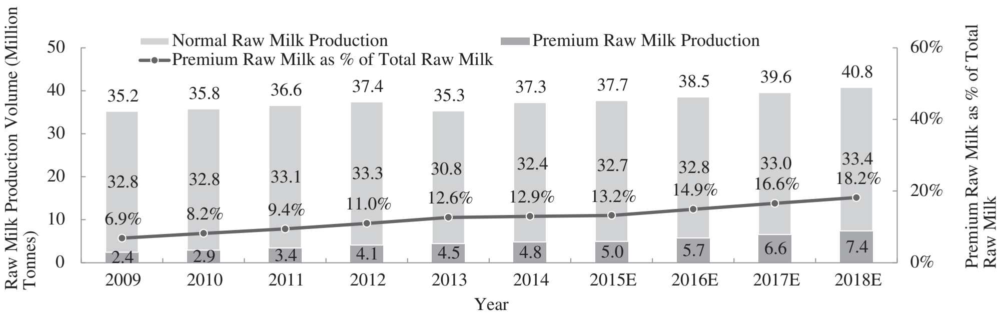
(7) See Council Directive 92/46/EEC adopted in the EU.

(8) See Grade "A" Pasteurized Milk Ordinance issued by U.S. Department of Health and Human Services.

(9) See National Food Safety Standard (GB19301—2010) of the PRC.

According to Frost & Sullivan, premium raw milk is defined as raw milk with protein content above 3.2%, fat content above 3.7%, aerobic plate count below 100,000 CFU/ml and somatic cell count below 400,000 CFU/ml. The premium raw milk production has shown a rapid increase from 2.4 million tonnes in 2009 to 4.8 million tonnes in 2014, representing a CAGR of 14.8%. While China's premium raw milk production has increased rapidly, it still represents a minor portion of the country's total raw milk production. The ratio of premium raw milk in China's total raw milk production increased from 6.9% in 2009 to 12.9% in 2014. Driven by the growing demand for high-end dairy products by Chinese consumers and the expanding operation scale in the dairy farming industry, the supply of premium raw milk production is expected to reach 7.4 million tonnes in 2018, representing a CAGR of 11.4% from 2014 to 2018.

Figure 13: Raw Milk Production Breakdown (China), 2009-2018E



Raw Milk Distribution Channels

Given the highly fragmented nature of Chinese dairy farming industry, historically, raw milk in China was typically distributed through a network of small-scale and individually owned milk stations and agents, who purchased raw milk from dairy farmers and then resold to dairy product manufacturers. The lack of traceability and control over the distribution channel led to various incidents of tampering and contamination of the raw milk supplied to the dairy product manufacturers. In light of the various food safety incidents in China in recent years, there has been an increasing momentum in the Chinese dairy industry to simplify the raw milk distribution channel to achieve greater traceability and safety assurance. Under the new model, the dairy product manufacturers can directly purchase raw milk from large-scale dairy farms, or engage in upstream integration by establishing and operating self-owned dairy farms.

Downstream Milk Processors

According to Frost & Sullivan, Mengniu and Yili ranked in first and second place with a market share of 27.4% and 26.2%, respectively, in terms of retail sales value in the PRC liquid milk market in 2014. The following table illustrates the competitive landscape in the PRC liquid milk market in 2014:

Table 3: PRC Liquid Milk Market Share in 2014

Ranking	Company	Market Share
1	Mengniu	27.4%
2	Yili	26.2%
3	Bright	13.3%
4	Sanyuan	2.5%
5	Huishan	2.4%

The milk processing industry in China has been impacted by the decrease of raw milk prices since March 2014. Milk processors that also have their own dairy farming operation are not as affected by the fluctuation of raw milk prices because their raw milk production mainly serves the needs of their own downstream processing business. The milk processors that do not have their own dairy farming operation and focus on downstream milk processing have enjoyed the benefits of decreasing raw milk prices because the raw milk is the major raw material for many of their dairy products. As a result, the profits of those milk processors with little presence in the dairy farming industry have increased as their production costs have decreased and the prices for most processed dairy products have remained stable. Despite the aforementioned effects, the milk processing industry in general has not witnessed any significant changes since March 2014. As the decrease of raw milk prices usually results in an increase in profit margin for downstream milk processors, upstream players in the dairy industry may become more willing to extend their business to downstream operation to pursue higher profit margin. While considering a potential expansion into the downstream processing operation in the dairy industry value chain, we take into account of a number of factors including the amount of capital required, the supply and demand dynamics of various dairy products in China and the maturity of our dairy farming business. We constantly evaluate market conditions and other relevant factors and have not so far fixed a definitive timetable for the potential expansion into the downstream milk processing industry.

Competitive Landscape

The dairy farming industry in China is highly fragmented. According to Frost & Sullivan, the top five largest dairy farming companies, including Modern Dairy, Huishan Group, Shengmu, Sunlon, and Yili only accounted for 4.1% of the total herd size of China's dairy farming industry in 2014. The Chinese dairy farming industry had a total herd size of approximately 15.0 million heads in 2014. Except for Modern Dairy and Huishan Group, the herd size of which amounted to approximately 201.5 thousand heads and 168.0 thousand heads, respectively, by the end of 2014, no other company had a herd size that accounted for more than 1% of the total herd size in China.

The proportion of large-scale dairy farms in China is expected by Frost & Sullivan to continue growing in the future. According to Frost & Sullivan, large-scale dairy farms with over 1,000 head of dairy cows generally have higher milk yield and produce raw milk of better quality than those of the smaller dairy farms. In addition, the PRC government policies generally favor and support the establishment of large-scale dairy farms. For more details about the expanding operation scale of dairy farms in China, please see the subsection headed "— Chinese Dairy Market Overview — Key Market Trends".

The increasing proportion of large-scale dairy farms in China has pushed up the overall milk yield in China. According to Frost & Sullivan, the average milk yield per milkable cow in China grew from 4.8 tonnes per annum in 2009 to 5.5 tonnes per annum in 2014. The average milk yield per milkable cow for large-scale dairy farms reached 8.2 tonnes per annum in 2014. Please see Table 4 for a comparison of the milk yield of industry average in China and large-scale dairy farming companies in the latest available periods.

Table 4: Milk Yield in China in the Latest Available Periods

	Average Milk Yield per Milkable Cow (tonnes/annum)
Industry Average	
Dairy Farming Industry Average	5.5[(1)]
Average among Large-scale Dairy Farming Companies[(2)]	8.2
Top Ten Largest Dairy Farming Companies[(3)]	
Modern Dairy	8.9[(4)]
Huishan Dairy	9.3[(5)]
Shengmu	8.5[(6)]
Sunlon	10.4[(7)]
Yili	8.0[(8)]
Mengniu	9.0[(9)]
AustAsia	11.5[(10)]
Fonterra	9.8[(11)]
YuanShengTai	9.4[(12)]
Shanghai Dairy Group	9.7[(13)]
Our Company	**10.1[(14)]**

(1) MOA

(2) Including 230 large-scale dairy farms selected and monitored in 2014 by the PRC National Dairy Cow Industry and Technology System (中國國家奶牛產業技術體系), a joint initiative between the MOA and the PRC Ministry of Finance to promote the development of China's dairy farming industry.

(3) Modern Dairy: For 2014 as disclosed in its 2014 annual report published on April 29, 2015.

(4) Huishan Dairy: For the six months ended September 30, 2014 as disclosed in its 2014/2015 interim report published on December 22, 2014.

(5) Shengmu: For 2014 as disclosed by the China Dairy Association.

(6) Sunlon:For 2014 as disclosed by the China Dairy Association.

(7) Yili: For 2014 as disclosed by the China Dairy Association.

(8) Mengniu: For 2014 as disclosed by the China Dairy Association.

(9) AustAsia: For 2014 as disclosed by the China Dairy Association.

(10) Fonterra: For 2014 as disclosed by the China Dairy Association.

(11) YuanShengTai: For 2014 as discolsed in its 2014 annual report pulished on April 22, 2015.

(12) Shanghai Dairy Group: For 2014 as disclosed by the China Dairy Association.

(13) The average annual milk yield per milkable cow of our Company in the six months ended June 30, 2015.

According to Frost & Sullivan, we ranked 11th in terms of herd size of dairy cows out of over 1,000 dairy farming companies in China in 2014. Please see the table below for the top 20 dairy farming companies in terms of herd size of dairy cows in China in 2014.

Table 5: Ranking of Dairy Farming Company by Herd Size in China, 2014

Ranking	Dairy Farming Company	Herd Size of Dairy Cows (Thousand Head)	Market Share
1	Modern Dairy	201.5	1.3%
2	Huishan Dairy	168.0	1.1%
3	Shengmu	103.3	0.7%
4	Sunlon	73.0	0.5%
5	Yili	71.0	0.5%
6	Mengniu	70.0	0.5%
7	AustAsia	52.0	0.3%
8	Fonterra	45.0	0.3%
9	YuanShengTai	44.6	0.3%
10	Shanghai Dairy Group	43.0	0.3%
11	**Our Company**	**28.5**	**0.2%**
12	Helanshan	27.0	0.2%
13	Jialihe	24.0	0.2%
14	Yuanyuan	20.0	0.1%
15	Hutubi	20.0	0.1%
16	Shanghai Bright Holstan	19.0	0.1%
17	Huaxia	18.0	0.1%
18	Western	17.0	0.1%
19	Weigang	16.0	0.1%
20	Zhongxing	15.0	0.1%
	Others	13,910.1	92.8%
	Top 20	**1,075.9**	**7.2%**
	Total	**14,986.0**	**100.0%**

According to Frost & Sullivan, we ranked 18th in terms of raw milk sales volume out of over 1,000 dairy farming companies in China in 2014. Please see the table below for the top 20 dairy farming companies in terms of raw milk sales volume in China in 2014.

Table 6: Ranking of Dairy Farming Company by Raw Milk Sales Volume in China, 2014

Ranking	Dairy Farming Company	Sales Volume of Raw Milk (Thousand Tonnes)	Market Share
1	Modern Dairy	924.3	2.6%
2	Huishan Dairy	482.4[(1)]	1.4%
3	Shengmu	344.7	1.0%
4	Company A	308.0	0.9%
5	Company B	290.0	0.8%
6	Company C	253.5	0.7%
7	Company D	240.0	0.7%
8	YuanShengTai	230.0	0.6%
9	Company E	215.0	0.6%
10	Company F	207.0	0.6%
11	Company G	118.0	0.3%
12	Company H	112.5	0.3%
13	Company I	96.0	0.3%
14	Company J	96.0	0.3%
15	Company K	77.0	0.2%
16	Company L	70.0	0.2%
17	Company M	67.0	0.2%
18	**Our Company**	**63.1**	**0.2%**
19	Company N	61.7	0.2%
20	Company O	57.0	0.2%
	Others	31,186.8	87.9%
	Top 20	**4,313.2**	**12.1%**
	Total	**35,500.0**	**100.0%**

(1) For the year ended March 31, 2014 as disclosed in its 2014 annual report published on July 25, 2014.

Raw Milk Price

Accordingly to Frost & Sullivan, the average raw milk price in China has increased from RMB2,433 per tonne in 2009 to RMB4,042 per tonne in 2014, representing a CAGR of 10.7% in line with the growing domestic demand and the rising costs of feeds and labor. Please see Figure 14 for the average raw milk price (by year) in China from 2009 to 2015E. During the Track Record Period, the market price of raw milk in China increased steadily from January 2012 to June 2013, and surged in the second half of 2013 due to the shortage of raw milk supply until February 2014. Since March 2014, due to the import of large amount of milk powder into China, which can be used as a substitute for raw milk for certain dairy products, the market price of raw milk has been subject to downward pressure. The average raw milk price in China decreased substantially from RMB4,228 per tonne in March 2014 to RMB3,440 per tonne in February 2015, and remained stable at around RMB3,400 per tonne from February 2015 to September 2015. Please see Figure 15 for the average raw milk price (by month) in China from 2009 to September 2015.

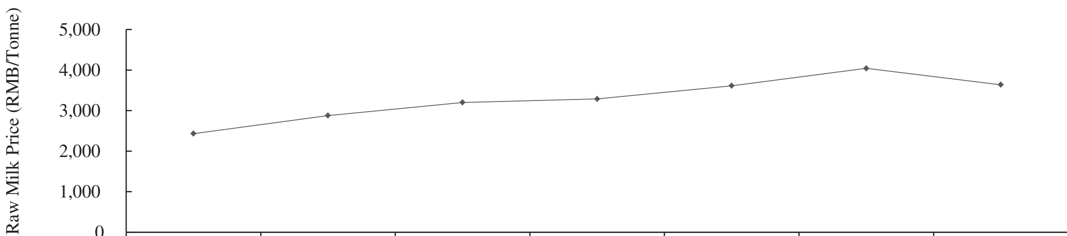
The fluctuation of monthly raw milk prices in China is caused by many factors, including the volume of imported milk powder from foreign suppliers, the import price of milk powder, the seasonality in the northern and southern hemispheres and the overall supply and demand dynamics in the Chinese and the international markets. The import price of milk powder in China is one of the major factors affecting the raw milk price in China. For example, when the import price of milk powder (milk equivalent, CIF China) is substantially lower than the domestic raw milk price in China, due to the seasonality or the supply and demand dynamics in the international markets, Chinese milk producers tend to purchase a large quantity of milk powder from foreign suppliers. If the strong demand for milk powder in China drives up the import price of milk powder, the gap between the market prices of raw milk and milk powder (milk equivalent, CIF China) may narrow. Chinese milk producers tend to purchase less milk powder if its price is not substantially lower than the price of domestic raw milk and their behavior in turn affects the dynamics of the supply and demand, as well as the price trends, of both raw milk and milk powder in China.

The raw milk prices in China are also affected by many other factors such as the domestic supply and demand dynamics in relation to dairy products and the feed and labor costs for producing raw milk. For example, fresh milk is usually manufactured and processed through locally-produced fresh raw milk, which is not replaceable by milk powder. If the demand for fresh milk continues to rise, the raw milk price will be boosted even if the volume of imported milk powder increases. In addition, if the feed and labor costs continue to rise, some small and medium dairy companies that don't enjoy economies of scale or mismanage their costs may become unprofitable and may decrease or stop their production. In such case, the gap between demand and supply for raw milk will widen, which will lead to a recovery of raw milk prices.

The average raw milk price in China decreased by 11.8% from RMB3,900 per tonne in the second half of 2014 to RMB3,438 per tonne in the first half of 2015, primarily due to, among other things, an increase by 42.0% in the volume of imported milk powder into China from 242,200 tonnes in the second half of 2014 to 344,000 tonnes in the first half of 2015.

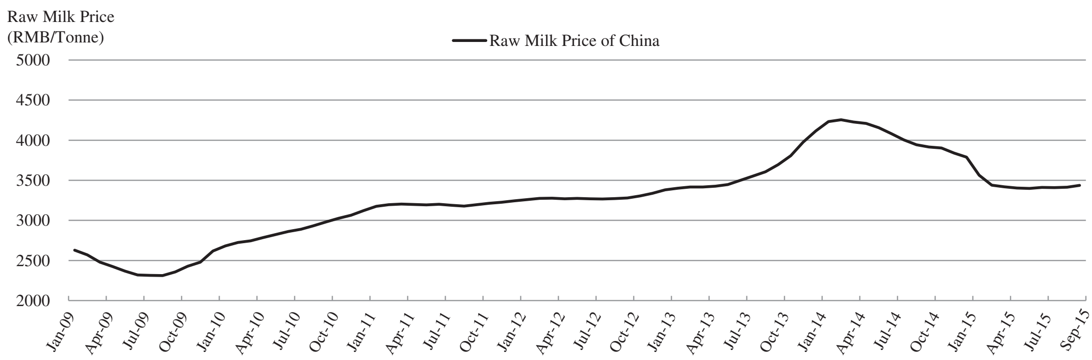
According to Frost & Sullivan, driven by the increasing demand for dairy products by Chinese consumers, the gap between raw milk supply and demand is likely to expand in the next three to four years. Such expanding gap will likely lead to a stronger demand for domestic raw milk because domestic milk producers tend to decrease their reliance on the imported milk powder due to various reasons discussed in the subsection headed "Competition from Foreign Dairy Brands and Foreign Milk Powder Imports" in this section. Frost & Sullivan takes into account of the following factors while forecasting the price trend of raw milk: (i) the average raw milk selling price in China was approximately RMB3,400 per tonne in recent months, which was very close to the average cost of sales for raw milk in China and therefore there will be very limited room for further price decrease in the second half of 2015; (ii) unlike production of UHT milk, production of fresh milk usually requires higher quality (in terms of nutrition and safety indicators) raw milk. As a result, fresh milk is usually manufactured and processed through locally-produced fresh raw milk, which is not replaceable by milk powder. As the storage and transportation techniques of fresh milk in China continue to improve, the demand for fresh milk in China is expected to expand correspondingly; and (iii) compared with the overall liquid milk products market, the Chinese fresh milk products market is likely to experience stronger growth, and is projected to expand at a CAGR of 12.2% from 2014 to 2019. Due to the expected rapid growth of demand for fresh milk, the demand for domestically-produced fresh raw milk, especially premium fresh raw milk, is likely to rise accordingly. Based on Chinese consumers' increasing demand for dairy products, the decreasing volume of imported milk powder into China, the price trends for raw milk, milk powder and other dairy products and a variety of other relevant factors, Frost and Sullivan expects the average raw milk price in China to recover slightly from the current level in the second half of 2015, resulting in an annualized decline of approximately 12.7% in 2015, and to rise gradually in the next three to four years.

Figure 14: Average Raw Milk Price (By Year) in China, 2009-2015E



	2009	2010	2011	2012	2013	2014	2015E
Raw Milk Price	2,433	2,878	3,201	3,289	3,613	4,042	3,530

Figure 15: Average Raw Milk Price (By Month) in China, January 2009-September 2015



Premium raw milk is generally priced approximately 20% to 50% higher than that of standard raw milk. In 2014 and the first half of 2015, the average selling price for our Company's raw milk was approximately RMB4,785 per tonne and RMB4,398 per tonne, respectively, substantially higher than the national average price of RMB4,042 per tonne and RMB3,438 per tonne during the same periods.

Locations of Dairy Farms

According to the *Development Plan of Major Dairy Cow Farming Regions* (2008-2015) (《全國奶牛優勢區域布局規劃(2008-2015年)》) issued by the MOA, the appropriate locations for dairy farms should have suitable climate conditions, abundant local feeding material supplies and easy access to downstream dairy markets. Leading dairy farming companies have been making efforts to build a broad-based network of dairy farms at superior locations across China. The competitive advantages of a broad-based dairy farm network primarily include, among other things, (i) gaining access to extensive target markets and downstream customers, and (ii) lowering the impact of disease outbreaks in individual farms or a particular region. Please see Table 7 below for a comparison of the geographic coverage of certain leading dairy farming companies in China in 2014. Similar to Modern Dairy, Mengniu and Yili, our Company is among the few large-scale dairy farming companies in China that have established a wide geographic network of operating dairy farms across China.

Table 7: Geographic Coverage of Operating Dairy Farms Network of Our Company and Top Ten Largest Dairy Farming Companies in China, 2014

	Northeastern China	Northern China	Eastern China	Southern China	Southwestern China	Northwestern China
Modern Dairy	√	√	√	√	√	√
Yili	√	√	√	√	√	√
Mengniu	√	√	√		√	√
Our Company	√	√				√
AustAsia		√	√			
Huishan Dairy	√					
Shengmu		√				
Sunlon		√				
Fonterra		√				
YuanShengTai	√					
Shanghai Dairy Group			√			

(1) Northeastern China includes Heilongjiang, Jilin and Liaoning.

(2) Northern China includes Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia.

(3) Eastern China includes Shanghai, Zhejiang, Anhui, Jiangsu, Shandong, Fujian and Jiangxi.

(4) Southern China includes Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.

(5) Southwestern China includes Sichuan, Yunnan, Guizhou, Tibet and Chongqing.

(6) Northwestern China includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

As of June 30, 2015, we were developing (i) the second phases of two of our four operating dairy farms and (ii) two new dairy farms. In addition, we were in the process of converting our Tianjin Import Quarantine Farm into a new dairy farm, the Tianjin Farm. We intend to commence developing the second phase of our operating Liaoning Kuandian Farm by the second quarter of 2016. Upon completion of our existing expansion plans, our network of dairy farms will cover seven provinces or provincial-level cities in China.

Milk Production Cycle

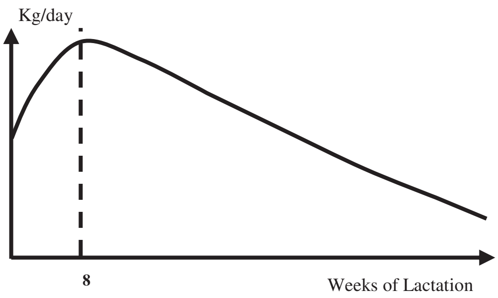
Life Cycle of a Dairy Cow

According Frost & Sullivan, a calf normally refers to a dairy cow of up to six-months old, after which it becomes a heifer. Heifers are typically artificially inseminated at 14 months old, and the pregnancy period is approximately 285 days. It typically takes 65 days to 90 days for a milkable cow to get pregnant again after giving birth to its calf. Milking starts immediately after giving birth. Please see the diagram in the section headed "Business — Our Business Operations — Dairy Farming Business — Life Cycle of Dairy Cows" in this prospectus for an illustration for the life cycle of our Company's dairy cows.

Milk Production within a Lactation Period

Within a lactation period, a milking cow is usually milked three times each day. A milking cow typically has the highest milk production during the sixth to eighth weeks after calving, after which the production level tapers off. Dairy farms usually stop milking a pregnant milkable cow 60 days before its due date, called the dry period, which helps to ensure a higher milk yield for the subsequent lactation period. Please see Figure 16 for an illustration of the fluctuating milk production levels within a lactation period.

Figure 16: Milk Production within a Lactation Period



The length of a lactation period depends on the calving interval, which is the amount of time that passes from the birth of one calf to the next. Considering that the early weeks of a dairy cow's lactation period are more profitable than the later ones because of the higher milk yield during the early weeks, a dairy farm can increase its profits by making sure a cow is at peak production as frequently as possible without compromising the cow's overall health and expected lifespan. This is achieved by keeping the calving interval to a minimum because a cow gets back to peak production sooner if she is calving again after a shorter period of time. According to Frost & Sullivan, the leading dairy farming companies in China can usually manage the production cycles of dairy cows efficiently by minimizing the calving interval down to approximately 400 days.

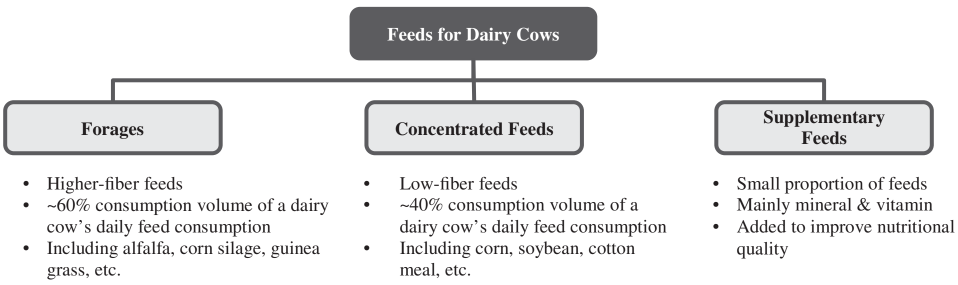
Milk Production among Lactation Periods

Dairy cows in China generally have an average productive lifespan of three to five lactation periods. The milk yield varies among each lactation period, which typically reaches its peak in the third lactation period and trends downward afterwards.

FEEDING MATERIALS

Feeds for dairy cows, which account for the majority of the costs for dairy farming, can be classified into forages, concentrated feeds and supplementary feeds. Please see Figure 17 for the classification and the key features of each category of feeds for dairy cows.

Figure 17: Classification of Feeds for Dairy Cows



According to Frost & Sullivan, total mixed ration (TMR), a method of weighing and blending all feeds into a complete ration, helps to ensure that all feeds are utilized efficiently and the dairy cows receive a balanced ration. Part of the success of feeding total mixed ration depends on dividing the dairy cows into groups to closely match the ration to the needs of the different groups. Several factors may be considered when grouping dairy cows for feeding total mixed ration, such as size, facilities, life cycle, health conditions and production level of each group.

Corn Silage

Corn silage is a high quality palatable forage for dairy cows that can be easily stored and handled, contributing more than 20% of the dry matters in the total mixed ration for milking cows. Taking into account of the moisture content, corn silage may represent approximately half of the total weight of a milking cow's daily ration. Corn silage is made from corn harvested after dough stage, which is then sealed and fermented. It is widely used by dairy farms in China with a herd size of more than 100 dairy cows. The majority of corn silage used by a dairy farm is usually fed to the milkable cows, with the remaining minority portion fed to heifers.

According to Frost & Sullivan, corn is one of the most widely planted crops in the world, adaptable to a wide range of climate conditions. An average dairy cow typically consumes approximately 5.1 tonnes of corn silage each year. The demand for corn silage in China has been increasing steadily from 25.1 million tonnes in 2009 to 36.5 million tonnes in 2014 at a CAGR of 7.8%, in line with the growing raw milk production in the Chinese dairy farming industry. It is expected to grow further and reach 47.7 million tonnes in 2018, representing a CAGR of 6.9% since 2014. Please see Figure 18 for the annual demand for corn silage in China from 2009 to 2018.

Given the relatively large volume of corn silage, dairy farming companies usually source corn silage locally to reduce the freight costs involved in transporting corn silage to dairy farms. Dairy farms located in the vicinity of large-scale corn plantations are well-positioned to enjoy cost efficiency in relation to procurement of corn silage.

Due to the growing demand, the average market price of corn silage has shown a significant increase from RMB236 per tonne in 2009 to RMB400 per tonne in 2014, representing a CAGR of 11.1%. Please see Figure 19 for the average market price of corn silage in China from 2009 to 2014.

Figure 18: Demand for Corn Silage (China) 2009-2018E

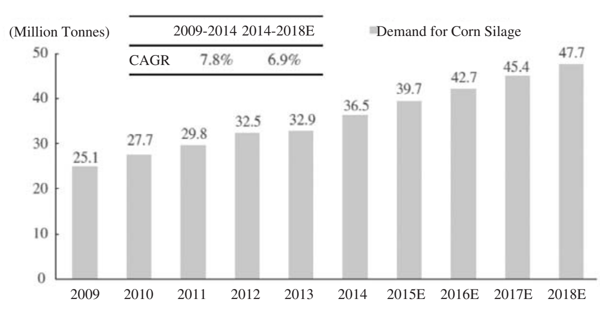
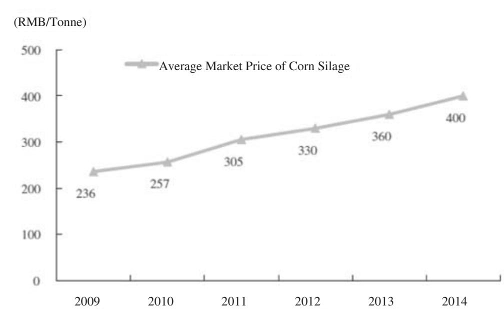


Figure 19: Average Market Price of Corn Silage (China), 2009-2014



Alfalfa Hay

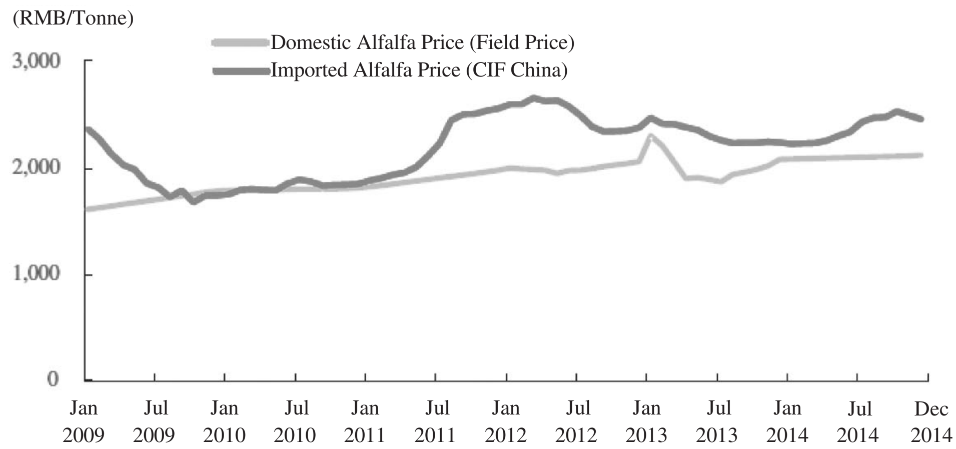
Alfalfa is a high-quality forage crop grown widely across northern China, northwestern China, and northeastern China. It is an herbaceous perennial legume rich in protein, vitamins, energy and minerals. As one of the feed components, alfalfa is important for increasing the milk yield as well as the protein level of the raw milk produced. The majority of alfalfa used by a dairy farm is usually fed to the milkable cows, with the remaining minority portion fed to calves and heifers.

In China, alfalfa is widely used by large-scale dairy farms with a herd size of more than 1,000 dairy cows. According to Frost & Sullivan, an average dairy cow typically consumes approximately 0.7 tonnes of alfalfa each year. The demand for alfalfa in China has increased from approximately 0.7 million tonnes in 2009 to approximately 1.8 million tonnes in 2014 at a CAGR of 19.5%, primarily due to the growing raw milk production, especially the growing production of premium raw milk production, and expanding operation scale of the Chinese dairy farming industry. The demand is expected to grow further and reach 2.7 million tonnes in 2018, representing a CAGR of 10.8% since 2014.

Given the limited supply of domestically grown alfalfa, large-scale dairy farming companies in China largely rely on imported alfalfa. According to Frost & Sullivan, the U.S. was China's largest source country for alfalfa imports in China in 2014, representing 96.0% of the aggregate alfalfa imports in that year. Most of the alfalfa imported into China is of "premium" grade, while most domestically grown alfalfa would be of "good" or "low quality" grades under the relevant guidelines of the U.S. Department of Agriculture. As a result, dairy farming companies usually need to pay higher prices for imported alfalfa, which constitutes a significant component of the raw milk production costs for domestic dairy farms.

The prices for both domestic and imported alfalfa hay have shown an overall upward trend in their prices from 2009 to 2014. The average market price (CIF China) for imported alfalfa hay in China (excluding freights costs) was RMB2,369 per tonne in 2014.

Figure 20: Prices for Domestic and Imported Alfalfa Hay (China), Jan 2009-Dec 2014



REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to report on, the dairy industry in China for the period from 2009 to 2018. The Frost & Sullivan Report, has been prepared by Frost & Sullivan independent of our influence. The Frost & Sullivan Report was commissioned at a cost of approximately RMB1.7 million, which we believe reflects market rates. Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan has been covering the Chinese market from its offices in China since the 1990s. Its industry coverage in the PRC includes agriculture, chemicals, materials and food, among others.

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

FOREIGN INVESTMENT IN DAIRY FARMING AND PRODUCTION OF DAIRY PRODUCTS

Guidance on foreign investment in different industries in the PRC can be found in the *Foreign Investment Industrial Guidance Catalogue (《外商投資產業指導目錄》)* ("**Catalogue**") jointly issued by NDRC and MOFCOM, as amended and re-promulgated from time to time by these two government authorities. Industries generally fall into four categories for the purposes of guiding foreign investment, namely, encouraged, permitted, restricted and prohibited. The Catalogue only lists out specific industries falling under the encouraged, restricted and prohibited categories and what is not listed therein would fall into the permitted category. The current effective version of the Catalogue was issued on March 10, 2015 and became effective on April 10, 2015. According to the 2015 Catalogue, dairy farming and production of dairy products should both belong to the permitted category.

POLICIES ON MODERN HUSBANDRY AND DAIRY INDUSTRY

Since 2006, the State Council, MOA and NDRC have promulgated a series of policies for the purpose of promoting the development of modern husbandry and the healthy and sustainable development of the dairy industry. These policies include the *Several Opinions of the State Council Concerning the Promotion of Sustainable and Healthy Development of Animal Husbandry (《國務院關於促進畜牧業持續健康發展的意見》)* promulgated by the State Council in January 2007, the *Circular of the General Office of the State Council Regarding the Transmittal of the Outlines of the Restructuring and Revitalization Plan for the Dairy Industry Issued by NDRC and other Ministries (《國務院辦公廳關於轉發發展改革委等部門奶業整頓和振興規劃綱要的通知》)* issued by the General Office of the State Council on November 7, 2008, the *Development Plan of Major Dairy Cow Farming Regions (2008-2015) (《全國奶牛優勢區域布局規劃(2008-2015年)》)* promulgated by MOA on January 24, 2009, the *Several Opinions of MOA Concerning the Acceleration of the Work of Promoting Standardized Large Scale Raising and Breeding of Livestock and Poultry (《農業部關於加快推進畜禽標準化規模養殖的意見》)* issued by MOA on March 29, 2010, and the *Circular on Printing and Distributing the Key Points of Work for Animal Husbandry for the Year 2014 (《關於印發<2014年畜牧業工作要點>的通知》)* promulgated by the General Office of MOA on January 21, 2014.

The foregoing governmental documents call for consolidation, improvement of industrialization and specialization level of the animal husbandry industry, acceleration of the breeding and promotion of fine breeds of livestock and poultry, increase in the milk yield of dairy cows and transformation of breeding and raising pattern of livestock and poultry. Moreover, these governmental documents also set forth various governmental preferential policies and incentives provided to the enterprises in the husbandry and farming industry, including increasing the fiscal subsidy and support for the raising of dairy cows, expanding the applicable scope of fiscal subsidy for agriculture machinery and equipment to include animal husbandry equipment and milking equipment, establishing a governmental insurance system for dairy cows, supporting the construction of standardized cow raising and breeding farms, strengthening the credit support to cow breeding and raising farmers and enterprises (such as providing subsidized loans), innovating security methods, expanding the scope of mortgage and pledge, enhancing the establishment of a mechanism whereby banks, government, enterprises and security providers may share risks, striving to expand the pilot scope of insurance policy premium subsidy for animal husbandry, and promoting the development of modern husbandry by allowing the market to play its role.

LARGE SCALE ANIMAL RAISING AND BREEDING INDUSTRY

Record Filing of Livestock and Poultry Breeding Farms

The *Animal Husbandry Law of PRC (《中華人民共和國畜牧法》)* (the "**Animal Husbandry Law**"), which was promulgated by the Standing Committee of the NPC on December 29, 2005 and became effective on July 1, 2006, stipulates the conditions that a livestock or poultry breeding farm shall meet, and requires the owner of a breeding farm to file the name and address of the farm, strains of livestock and poultry as well as scale of breeding for record with the animal husbandry and veterinary medicine authority under the local people's government at the county level where the farm is located, and to obtain labels and codes for the livestock and poultry. The following are the conditions that a livestock or poultry breeding farm should meet:

- To have production premises and supporting facilities commensurate with its scale of breeding;
- To have animal husbandry and veterinary technicians in its service;
- To possess the conditions for epidemic prevention, as provided for by laws and administrative regulations and prescribed by the animal husbandry and veterinary medicine authority under the State Council;
- To have such facilities as methane-generating pits for comprehensive use of, or other facilities for innocuous treatment of, the feces of livestock and poultry, waste water and other solid wastes; and
- To meet other conditions provided for by laws and administrative regulations.

License for Production and Operation of Breeding Livestock and Poultry

According to the *Animal Husbandry Law*, and the *Regulations on Administration of Breeding Livestock and Poultry (《種畜禽管理條例》)* which was promulgated on April 15, 1994 by the State Council and became effective on July 1, 1994, as amended in January 2011, an entity or individual engaged in the production and operation of breeding livestock and poultry or in the commercial production of new born livestock and poultry shall obtain a license for production and operation of breeding livestock and poultry. The livestock and poultry mentioned above means the livestock and poultry used for breeding purpose, including domestic pigs, cattle, sheep, horses, donkeys, camels, rabbits, dogs, chickens, ducks, geese, pigeons, quails, etc. and their respective genetic materials, such as eggs, semen and embryos. An applicant applying for the license for production and operation of breeding livestock and poultry shall meet various conditions set out in the *Animal Husbandry Law* and the *Regulations on Administration of Breeding Livestock and Poultry*. The license is issued by the animal husbandry and veterinary medicine authority under the local people's government at or above the county level and is valid for three years.

An applicant shall meet the following conditions in order to be granted with the license for production and operation of breeding livestock and poultry:

- The breeding livestock and poultry for production and operation must be the breeds and the synthetic strains that have gone through the verification or identification by the national commission for genetic resources of livestock and poultry, or the breeds and synthetic strains introduced from abroad upon approval;

- The applicant has the husbandry and veterinary technicians commensurate with the scale of production and operation;
- The applicant has the breeding facilities and equipment commensurate with the scale of the production and operation;
- The applicant has the conditions for epidemic prevention among the breeding livestock and poultry, as provided for by laws and administrative regulations and prescribed by the animal husbandry and veterinary medicine authority under the State Council;
- The applicant has sound systems for quality control and for recording the breeding of strains; and
- The applicant meets other conditions as provided for by laws and administrative regulations.

Certificate for Meeting Animal Epidemic Prevention Conditions

The *Law on Animal Epidemic Prevention of the PRC (《中華人民共和國動物防疫法》)*, which was promulgated on August 30, 2007 and amended for the second time on June 29, 2013 by the Standing Committee of the NPC, provides that an animal farm shall meet the following conditions for prevention of animal epidemics, and the operator of the animal farm shall apply to the animal husbandry and veterinary medicine authority under the local people's government at or above the county level for a certificate for meeting animal epidemic prevention conditions:

- The farm is located at certain distance from public places, such as residential areas, sources of drinking water, schools and hospitals as prescribed by the veterinary medicine authority under the State Council;
- The enclosure and isolation of the production area and the engineering design and technological processes shall meet the requirements for animal epidemic prevention;
- The farm has necessary facilities and equipment for innocuous treatment and for cleaning and decontamination of waste water, waste materials, animals that die of diseases, and infected animal products;
- Technicians for animal epidemic prevention have been equipped for the farm;
- A sound system for animal epidemic prevention has been established for the farm; and
- The farm meets other conditions for animal epidemic prevention as laid down by the veterinary medicine authority under the State Council.

As provided for by the *Law on Animal Epidemic Prevention of the PRC*, animal epidemic prevention authorities shall monitor the outbreak and spread of animal epidemics; an entity or individual engaged in raising, slaughtering, marketing, isolation or transportation of animals and/or other activities in connection therewith shall immediately report to the local veterinary medicine authority, animal health supervision authorties or animal epidemic prevention and control authorities when it finds that animals have, or are suspected to have, contracted epidemics, and in addition, it shall have the animals isolated and take other control measures to prevent the spread of the epidemics. According to the *Regulations on Administration of National Animal Epidemics Surveillance and Reporting System (For Trial Implementation) (《國家動物疫情測報體系管理規範（試行）》)*

promulgated on June 10, 2002 by MOA, regular surveillance shall be conducted on any large-scale animal farm where a certain classified disease breaks out, and all documents relating to the animal epidemic surveillance shall be reported to the animal husbandry and veterinary medicine bureau under MOA within the prescribed period of time.

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

Prevention and Control of Pollution

According to the *Regulations on the Prevention and Control of Pollution Caused by Large-scale Breeding of Livestock and Poultry (《畜禽規模養殖污染防治條例》)* promulgated by the State Council on November 11, 2013 and became effective on January 1, 2014 and the *Methods for Administration of Prevention and Control of Pollution Caused by Livestock and Poultry Breeding (《畜禽養殖污染防治管理辦法》)* issued by the State Environmental Protection Administration on May 8, 2001 and took effect on the same day:

- Livestock and poultry farms and breeding districts which are built, reconstructed or expanded shall be in compliance with the development plan of animal husbandry and the pollution prevention and control plan of livestock and poultry breeding, meet the requirements for animal epidemic prevention, and undergo environmental impact assessment. An environmental impact report shall be prepared for any large scale livestock or poultry farm or breeding district which has a potential material impact on the environment;

- In the livestock and poultry farms and breeding districts, there must be relevant facilities for feces of livestock and poultry, shunting sewage and drains, and storage of feces and sewage, and comprehensive utilization and harmless treatment facilities for anaerobic digestion and stack retting of feces, organic fertilizer processing, methane producing, separation and delivery of dregs and fluid of methane, sewage treatment and corpse treatment;

- China encourages and supports comprehensive use of wastes of livestock and poultry breeding by way of putting manure back to farmland, producing methane and organic fertilizer, among other uses;

- China encourages and supports the disposal and containment of wastes of livestock and poultry breeding by way of combining planting and breeding to utilize wastes such as manure of livestock and poultry and sewage nearby;

- China encourages and supports comprehensive utilization, such as producing methane and organic fertilizer, and construction of facilities for delivery and utilization of dregs and fluid of methane, methane electricity generation, among other uses; and

- The facilities for prevention and control of pollution caused by livestock and poultry farms must be designed, constructed and used concurrently with the main structure. Methods adopted by a livestock or poultry farm for comprehensive use of wastes of livestock and poultry breeding must be put in place at the time when the farm is put into operation. The inspection carried out by environmental protection authorities on completed facilities for prevention and control of pollution caused by livestock and poultry farms shall include the implementation progress of the measures adopted for comprehensive use of wastes generated from livestock and poultry breeding.

QUALITY OF DAIRY PRODUCTS

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

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

The owner of any vehicle used for transporting raw fresh milk must obtain for such vehicle a permit for transportation of raw fresh milk issued by the animal husbandry and veterinary medicine authority under the people's government at the county level where such vehicle is registered.

LAWS AND REGULATIONS RELATING TO THE FOOD INDUSTRY IN GENERAL

Food Safety

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

- strengthen the role of local government in the supervision and coordination of food safety regulation work;
- strengthen food safety risk monitoring and assessment; and early intervention into and quick control over food safety accidents;
- revise the standards for the use of food additives and strengthen regulation of use of food additives;
- establish a food recall system;
- abolish the food safety inspection exemption system;
- clarify the fundamental principles in formulating food safety standards; and
- develop a licensing system for food distribution.

Food Production

According to the *Food Safety Law*, China implements a licensing system for food production.

According to the *Measures for Administration of Food Production Licenses (《食品生產許可管理辦法》)*, which was issued on April 7, 2010 and became effective on June 1, 2010, food production enterprises must meet the required production conditions stipulated therein and must obtain food production licenses. An enterprise intending to produce food shall apply to the local quality and technical supervision authority where food will be produced. The effective period for a food production license is three years.

According to the *Regulation of the People's Republic of China for the Administration of Manufacturing Licenses of Industrial Products* (《中華人民共和國工業產品生產許可證管理條例》) (which took effect on September 1, 2005), and the *Implementation Measures of "Regulation of the People's Republic of China for the Administration of Manufacturing Licenses of Industrial Products"* (《中華人民共和國工業產品生產許可證管理條例實施辦法》) (which took effect on August 1, 2014), China imposes a production permit system on dairy products, meat products, beverages, rice, flour, edible oils, alcoholic beverages and other products which have a direct connection with human health. If an entity intends to produce products listed on the government-formulated catalogue of industrial products that require manufacturing licenses, such entity should apply for and obtain manufacturing license from its local administration of quality and technology supervision at the provincial level. The term of a manufacturing license is five years.

According to the *Rules for the Implementation of the Management and Supervision of Food Manufacturing and Processing Enterprises* (for trial implementation) (《食品生產加工企業質量安全監督管理實施細則(試行)》) (which took effect on September 1, 2005), China imposes on the food market a permit system to ensure food safety. Enterprises participating in food manufacturing or processing are required to fulfill government-set standards regarding the production of safe food and obtaining manufacturing license(s) for industrial products, and the manufactured or processed food would need to pass safety tests and be stamped (or labeled) with food safety stamps (or stickers) to indicate that such food is sufficiently safe to leave the producers and enter target markets.

In accordance with the *Circular of General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China on the Strengthening of the Licensing System of Dairy Products* (《國家質量監督檢驗檢疫總局關於加強乳製品生產許可工作的通知》) (which took effect on November 12, 2008), licenses of dairy products shall be issued by administrations of quality and technology supervision at the provincial level to enterprises that pass such administrations' safety inspection, and the approval of any change to or extension of the licenses also falls within the purview of such administrations' responsibilities. When an administration of quality and technology supervision at the provincial level conduct an inspection in connection with the approval of the extension of a dairy product, it shall require, apart from standards stipulated by existing laws and regulations in this regard, the applicant to have the ability to carry out safety tests on its dairy products by either having appropriate testing equipment in place or entrusting the tests with an institute specializing in such compliance testing, and of special importance is the enterprise's ability to test for melamine in raw milk and the dairy products.

The Use of Food Additives

According to PRC laws on food safety, the use of food additives, unless absolutely necessary and proved by risk assessments to be harmless to health, should be completely avoided. The health administrative agencies of the State Council require that the standards regarding the use of food additives, in particular, the allowable food additives and their scope of applications and dosage levels, should be updated in a timely manner on the basis of technical requirements and the results of food safety risk analysis. Food manufacturers should use food additives in accordance with such standards regarding the allowable food additives and their scope of applications and dosage levels and may not use any chemical other than food additives that might be injurious to health.

When purchasing raw materials, food additives and food-related products in order to produce food, the food manufacturers should examine the licenses and qualification documents of their suppliers. In case the suppliers are unable to furnish the qualification documents, the food manufacturers should inspect the products provided by such suppliers in accordance with the standards regarding food safety. The food manufacturers may not purchase or use raw materials, food additives or food-related products that are not compliant with the food safety standards. The food manufacturers shall inspect raw materials, food additives or food-related products they purchase for the production of food and keep for at least two years records of the names, volumes, specifics, date of purchase, and names and contacts of the suppliers thereof, among other relevant information.

Labeling of Food

The *Provisions for the Administration of Food Labeling* (《食品標識管理規定》), adopted on August 27, 2007 and amended on October 22, 2009 by General Administration of Quality Supervision, Inspection and Quarantine of the PRC and having taken effect on September 1, 2007, sets forth that, food labels shall display the name, place of production, date of production, expiry date, net contents, list of ingredients, name, address and contact information of the manufacturer, and the code of safety standard adopted by the manufacturer.

If the name or the introduction of food contains wording such as "nutrition" or "strengthening", the nutritional ingredients and the amount of energy of such food shall be clearly indicated in the labeling, and the format of labeling shall comply with the relevant state requirements. The labeling of food products that require manufacturing licenses shall include number of their manufacturing licenses and the QS (Quality Safe) mark.

Food Standardization

Under the *Standardization Law of the PRC (《中華人民共和國標準化法》)*, which became effective on April 1, 1989, and its *implementation regulations and interpretation provisions (《中華人民共和國標準化法條文解釋》)*, which became effective on April 6, 1990 and July 23, 1990, respectively, standards relating to the protection of personal health and the safety of persons and property, as well as standards imposed by other laws and regulations, are classified as "mandatory standards". Food hygiene standards are part of mandatory standards.

On March 26, 2010, the Ministry of Health revised and re-promulgated the national food safety standard for raw milk — GB19301-2010. The new standard sets forth qualitative and quantitative standards for raw milk with respect to color, smell, protein, fat, microorganism, contaminants level etc. and came into effect on June 1, 2010.

On March 26, 2010, Ministry of Health amended and reissued GB19645-2010, the national safety standard of pasteurized milk, stipulating the quantity or quality of the color and odor of and the fat, protein, microorganism, and pollutants, etc. in pasteurized milk. The standard took effect on December 1, 2010.

On March 26, 2010, Ministry of Health amended and reissued GB25190-2010, the national safety standard of sterilized milk, stipulating the quantity or quality of the raw materials, color and odor of and the fat, protein, microorganism, and pollutants, etc. in sterilized milk. The standard took effect on December 1, 2010.

On March 26, 2010, Ministry of Health amended and reissued GB25191-2010, the national safety standard of modified milk, stipulating the quantity or quality of the raw materials, color and odor of and the fat, protein, microorganism, and pollutants, etc. in modified milk. The standard took effect on December 1, 2010.

According to the *Circular of Standardization Administration of China and General Administration of Quality Supervision, Inspection and Quarantine of the PRC on the Issues Regarding the Implementation of Three Mandatory National Standards Including "General Technical Regulations for Infant Blended Milk Powder and Infant Completed Grain Flour"* (《國家標準化管理委員會、國家質量監督檢驗檢疫總局關於實施〈嬰幼兒配方奶粉及嬰幼兒補充穀粉通用技術條件〉等三項強制性國家標準有關問題的通知》) (having taken effect on June 29, 2004), manufacturers are required to strictly comply with the provisions of the following three national standards: *Infant Formula I, Infant Formula II, III, and General Technical Regulations for Infant Blended Milk Powder and Infant Completed Grain Flour*.

The national safety standard of good manufacturing practice for powdered formulae for infants and young children, GB23790-2010, applicable to the manufacturers of powdered infant formulae (including powdered infant formulae and powdered formulae for older infants and young children), stipulates the requirements for the choice of site, environment, factory buildings, equipment, hygiene management, raw materials, packaging materials, food safety during manufacturing, sample testing, storage and transportation of dairy product manufacturers.

Apart from the foregoing, the manufacturers may adopt their own standards, which shall not be lower than the requirements provided by the national standards and shall be filed with the local standardization authorities for record keeping.

Food Inspection

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

Food Recall

In accordance with PRC laws on food safety, China has launched a food recall system. According to the *Provisions on the Administration of Food Recall* (《食品召回管理規定》) (having taken effect on August 27, 2007, and the updated version was promulgated by General Administration of Quality Supervision, Inspection and Quarantine on September 1, 2015), food recall is divided into three levels, namely, Recall of Level One, Level Two and Level Three, on the basis of the severity of the associated health hazards. The acts of food recall are categorized as "proactive recall" and "ordered recall". In the situations that the food manufacturers or dealers find that the food they manufacture or handle is unsafe, they shall immediately cease production or dealing, and recall and dispose of such unsafe food products pursuant to the foregoing provisions. Non-compliance in this regard will result in the food manufacturers or dealers being subject to warnings from or fines or other administrative penalties imposed by the food and drug regulatory authorities.

PRODUCT QUALITY

Product Quality Law of the PRC

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

According to the *Product Quality Law*, manufacturers are liable for the quality of products they produce, and sellers must take reasonable actions to ensure the quality of the products they sell. The manufacturer shall be liable to compensate for any bodily harm or damage to property (other than the defective product itself) caused by any defective product of the manufacturer unless the manufacturer is able to prove that:

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

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

Safety of Agricultural Products

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

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

According to the *Agricultural Products Safety Law*, producers of agricultural products shall reasonably use chemical products in order to avoid contaminating production places of agricultural products. Agricultural producers shall also ensure that the preservatives, additives and other chemicals used in the process of production, packaging, preservation, storage and transportation of agricultural products shall be in conformity with the relevant compulsory technical specifications set by the State; or otherwise, these products shall not be sold.

PRODUCT LIABILITY

Pursuant to the *General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》)*, which was promulgated by the NPC on April 12, 1986 and became effective on January 1, 1987, and the *Protection of Consumers' Rights and Interests Law of the PRC (《中華人民共和國消費者權益保護法》)*, which was promulgated by the Standing Committee of the NPC on October 31, 1993 and became effective on January 1, 1994, as amended by the Standing Committee of the NPC on August 27, 2009 and October 25, 2013, both manufacturers and distributors shall be held jointly liable for losses and damage suffered by consumers caused by the defective products they manufacture or distribute.

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

LAWS AND REGULATIONS RELATING TO FOREIGN TRADE

Import and Export of Goods

According to the *Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》)*, which was promulgated on May 12, 1994 and amended on April 6, 2004 by the Standing Committee of the NPC and the *Measures for Record-Filing and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》)*, which was promulgated on June 25, 2004 by MOFCOM and became effective on July 1, 2004, foreign trade operators engaged in goods import and export in China shall go through record-filing and registration with the foreign trade authority under the State Council or the agencies authorized by such authority. Where a foreign trade operator fails to do so, the customs shall not handle the formalities for declaration and clearance of the goods imported or exported by the operator.

As provided for in the *Customs Law of the PRC (《中華人民共和國海關法》)* promulgated on January 22, 1987 and amended on June 29, 2013 by the Standing Committee of the NPC, as well as other related regulations, the declaration of imported or exported goods and the payment of duties may be made by the consignees or consigners thereof or by their entrusted customs brokers that are registered with the approval of the customs. The consignees or consigners of imported or exported goods and the customs brokers engaged in customs declaration shall be registered with the customs in accordance with the law.

According to the *Law on Inspection of Imported and Exported Commodities of the PRC (《中華人民共和國進出口商品檢驗法》)*, which was promulgated on February 21, 1989 and amended on April 28, 2002 by the Standing Committee of the NPC, and its implementation regulations, inspection of imported and exported goods which are listed in the catalogue of imported and exported goods subject to compulsory inspection, which was prepared by the state administration for commodity inspection, shall be conducted by the commodity inspection authorities; imported and exported goods which are not subject to compulsory inspection shall be inspected on a sampling basis. Consignees and consignors or their authorized agencies may apply to the commodity inspection authorities for inspection.

According to the *Regulations of the PRC on Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》)*, which was promulgated on October 12, 2001 by the State Council and became effective on January 1, 2002, China applies a uniform administration system to the import and export of goods. China allows free import and export of goods and maintains fair and orderly import and export trade in goods pursuant to the law. No entity or individual may impose or maintain prohibitive or restrictive measures against import and export of goods, except for goods of which the import or export is explicitly prohibited or restricted by laws or administrative regulations.

Quarantine of Imported Animals

According to the *Law of the PRC on Quarantine of Animals and Plants Entering and Leaving the PRC (《中華人民共和國進出境動植物檢疫法》)*, which was promulgated on October 30, 1991 by the Standing Committee of the NPC and became effective on April 1, 1992, as amended on August 27, 2009, and its *implementation regulations (《中華人民共和國進出境動植物檢疫法實施條例》)* which was promulgated on December 2, 1996 by the State Council and became effective on January 1, 1997, importers of animals or animal products must apply in advance, and go through the formalities, for quarantine approval.

As stipulated in the *Circular on Further Regulation and Clarification of the Procedure and Requirements for Inspection and Quarantine of Imported Large- and Medium-sized Animals (《關於進一步規範和明確進境大中動物檢驗檢疫工作程序及要求的通知》)*, which was promulgated by GAQSIQ and took effect on June 7, 2004, the quarantine procedure for imported animals is as follows:

- user of the premises for segregation and quarantine of imported animals shall obtain the approval from the inspection and quarantine authorities for its use of the premises;
- GAQSIQ assigns officers to carry out pre-export quarantine abroad;
- importer goes through the examination and approval formalities for quarantine of imported animals;
- after obtaining a Permit for Quarantine of Imported Animals and Plants, the importer or its agent shall enter into a formal trading contract with the foreign party and specify the quarantine requirements in the contract;
- GAQSIQ informs, in writing, the relevant department of the exporting country of the issued Permit for Quarantine of Imported Animals and Plants and a list of veterinarians assigned, so that the department of the exporting country will be able to carry out quarantine against such permit in accordance with the requirements set out in the agreement entered into between the governments of the two countries;
- imported animals shall enter China by the transportation means, in the transportation route and to the port of entry as designated in the issued Permit for Quarantine of Imported Animals and Plants. These animals shall undergo on-site quarantine at the port of entry, and be transferred to the approved segregation premises for a 45-day period of segregated quarantine after passing the on-site quarantine. Imported animals shall not be released until they pass the segregated quarantine;
- the local inspection and quarantine bureau directly under GAQSIQ shall, within one week after the imported animals are released upon passing the required quarantine, submit to GAQSIQ a summary report on segregated quarantine and a statement on the flow of animals. In the meantime, the local inspection and quarantine bureau shall also inform the inspection and quarantine bureau of the destination of the statement on the flow of animal for tracking purpose; and
- inspection and quarantine bureaus shall properly keep all original records and samples of inspection and quarantine. GAQSIA will check at random the quarantines that have been conducted and send the randomly selected samples to other laboratories for inspection test.

Quarantine of Imported Genetic Materials of Animals

As provided for by the animal husbandry-related laws and regulations, where genetic resources of livestock and poultry are to be introduced from abroad, an application shall be submitted to the animal husbandry and veterinary medicine authority under the people's government at the provincial level; and after examination, the animal husbandry and veterinary medicine authority that accepts the application shall submit the application to the animal husbandry and veterinary medicine authority under the State Council for approval after assessment and demonstration. Upon approval, the relevant formalities shall be gone through and quarantine inspection shall be conducted in accordance with the provisions of the *Law of the PRC on Quarantine of Imported and Exported Animals and Plants.*

According to the *Methods for the Administration of Imported Genetic Materials of Animals (《進境動物遺傳物質檢疫管理辦法》)*, which was promulgated on April 3, 2003 by GAQSIQ and became effective on July 1, 2003, the genetic materials of animals referred to in these methods means the semen, embryos and egg cells of mammals. Where any genetic material is to be imported, the formalities for quarantine approval must be gone through, a Permit for Quarantine of Imported Animals and Plants must be obtained, and the quarantine requirements of China must be specified in the applicable trading contract or related agreement. The user of the imported genetic material shall file with the local inspection and quarantine bureau under GAQSIQ for record.

IMPORT RESTRICTIONS TO PREVENT MAD COW DISEASE

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

LAWS AND REGULATIONS RELATING TO PROPERTIES

Rural Land Contracting

According to the *Property Law of the PRC (Order No. 62 of the President of the PRC (《中華人民共和國物權法》)* which was adopted at the Fifth Session of the Tenth NPC of the PRC on March 16, 2007 and became effective on October 1, 2007 (the "**Property Law**"), arable land, woodland, grassland and other land used for agricultural purpose and owned collectively by farmers through the economic collective of which the farmers are members, or owned by the State but used collectively by farmers through the economic collective, may be contracted to third parties, or contractors.

According to the *Rural Land Contracting Law of the PRC (Order No. 73 of the President of the People's Republic of China) (《中華人民共和國農村土地承包法》)* which was promulgated by the Standing Committee of the NPC on August 29, 2002 and became effective on March 1, 2003, as amended on August 27, 2009 (the "**Rural Land Contracting Law**"), contractors of rural land can be members of the economic collective that owns or uses the relevant land, or enterprises and individuals outside the economic collective. A contractor of rural land is primarily entitled to the following rights:

- using and benefiting from the use of contracted land, transferring the right to operate the contracted land, and independently organizing the operation of the contracted land;
- obtaining compensation if the contracted land is expropriated or occupied by the government in accordance with the laws; and
- other rights specified by the laws.

At the same time, a contractor of rural land must undertake the following obligations:

- maintaining the agricultural usage of the contracted land and refraining from using the land for non-agricultural purposes;

- protecting and using the contracted land in accordance with the laws and refraining from causing any permanent damage to the contracted land; and
- other obligations specified by the laws.

The awarding party of contracted land, primarily the economic collective that owns or uses the relevant land, is entitled to monitor whether the contractor is using the contracted land in agreed manners. However, it may not interfere with normal operations of the contractor in accordance with the laws.

Under the Property Law and the Rural Land Contracting Law, the contracting term for arable land shall be 30 years, for grassland shall be between 30 to 50 years, and for woodland shall be between 30 to 70 years.

Contracting Rural Land to Non-member of Economic Collective

According to the Rural Land Contracting Law, the decision to contract the rural land to an enterprise or individual that is not a member of the economic collective which owns the land must be made in accordance with relevant procedures, which require (i) the approval by at least two-thirds of the members of the economic collective or two-thirds of the representatives for members of the economic collective, and (ii) the approval by the competent government at the township level.

Transferring Right to Operating Contracted Land

The Property Law and the Rural Land Contracting Law provide that a contractor of rural land may transfer its right to operate the contracted land through subcontracting, leasing, exchanging, assignment or other means by entering into written agreements with the transferee. The transferee could be members of the economic collective that owns the relevant contracted land, or enterprises and individuals outside the economic collective as long as such enterprises and individuals engage in agricultural production activities.

A transfer of the contractor's right to operate the contracted land must comply with, among other things, the following principles:

- such transfer must be based on voluntary negotiation between the contractor and the transferee;
- such transfer must not alter the (i) nature of the ownership or (ii) agricultural usage of the contracted land;
- the term of transfer may not exceed the remainder of the contracting term;
- the transferee must be capable of conducting agricultural production activities; and
- members of the same economic collective shall enjoy priority in obtaining the right to operate the contracted land under same conditions.

According to the *Measures for the Administration of Transferring Right to Operating Contracted Rural Land (Order No. 47 of the MOA) (《農村土地承包經營權流轉管理辦法》)* which was promulgated by the MOA on January 19, 2005 and went into effect on March 1, 2005, the relationship between the contractor and the awarding party of the contracted land will not be affected if the contractor transfers its right to operating the contracted land to a third party. If the transferring is accomplished through assignment, prior consent from the awarding party must be obtained. If the transferring is accomplished though the other means, the contractor only needs to file the transfer with the awarding party timely.

If a contractor intends to authorize the awarding party or an intermediary agency to transfer its right to operate the contracted land to a third party, it shall issue a letter of authorization that specifies particulars such as the scope and term of authorization. Without the written authorization of the contractor, no organization or individual may transfer the right to operate the relevant contracted land.

Leasing of Collectively-owned land

According to the *Organic Law of Villagers' Committee of the PRC (Order No. 37 of the President of the PRC) (《村民委員會組織法》)* which was promulgated by the Standing Committee of the NPC on October 28, 2010 and took effect on the same day, disposal of any property collectively owned by an economic collective of villagers must be approved by the villagers' meeting after deliberation. The villagers' meeting may also authorize the meeting of representatives of villagers to approve the disposal after deliberation. If a lessee leases collectively-owned land from an economic collective of villagers, the aforementioned requirements must be complied with. If the leased land has been classified as agricultural land, the lessee must not use the land for non-agricultural purposes, unless the allowed usage of the leased land has been converted into non-agricultural purposes in accordance with the PRC laws.

Furthermore, under the *PRC Contract Law (《中華人民共和國合同法》)* promulgated by the NPC on March 15, 1999, the term of a lease may not be more than 20 years. The portion of a lease beyond 20 years shall be invalid.

Land Used for Agricultural Facilities

According to the *Circular of the Ministry of Land and Resources and the Ministry of Agriculture on Relevant Issues Concerning Improving the Administration of Land Used for Agricultural Facilities (《國土資源部、農業部關於完善設施農用地管理有關問題的通知》)*, which was promulgated and became effective on September 30, 2010 and later repealed on September 29, 2014, land used for agricultural facilities, including land used to construct production facilities and land used to construct ancillary facilities for agricultural production activities, shall be deemed and administered as agricultural land under the *Classification of Land Utilization (《土地利用現狀分類》)(GB/T 21010-2007)*. According to the *Circular of the Ministry of Land and Resources and the Ministry of Agriculture on the Further Promotion of the Healthy Development of Facility Agriculture (Guo Tu Zi Fa [2014] No. 127) (《國土資源部、農業部關於進一步支持設施農業健康發展的通知》)*, land used for agricultural facilities is divided into land for production facilities, land for ancillary facilities and land for supporting facilities, which is in nature agricultural land and shall be administered as such, and accordingly, no governmental approval of cultivated land conversion is required for the use of agricultural land for agricultural facilities. No such land can be put into use without the signing of a land use agreement with the local government at township or town level and rural collective economic organization. After the signing of such agreement, the township government or town government shall promptly submit the land use agreement and construction plans of the facilities to be built on such land to the competent department of land and resources and agricultural department at the county level for record keeping as required. In addition, prior approval by the government at the county level must be obtained to use any land for agricultural facilities. Land used for agricultural facilities must not be used for non-agricultural purposes without going through the legal requirements under the PRC laws.

OVERVIEW

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on April 24, 2014 as part of the Reorganization undertaken to prepare for the Listing. Our Company is the holding company of our Group which comprises, among others, ZhongDi Hong Kong (an intermediate holding company) and ZhongDi Beijing (our principal operating subsidiary in the PRC). We conduct our core businesses, being dairy farming and import trading of dairy cows of quality breeds, primarily through our operating subsidiaries in the PRC.

OUR MILESTONES

The history of our Group can be traced back to October 2002, when ZhongDi Kuandian, our first operating subsidiary in the PRC, was established. The following table sets forth the key milestones in the development of our Group:

Year	Events
2002	• ZhongDi Kuandian was established.
2003	• Our Inner Mongolia Shangdu Farm commenced operation.
	• Our Liaoning Kuandian Farm commenced operation.
2004	• Beijing ZhongDi Premium Dairy Company Limited (北京中地良種奶牛有限公司) ("**ZhongDi Premium**"), the predecessor company of ZhongDi Beijing, our principal operating subsidiary, was established.
2005	• We began supplying our premium raw milk to Mengniu, a leading Chinese dairy company.
2009	• ZhongDi Beijing became the direct holding company of all our then operating subsidiaries in the PRC.
2010	• ZhongDi Beijing commenced its import trading business in support of our dairy farming business.
	• The first round of equity financing in an aggregate amount of RMB100,000,000 took place for funding the expansion of our dairy farming business.
2011	• The second round of equity financing in an amount of RMB30,000,000, took place for funding our further expansion.
	• Our Beijing Shunyi Farm commenced operation.
2012	• The third round of equity financing in an aggregate amount of RMB130,000,000, took place for funding the expansion of our core businesses and general working capital.
2013	• Our herd size of dairy cows exceeded 10,000.
	• Our Ningxia Helan Farm commenced operation.
	• The fourth round of equity financing in an aggregate amount of RMB90,000,000 took place to fund our business expansion.
2014	• The Pre-IPO Investors invested an aggregate amount of RMB640,000,000 into our Company.
	• We started long-term strategic cooperation with Mengniu and Yili in order to secure future growth.
2015	• Our Inner Mongolia Shangdu Farm (Phase II) commenced production in July 2015.
	• Our Ningxia Helan Farm (Phase II) commenced production in August 2015.
	• Our Shanxi Tianzhen Farm commenced production in August 2015.

OUR HISTORY AND DEVELOPMENT

Mr. Zhang Jianshe, our Chairman, executive Director and the Chief Executive Officer, began his career in the animal husbandry industry with the Department of Management on Rural Cooperative Economy of the MOA (中國農業部農村合作經濟經營管理總站) in the 1980s, where he accumulated extensive experience in seeds, agricultural products, import trading and breeding of dairy cows and developed his long-term commitment to the dairy industry. In March 2000, Mr. Zhang Jianshe, together with Beijing Northern Liangyi Grain Technology Development Company Limited (北京北方良益穀物技術開發有限公司) and Mr. Zhang Laiyu (張來玉), each being an Independent Third Party, established SinoFarm Holding Company Limited (中地控股有限公司), the predecessor of SinoFarm Group. SinoFarm Group was principally engaged in seed business and trading of dairy cows and other animal husbandry-related products upon its establishment.

Mr. Zhang Kaizhan, our executive Director, was a college alumnus of Mr. Zhang Jianshe. Mr. Zhang Kaizhan also has many years of experience in the animal husbandry industry, gained from his engagement with China Stud Livestock Import and Export Company Limited (中國種畜進出口有限公司) from 1988 to 2006.

Mr. Zhang Jianshe and Mr. Zhang Kaizhan became acquainted with Mr. Liu Dai, our non-executive Director, in 2001 through cooperation in the import trading of dairy cows. In late 2002, Mr. Zhang Jianshe and Mr. Zhang Kaizhan referred a business opportunity to invest in the dairy farming industry to Mr. Liu Dai. Leveraging on the understanding of local business environment gained from his long-term work experience in Inner Mongolia, Mr. Liu Dai joined Mr. Zhang Jianshe and Mr. Zhang Kaizhan in laying the foundation of our Group's early development. Subsequently in February 2003, Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai reached the Concert Parties Arrangement, pursuant to which Mr. Zhang Jianshe agreed to take the lead in the management of our Group, while Mr. Zhang Kaizhan and Mr. Liu Dai agreed to support Mr. Zhang Jianshe by acting in concert in relation to the exercise of their voting rights at the meetings of the shareholders and the board of directors of the then members of our Group. For more details, please see the sections headed "—Pre-IPO Investments—Information about the Pre-IPO Investors" and "Relationship with Our Controlling Shareholders" in this prospectus.

Envisioning the market potential of the dairy business in the PRC, from late 2002 to early 2005, Mr. Zhang Jianshe, with the support from, among others, Mr. Zhang Kaizhan and Mr. Liu Dai established a number of companies (as set out below) with their personal funds obtained from their previous business activities. All of the following companies are principally engaged in breeding, feeding and milking of dairy cows:

- In October 2002, ZhongDi Kuandian was established by Mr. Zhang Jianshe, Mr. Zhang Kaizhan and two other individuals who are Independent Third Parties. Upon its establishment, ZhongDi Kuandian had a registered capital of RMB10,000,000 and was owned by Mr. Zhang Jianshe and Mr. Zhang Kaizhan as to approximately 41.85% and 10.00%, respectively.

- In January 2003, ZhongDi Shangdu was established by Mr. Liu Dai and two other individuals who are Independent Third Parties. Upon its establishment, ZhongDi Shangdu had a registered capital of RMB2,000,000 and was owned by Mr. Liu Dai as to 50%.

- In December 2003, ZhongDi Technology was established by SinoFarm Group, Mr. Liu Dai and Mr. Liu Li (劉利) who is an Independent Third Party. Upon its establishment, ZhongDi Technology had a registered capital of RMB10,000,000 and was owned by SinoFarm Group and Mr. Liu Dai as to 80.00% and 15.00%, respectively.
- In June 2004, ZhongDi Premium, the predecessor company of ZhongDi Beijing, was established by SinoFarm Group, Mr. Liu Dai and Mr. Liu Li. Upon its establishment, ZhongDi Premium had a registered capital of RMB15,000,000 and was owned by SinoFarm Group and Mr. Liu Dai as to 65.00% and 30.00%, respectively.

Subsequently in April 2005, ZhongDi Meijia, our previous operator of boar stud farms, was established by SinoFarm Group and Mr. Li Yanzhi (李延志) who is an Independent Third Party. Upon its establishment, ZhongDi Meijia had a registered capital of RMB4,000,000 and was owned by SinoFarm Group as to 78%. For more details, please see the sections headed "— Our Major PRC Operating Subsidiaries" and "— Disposal of ZhongDi Meijia" below.

To streamline and optimize the shareholding structure and to ensure the long-term sustainable development of our Group, each of the above five companies underwent a series of capital restructurings in 2007 and 2008, following which the individual shareholders of the five companies (including Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai) transferred their entire equity interest in the relevant companies to SinoFarm Group. As such, each of ZhongDi Kuandian, ZhongDi Shangdu, ZhongDi Technology, ZhongDi Beijing and ZhongDi Meijia had become a wholly-owned subsidiary of SinoFarm Group by the end of 2008. SinoFarm Group subsequently transferred its entire equity interest in ZhongDi Kuandian, ZhongDi Shangdu, ZhongDi Technology and ZhongDi Meijia to ZhongDi Beijing, its then wholly-owned subsidiary, from late 2008 to late 2009.

In April 2010, SinoFarm Group decided to realign its different lines of businesses by gradually scaling down and eventually terminating the business of import and sale of dairy cows. Meanwhile, since it was expected that our dairy farming business would require the import of an increasing number of dairy cows, ZhongDi Beijing commenced its import trading business in April 2010 to derive greater synergy. In anticipation of the expansion of our dairy farming business and to increase the penetration of target markets throughout the country, we have subsequently established different operating subsidiaries strategically located in regions suitable for dairy farming in China since September 2011. For more details, please see the section headed "— Our Major PRC Operating Subsidiaries" below.

Our Major PRC Operating Subsidiaries

ZhongDi Beijing

(i) Early development

ZhongDi Beijing, our principal operating subsidiary in the PRC, was established as a limited liability company in the PRC on June 4, 2004. It was named as ZhongDi Premium upon its establishment and was subsequently renamed as Beijing ZhongDi Stud Livestock Company Limited (北京中地種畜有限公司) in August 2008 and Beijing ZhongDi Stud Livestock Company Limited by Stock (北京中地種畜股份有限公司) in September 2012. As a result of its conversion to a sino-foreign equity joint venture (with limited liability) during the Reorganization in April 2014, it was renamed as ZhongDi Beijing Stud Livestock Co., Ltd. (北京中地種畜有限公司). For the purpose of the below, references to ZhongDi Beijing include all or any of its former names, unless the context requires otherwise.

At the time of its establishment, ZhongDi Beijing had a registered capital of RMB15,000,000 and was owned by SinoFarm Group, Mr. Liu Dai and Mr. Liu Li as to 65%, 30% and 5%, respectively.

In August 2007, Mr. Liu Dai and Mr. Liu Li transferred all their equity interest in ZhongDi Beijing to SinoFarm Group at a consideration of RMB4,500,000 and RMB750,000, respectively, which were determined by reference to the then registered capital of ZhongDi Beijing, following which ZhongDi Beijing became a wholly-owned subsidiary of SinoFarm Group. ZhongDi Beijing underwent a series of capital increases from late 2008 to early 2010, following which its registered capital was increased to RMB34,000,000 in February 2010.

To raise capital for funding future growth and expansion, ZhongDi Beijing underwent further capital restructurings including four rounds of equity financing from April 2010 to January 2013 as set out below.

(ii) First round of equity financing in April 2010

On March 19, 2010, SinoFarm Group, Mr. Zhang Jianshe, Agriculture Investment Fund, Beijing Beyond Entrepreneurship Investment Company Limited (北京秉原創業投資有限責任公司) ("**Beyond Entrepreneurship**") and ZhongDi Beijing entered into an investment agreement, pursuant to which Mr. Zhang Jianshe, Agriculture Investment Fund and Beyond Entrepreneurship agreed to invest in ZhongDi Beijing in the amount of RMB30,000,000, RMB50,000,000 and RMB20,000,000, respectively, of which RMB8,500,000, RMB14,170,000 and RMB5,670,000 were credited to the registered capital of ZhongDi Beijing and were fully paid up in cash on April 14, 2010. Each of Agriculture Investment Fund and Beyond Entrepreneurship is an Independent Third Party. Upon completion of the investments and capital increase on April 19, 2010, ZhongDi Beijing had a registered capital of RMB62,340,000 and was owned by SinoFarm Group, Agriculture Investment Fund, Mr. Zhang Jianshe and Beyond Entrepreneurship as to approximately 54.54%, 22.73%, 13.64% and 9.09%, respectively.

To realign and manage its investment, on September 20, 2011, Beyond Entrepreneurship transferred all its equity interest in ZhongDi Beijing to Shanghai Beyond Dawn Equity Investment Development Center (Limited Partnership) (上海秉原旭股權投資發展中心(有限合夥)) ("**Beyond Dawn**"), under the control of Shanghai Beyond Binghong Equity Investment Management Company Limited (上海秉原秉鴻股權投資管理有限公司) ("**Beyond Binghong**") with Beyond Entrepreneurship, at a consideration of RMB20,000,000, which was determined with reference to the original investment amount of Beyond Entrepreneurship and was fully settled in cash on September 27, 2011. Upon completion of such equity transfer on October 14, 2011, ZhongDi Beijing was owned by SinoFarm Group, Agriculture Investment Fund, Mr. Zhang Jianshe and Beyond Dawn as to approximately 54.54%, 22.73%, 13.64% and 9.09%, respectively.

(iii) Second round of equity financing in November 2011

On November 28, 2011, SinoFarm Group, Agriculture Investment Fund, Mr. Zhang Jianshe, Beyond Dawn and ZhongDi Brothers entered into a capital increase agreement, pursuant to which ZhongDi Brothers agreed to invest in ZhongDi Beijing in an amount of RMB30,000,000, of which RMB6,930,000 was credited to the registered capital of ZhongDi Beijing and the whole investment amount was fully paid up in cash on December 2, 2011. ZhongDi Brothers is a limited partnership of which current general partner is Mr. Song Naishe (宋乃社) and limited partners include certain employees and ex-employees of ZhongDi Beijing and SinoFarm Group as well as its affiliates.

Immediately following completion of the capital increase on December 2, 2011, ZhongDi Beijing had a registered capital of RMB69,270,000 and was owned by SinoFarm Group, Agriculture Investment Fund, Mr. Zhang Jianshe, ZhongDi Brothers and Beyond Dawn as to approximately 49.09%, 20.46%, 12.27%, 10.00% and 8.18%, respectively.

(iv) Third round of equity financing in April 2012

On April 20, 2012, SinoFarm Group, Agriculture Investment Fund, ZhongDi Brothers, Mr. Zhang Jianshe, Beyond Dawn (collectively, the "**Pre-2012 Shareholders**") and ZhongDi Beijing entered into an investment agreement with CITIC Capital (Tianjin) Equity Investment Partnership (Limited Partnership) (中信資本(天津)股權投資合夥企業(有限合夥)) ("**CITIC Capital**"), Ms. Lin Ling (林玲), Vertex Phase I Private Equity Fund (Shanghai) Partnership (Limited Partnership) (祥恩一期股權投資基金(上海)合夥企業(有限合夥)) ("**Vertex Investment**") and Hangzhou Jincan Golden Avenue Equity Investment Partnership (Limited Partnership) (杭州金燦金道股權投資合夥企業(有限合夥)) ("**Jincan Golden Avenue**") (collectively, the "**2012 Investors**"), pursuant to which the 2012 Investors agreed to invest in ZhongDi Beijing in an aggregate amount of RMB130,000,000, of which RMB12,860,000 was credited to the registered capital of ZhongDi Beijing and was fully paid up in cash on April 27, 2012. Each of the 2012 Investors is an Independent Third Party. The following table sets forth the shareholding structure of ZhongDi Beijing immediately after completion of the investments and capital increase on May 2, 2012:

Name of shareholder	**Subscribed capital**	**Approximate shareholding percentage**
	(RMB'000)	*(%)*
SinoFarm Group	34,000	41.40
Agriculture Investment Fund	14,170	17.25
Zhang Jianshe	8,500	10.35
ZhongDi Brothers	6,930	8.44
CITIC Capital	6,924	8.43
Beyond Dawn	5,670	6.90
Lin Ling	2,968	3.61
Vertex Investment	1,484	1.81
Jincan Golden Avenue	1,484	1.81
TOTAL	**82,130**	**100.00**

On August 11, 2012, the then shareholders of ZhongDi Beijing, namely the Pre-2012 Shareholders and the 2012 Investors, entered into a promoters agreement, pursuant to which each of the then shareholders of ZhongDi Beijing agreed to convert it into a joint stock limited company in the PRC with a registered capital of RMB100,000,000 divided into 100,000,000 ordinary shares of a par value of RMB1.00 each, which was determined on a proportion of 1 to 0.2461 of the audited net asset value of ZhongDi Beijing as of June 30, 2012. The following table sets forth the shareholding structure of ZhongDi Beijing immediately after completion of the conversion on September 5, 2012:

Name of shareholder	**Number of shares**	**Approximate shareholding percentage**
		(%)
SinoFarm Group	41,400,000	41.40
Agriculture Investment Fund	17,250,000	17.25

Name of shareholder	Number of shares	Approximate shareholding percentage
		(%)
Zhang Jianshe	10,350,000	10.35
ZhongDi Brothers	8,440,000	8.44
CITIC Capital	8,430,000	8.43
Beyond Dawn	6,900,000	6.90
Lin Ling	3,610,000	3.61
Vertex Investment	1,810,000	1.81
Jincan Golden Avenue	1,810,000	1.81
TOTAL	**100,000,000**	**100.00**

(v) Fourth round of equity financing in January 2013

On December 3, 2012, the Pre-2012 Shareholders, the 2012 Investors and ZhongDi Beijing entered into an investment agreement with Kaixin Peak Ring, a company incorporated in Hong Kong with limited liability, pursuant to which Kaixin Peak Ring and Jincan Golden Avenue agreed to subscribe for 8,980,000 and 1,800,000 newly issued shares of ZhongDi Beijing at a consideration of RMB75,000,000 and RMB15,000,000, respectively. Such considerations were based on approximately RMB8.35 per newly issued share which was determined with reference to the audited net asset value of ZhongDi Beijing as of June 30, 2012 and were fully paid up in cash on January 22, 2013. Upon completion of the share subscription by Kaixin Peak Ring and Jincan Golden Avenue on January 25, 2013, ZhongDi Beijing became a foreign-invested joint stock limited company. The following table sets forth the shareholding structure of ZhongDi Beijing immediately after completion of the subscription:

Name of shareholder	Number of shares	Approximate shareholding percentage
		(%)
SinoFarm Group	41,400,000	37.37
Agriculture Investment Fund	17,250,000	15.57
Zhang Jianshe	10,350,000	9.34
Kaixin Peak Ring	8,980,000	8.11
ZhongDi Brothers	8,440,000	7.62
CITIC Capital	8,430,000	7.61
Beyond Dawn	6,900,000	6.23
Lin Ling	3,610,000	3.26
Jincan Golden Avenue	3,610,000	3.26
Vertex Investment	1,810,000	1.63
TOTAL	**110,780,000**	**100.00**

(vi) Capital restructurings during the Reorganization

As part of the Reorganization in preparation for the Listing, ZhongDi Beijing was converted from a foreign-invested joint stock limited company to a sino-foreign equity joint venture (with limited liability) on February 12, 2014. It undertook certain additional capital restructurings from April 2014 to September 2015, following which it has become a wholly foreign-owned enterprise in the PRC and a wholly-owned subsidiary of our Company. For further details, please see the subsection headed "— The Reorganization".

ZhongDi Technology

ZhongDi Technology was established as a limited liability company in the PRC on December 16, 2003 with a registered capital of RMB10,000,000, which was fully paid up and contributed as to 80%, 15% and 5% by SinoFarm Group, Mr. Liu Dai and Mr. Liu Li, respectively, at the time of its establishment. ZhongDi Technology underwent two equity transfers from 2008 to 2009, following which it became a wholly-owned subsidiary of ZhongDi Beijing in October 2009. The registered capital of ZhongDi Technology was subsequently increased to RMB30,000,000 in May 2012.

On August 11, 2014, ZhongDi Technology, ZhongDi Beijing, SinoFarm Group, ZhongDi Brothers, YeGu Agriculture (a company wholly-owned by Mr. Zhang Jianshe) and Beijing Tianyou Xingye Investment Company Limited (北京天佑興業投資有限公司) ("**Tianyou Xingye**") (a company wholly-owned by Ms. Lin Ling) entered into a capital increase agreement, pursuant to which SinoFarm Group, ZhongDi Brothers, YeGu Agriculture and Tianyou Xingye agreed to invest in ZhongDi Technology in the aggregate amount of RMB124,556,000, of which RMB1,000,000 was credited to the registered capital of ZhongDi Technology. Such investment was fully paid up in cash on August 28, 2014. Upon completion of the investment and capital increase on August 20, 2014, ZhongDi Technology had a registered capital of RMB31,000,000 and was owned by ZhongDi Beijing, SinoFarm Group, YeGu Agriculture, ZhongDi Brothers and Tianyou Xingye as to approximately 96.78%, 2.10%, 0.52%, 0.42% and 0.18%, respectively.

To streamline the shareholding structure of ZhongDi Technology, on August 25, 2014, ZhongDi Beijing entered into an equity transfer agreement with each of SinoFarm Group, ZhongDi Brothers, YeGu Agriculture and Tianyou Xingye, respectively, pursuant to which ZhongDi Beijing agreed to acquire all equity interest in ZhongDi Technology held by the abovementioned transferring entities at an aggregate consideration of RMB1,000,000. The considerations under all such equity transfer agreements were determined with reference to the then registered capital of ZhongDi Technology contributed by the transferring entities. Save that the consideration for acquisition of equity interest held by ZhongDi Brothers was settled on September 12, 2014, all such considerations were fully paid up in cash on September 10, 2014. Upon completion of the equity transfers on August 25, 2014, ZhongDi Technology became a wholly-owned subsidiary of ZhongDi Beijing and therefore an indirect wholly-owned subsidiary of our Company.

ZhongDi Technology commenced its business on December 16, 2003. At the time of its establishment, ZhongDi Technology was principally engaged in meat processing. As a result of the continuing efforts to realign its business lines, ZhongDi Technology has since 2010 developed its core business of breeding and feeding of dairy cows and raw milk production.

ZhongDi Shangdu

ZhongDi Shangdu was established as a limited liability company in the PRC on January 24, 2003 with a registered capital of RMB2,000,000, which was fully paid up and contributed as to 50%, 25% and 25% by Mr. Liu Dai, Mr. Tian Youbao (田友葆) and Mr. Zhai Bingxing (翟炳星), respectively, at the time of its establishment. Each of Mr. Tian Youbao and Mr. Zhai Bingxing is an Independent Third Party. ZhongDi Shangdu underwent a series of capital increases and equity transfers from 2003 to 2008, following which its registered capital was increased to RMB30,000,000 and has since September 2008 become a wholly-owned subsidiary of ZhongDi Beijing.

ZhongDi Shangdu commenced its business on January 24, 2003 and is principally engaged in breeding and feeding of dairy cows and raw milk production.

ZhongDi Helan

ZhongDi Helan was established as a limited liability company in the PRC on September 23, 2011 with a registered capital of RMB20,000,000, which was fully paid up and contributed by ZhongDi Beijing at the time of its establishment. The registered capital of ZhongDi Helan was subsequently increased to RMB30,000,000 in May 2012. It has remained a wholly-owned subsidiary of ZhongDi Beijing since its establishment.

ZhongDi Helan commenced its business on September 23, 2011 and is principally engaged in breeding and feeding of dairy cows and raw milk production.

ZhongDi Kuandian

ZhongDi Kuandian was established as a limited liability company in the PRC on October 31, 2002 with a registered capital of RMB10,000,000, which was fully paid up and contributed as to approximately 43.65%, 41.85%, 10.00% and 4.50% by Mr. Han Huinan (韓慧楠), Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Ms. Han Zhengzhen (韓正珍), respectively, at the time of its establishment. Each of Mr. Han Huinan and Ms. Han Zhengzhen is an Independent Third Party. ZhongDi Kuandian underwent a series of capital increases and equity transfers from 2005 to 2008, following which its registered capital was increased to RMB12,000,000 and has since September 2008 become a wholly-owned subsidiary of ZhongDi Beijing.

ZhongDi Kuandian commenced its business on October 31, 2002 and is principally engaged in breeding and feeding of dairy cows and raw milk production.

ZhongDi Langfang

ZhongDi Langfang was established as a limited liability company in the PRC on December 13, 2012 with a registered capital of RMB30,000,000, which was fully paid up and contributed by ZhongDi Beijing at the time of its establishment. It has remained a wholly-owned subsidiary of ZhongDi Beijing since its establishment.

ZhongDi Langfang commenced its business on September 29, 2014 and is principally engaged in breeding and feeding of dairy cows and raw milk production.

ZhongDi Tianzhen

ZhongDi Tianzhen was established as a limited liability company in the PRC on October 16, 2013 with a registered capital of RMB30,000,000, which was fully paid up and contributed by ZhongDi Beijing at the time of its establishment. It has remained a wholly-owned subsidiary of ZhongDi Beijing since its establishment.

ZhongDi Tianzhen commenced its business on September 26, 2014 and is principally engaged in breeding and feeding of dairy cows and raw milk production.

Luannan Huayuan

Luannan Huayuan was established as a limited liability company in the PRC on April 30, 2009 with a registered capital of RMB3,000,000, which was fully paid up and contributed by Mr. Yang Xiaoshan (楊小山), Mr. Li Weidong (李衛東) and Mr. Yao Xingrui (姚興鋭), respectively, at the time of its establishment. Each of Mr. Yang Xiaoshan, Mr. Li Weidong and Mr. Yao Xingrui is an Independent Third Party.

In January 2014, ZhongDi Beijing acquired all equity interest in Luannan Huayuan at a consideration of RMB16,600,000, which was determined with reference to the then market value of the land use rights and above-ground fixtures and the rental of similar import quarantine farms and was fully paid up on February 12, 2014. Upon completion of the acquisition on January 23, 2014, Luannan Huayuan has become a wholly-owned subsidiary of ZhongDi Beijing, thus part of our Group. Luannan Huayuan commenced its business on April 30, 2009 and is principally engaged in the operation of our Hebei Tangshan Import Quarantine Farm.

Our Offshore Subsidiaries

ZhongDi Hong Kong

ZhongDi Hong Kong, the intermediate holding company of our Group, was incorporated in Hong Kong on May 9, 2014 with an issued share capital of HK$10,000 divided into 10,000 shares which have been allotted and issued as fully paid to our Company. It has remained a wholly-owned subsidiary of our Company since its incorporation. Save as disclosed in the subsection headed "— The Reorganization", ZhongDi Hong Kong has not commenced any actual business operations as of the Latest Practicable Date other than investment holding.

Kaixin Peak Ring

Kaixin Peak Ring was incorporated in Hong Kong on May 30, 2012 with an issued share capital of HK$1.00 divided into one share which has been allotted and issued as fully paid to Peak Ring Holding Limited ("**Peak Ring Holding**"), a company incorporated in the Cayman Islands which was an Independent Third Party upon the incorporation of Kaixin Peak Ring.

On July 8, 2014, Peak Ring Holding transferred its one share in Kaixin Peak Ring to ZhongDi Hong Kong in consideration of the allotment and issuance of 89,800,000 Ordinary Shares by our Company. Upon completion of the share transfer, Kaixin Peak Ring has become a wholly-owned subsidiary of ZhongDi Hong Kong, and therefore an indirect wholly-owned subsidiary of our Company. For more details, please see the subsection headed "— The Reorganization — Step 3: Subscription for Ordinary Shares".

As of the Latest Practicable Date, Kaixin Peak Ring has not commenced any actual business operation other than investment holding.

DISPOSAL OF ZHONGDI MEIJIA

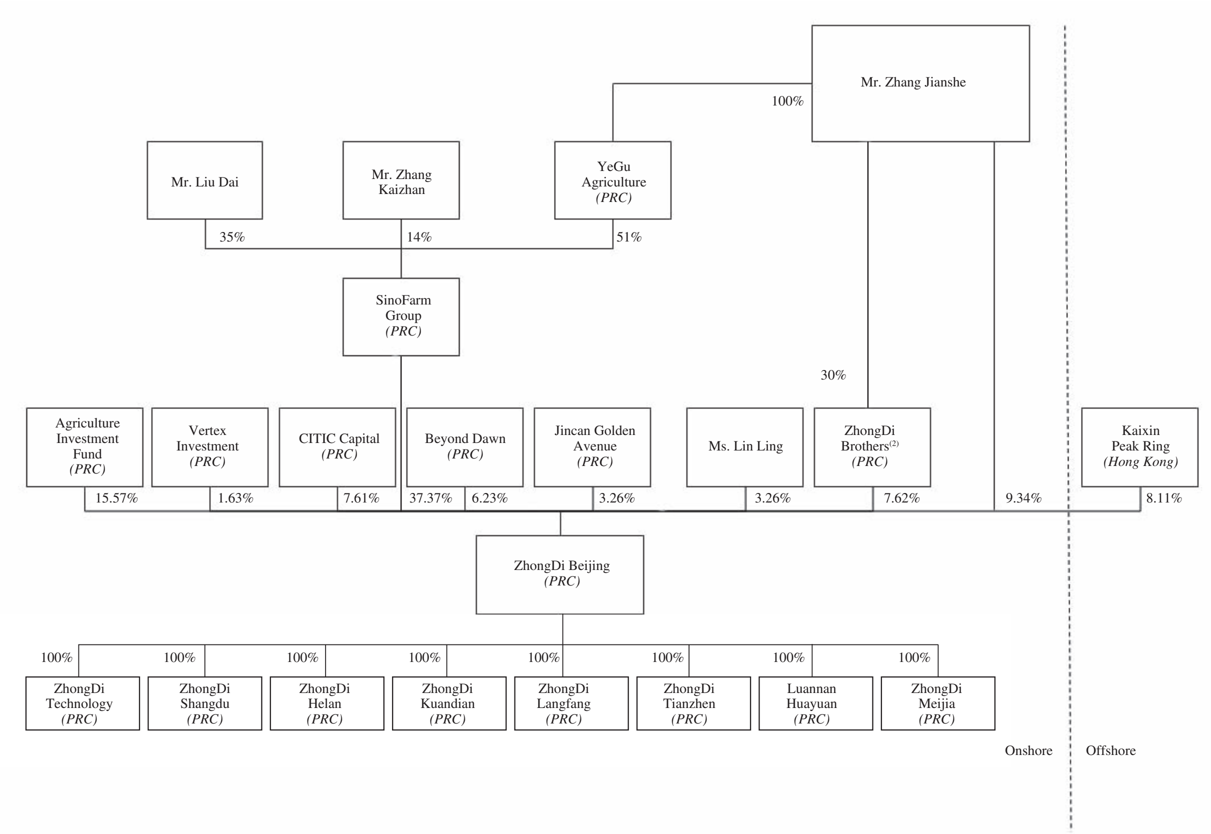
As part of our strategic efforts to focus on the core business of breeding, feeding and milking of dairy cows, we have disposed of ZhongDi Meijia, the principal business of which is the operation of boar stud farms. On August 12, 2014, ZhongDi Beijing entered into the ZhongDi Meijia Disposal Agreement with Urban Construction, an associate of Mr. Zhang Jianshe and therefore our connected person after Listing, pursuant to which Urban Construction agreed to purchase the entire equity interest in ZhongDi Meijia at a consideration of RMB13,564,618.51. Such consideration was determined based on arm's length negotiations between the parties and with reference to the net asset value of ZhongDi Meijia as of June 30, 2014. It had been fully paid by Urban Construction on February 6, 2015. Upon completion of the disposal on August 15, 2014, ZhongDi Meijia ceased to be part of our Group.

Given that ZhongDi Meijia is principally engaged in a business that is different from our core business, our Directors are of the view that the disposal was insignificant to and had no material adverse effect on our operation and financial condition taken as a whole.

As confirmed by our PRC legal advisers, save as disclosed above, the above disposal has been properly and legally settled and completed. All permits, licenses, authorizations, approvals and consents necessary or desirable to the validity and effectiveness of such disposal have been obtained from the relevant PRC authorities and are valid, current, subsisting and not revoked.

THE REORGANIZATION

In preparation for the Listing, our Group has undertaken the Reorganization. Set out below is the corporate structure of our Group immediately prior to the Reorganization(1):



(1) This chart only depicts our major operating subsidiaries in the PRC. For more details of our other PRC subsidiaries, please see the information as set out in the Accountants' Report (the text of which is set out in Appendix I to this prospectus) and the section headed "Statutory and General Information — A. Further Information About Our Group — 3. Changes in the Share Capital of Our Subsidiaries" in Appendix IV to this prospectus.

(2) Immediately prior to the Reorganization, the general partner of ZhongDi Brothers was Mr. Zhang Jianshe, and its limited partners included Mr. Zhang Kaizhan, Mr. Liu Dai, SinoFarm Group and certain employees and ex-employees of ZhongDi Beijing, SinoFarm Group and its affiliates.

The Reorganization commenced in early 2014 and primarily involves the following steps:

Step 1: Equity transfers by Mr. Zhang Jianshe and Ms. Lin Ling

On April 17, 2014, Mr. Zhang Jianshe and Ms. Lin Ling transferred their respective equity interest in ZhongDi Beijing to YeGu Agriculture and Tianyou Xingye, respectively, both at a consideration of RMB30,000,000 determined by reference to their initial capital contribution to ZhongDi Beijing. The following table sets forth the shareholding structure of ZhongDi Beijing immediately after completion of the equity transfers on April 25, 2014:

Name of shareholder	**Subscribed capital**	**Approximate shareholding percentage**
	(RMB'000)	*(%)*
SinoFarm Group	41,400	37.37
Agriculture Investment Fund	17,250	15.57
YeGu Agriculture	10,350	9.34
Kaixin Peak Ring	8,980	8.11
ZhongDi Brothers	8,440	7.62
CITIC Capital	8,430	7.61
Beyond Dawn	6,900	6.23
Tianyou Xingye	3,610	3.26
Jincan Golden Avenue	3,610	3.26
Vertex Investment	1,810	1.63
TOTAL	**110,780**	**100.00**

Step 2: Establishment of offshore shareholding structure

As part of our offshore shareholding structure, in April 2014, each of the then shareholders of ZhongDi Beijing (or their respective beneficial owners or controlled entities) incorporated an investment holding company in the Cayman Islands, including:

(i) YeGu Investment, a company wholly-owned by Mr. Zhang Jianshe;

(ii) SiYuan Investment, a company wholly-owned by Mr. Zhang Kaizhan;

(iii) Tai Shing, a company wholly-owned by Mr. Liu Dai;

(iv) Tianfu Investment Company Limited ("**Tianfu Investment**"), a company wholly-owned by Ms. Lin Ling;

(v) ZhongDi Brothers Investment Company Limited ("**ZhongDi Brothers Investment**"), a company wholly-owned by ZhongDi Brothers;

(vi) Agriculture Investment, a company wholly-owned by Shanghai Jingmu;

(vii) New Century Husbandry Limited ("**New Century**"), a company wholly-owned by CITIC Capital;

(viii) Vertex Venture Capital Management Company Limited ("**Vertex Venture Capital**"), a company wholly-owned by Vertex Investment;

(ix) Beyond Dawn Limited ("**Beyond Dawn Investment**"), a company wholly-owned by Beyond Dawn; and

(x) Golden Avenue Investment Limited ("**Golden Avenue Investment**"), a company wholly-owned by Jincan Golden Avenue.

On April 24, 2014, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of US$50,000 divided into 5,000,000,000 Ordinary Shares with a par value of US$0.00001 each. Upon its incorporation, one Ordinary Share was subscribed, credited as fully paid, by Mapcal Limited, which was subsequently transferred at par to YeGu Investment on the same day.

On April 29, 2014, an aggregate of 595,377,999 Ordinary Shares were allotted and issued, fully paid at par, to YeGu Investment, SiYuan Investment, Tai Shing and Tianfu Investment. Upon completion of the share issuance, our Company was owned by YeGu Investment, Tai Shing, SiYuan Investment and Tianfu Investment as to approximately 58.92%, 24.70%, 10.32% and 6.06%, respectively.

On May 9, 2014, ZhongDi Hong Kong, the intermediate holding company of our Group, was incorporated in Hong Kong with limited liability. Upon its incorporation, ZhongDi Hong Kong had an issued share capital of HK$10,000 divided into 10,000 shares, all of which were allotted and issued as fully paid to our Company.

Step 3: Subscription for Ordinary Shares

On June 18, 2014, an aggregate of 422,622,000 Ordinary Shares were allotted and issued as fully paid to ZhongDi Brothers Investment, Agriculture Investment, New Century, Vertex Venture Capital, Beyond Dawn Investment and Golden Avenue Investment, at an aggregate consideration of US$14,422,800, approximately US$11.8 million of which had been directly injected into our Company by September 2014 while the remaining portion was utilized as paid up capital for the capital injection in ZhongDi Technology by ZhongDi Brothers on August 27, 2014.

On the same day, 89,800,000 Ordinary Shares were also allotted and issued to Peak Ring Holding, the then sole shareholder of Kaixin Peak Ring, which was in consideration of the transfer of all issued share of Kaixin Peak Ring to ZhongDi Hong Kong. Upon completion of such transfer of Kaixin Peak Ring on July 8, 2014, Kaixin Peak Ring has become a wholly-owned subsidiary of ZhongDi Hong Kong and therefore an indirect wholly-owned subsidiary of our Company. For more details, please see the subsection headed "— The Reorganization— Step 5: Capital injection and acquisition of equity interest in ZhongDi Beijing by ZhongDi Hong Kong". The following table sets forth the shareholding structure of our Company immediately after completion of the abovementioned share transfers and subscriptions:

Name of Shareholder	Number of Ordinary Shares	Approximate shareholding percentage
		(%)
YeGu Investment	350,778,000	31.66
Agriculture Investment	172,500,000	15.57
Tai Shing	147,040,000	13.27
Peak Ring Holding	89,800,000	8.11

Name of Shareholder	Number of Ordinary Shares	Approximate shareholding percentage
		(%)
New Century	84,300,000	7.61
Beyond Dawn Investment	69,000,000	6.23
SiYuan Investment	61,460,000	5.55
ZhongDi Brothers Investment	42,622,000	3.85
Tianfu Investment	36,100,000	3.26
Golden Avenue Investment	36,100,000	3.26
Vertex Venture Capital	18,100,000	1.63
TOTAL	**1,107,800,000**	**100.00**

Step 4: Introduction of Series A Investors

On June 26, 2014, the Series A Share Purchase Agreement was entered into by, among others, our Company, ZhongDi Hong Kong, ZhongDi Beijing and the Series A Investors, pursuant to which our Company agreed to issue and the Series A Investors agreed to subscribe for 568,420,000 Series A Preferred Shares at an aggregate consideration of RMB540,000,000. In connection therewith, 1,000,000,000 Ordinary Shares in the authorized share capital of our Company were re-designated and reclassified as Series A Preferred Shares. Upon completion of the Series A Pre-IPO Investment on July 14, 2014, the total issued share capital of our Company was increased from 1,107,800,000 Shares to 1,676,220,000 Shares, comprising 1,107,800,000 Ordinary Shares and 568,420,000 Series A Preferred Shares. The following table sets forth the shareholding structure of our Company immediately after completion of the Series A Pre-IPO Investment:

Name of Shareholder	Number of Shares	Class of Shares	Approximate shareholding percentage
			(%)
YeGu Investment	350,778,000	Ordinary	20.93
Agriculture Investment	172,500,000	Ordinary	10.29
Tai Shing	147,040,000	Ordinary	8.77
Peak Ring Holding	89,800,000	Ordinary	5.36
New Century	84,300,000	Ordinary	5.03
Beyond Dawn Investment	69,000,000	Ordinary	4.12
SiYuan Investment	61,460,000	Ordinary	3.67
ZhongDi Brothers Investment	42,622,000	Ordinary	2.54
Tianfu Investment	36,100,000	Ordinary	2.15
Golden Avenue Investment	36,100,000	Ordinary	2.15
Vertex Venture Capital	18,100,000	Ordinary	1.08
Series A Investors	568,420,000	Series A Preferred	33.91
TOTAL	**1,676,220,000**		**100.00**

The Series A Investors are Green Farmlands Group, Jingm Investment Company Limited, Chingford Holding Ltd., Swift Achiever Limited and Optimum Result Developments Ltd. For further details, please see the subsection headed "— Pre-IPO Investments — Overview of the Series A Pre-IPO Investment".

Step 5: Capital injection and acquisition of equity interest in ZhongDi Beijing by ZhongDi Hong Kong

On June 30, 2014, the then shareholders of ZhongDi Beijing (namely the Pre-2012 Shareholders, the 2012 Investors and Kaixin Peak Ring), ZhongDi Hong Kong and ZhongDi Beijing entered into a capital increase agreement, pursuant to which ZhongDi Hong Kong agreed to subscribe for the increased registered capital of ZhongDi Beijing in the amount of RMB340,000,000. Such subscribed capital was fully paid up by using a portion of the proceeds from the Series A Pre-IPO Investment on August 11, 2014.

On the same day, each of SinoFarm Group, Agriculture Investment Fund, YeGu Agriculture, ZhongDi Brothers, CITIC Capital, Beyond Dawn, Tianyou Xingye, Jincan Golden Avenue, Xiang'en Investment entered into an equity transfer agreement with ZhongDi Hong Kong, respectively, pursuant to which ZhongDi Hong Kong agreed to acquire all equity interest in ZhongDi Beijing held by the abovementioned entities at an aggregate consideration of RMB197,625,750. Such consideration was determined with reference to the audited net asset value of ZhongDi Beijing as of December 31, 2013 and its increased registered capital and was fully paid up on August 11, 2014 by using the remaining portion of the proceeds raised from the Series A Pre-IPO Investment.

Upon completion of the abovementioned capital increase and equity transfers, ZhongDi Beijing had a registered capital of RMB450,780,000 and was owned by ZhongDi Hong Kong and Kaixin Peak Ring as to approximately 98.01% and 1.99%, respectively. It has since July 8, 2014 become a wholly foreign-owned enterprise in the PRC and a wholly-owned subsidiary of our Company.

To further streamline the shareholding structure of our Group, on August 4, 2014, ZhongDi Hong Kong entered into an equity transfer agreement with Kaixin Peak Ring, pursuant to which ZhongDi Hong Kong agreed to acquire all equity interest in ZhongDi Beijing held by Kaixin Peak Ring at a consideration of RMB8,980,000, which was determined with reference to the then registered capital of ZhongDi Beijing held by Kaixin Peak Ring. The payment of the consideration by ZhongDi Hong Kong was subsequently waived by Kaixin Peak Ring in writing on October 16, 2014. Upon completion of such equity transfer on August 22, 2014, ZhongDi Beijing became a wholly-owned subsidiary of ZhongDi Hong Kong.

Step 6: Introduction of Series B Investor

On August 22, 2014, the Series B Share Purchase Agreement was entered into by, among others, our Company, ZhongDi Hong Kong, ZhongDi Beijing and the Series B Investor, pursuant to which our Company agreed to issue and the Series B Investor agreed to subscribe for 105,260,000 Series B Preferred Shares at an aggregate consideration of RMB100,000,000. In connection therewith, 500,000,000 Ordinary Shares in the authorized share capital of our Company were re-designated and reclassified as Series B Preferred Shares. Upon completion of the Series B Pre-IPO Investment on August 22, 2014, the total issued share capital of our Company was increased from 1,676,220,000 Shares to 1,781,480,000 Shares, comprising 1,107,800,000 Ordinary Shares, 568,420,000 Series A

Preferred Shares and 105,260,000 Series B Preferred Shares. The following table sets forth the shareholding structure of our Company immediately after completion of the Series B Pre-IPO Investment:

Name of Shareholder	Number of Shares	Class of Shares	Approximate shareholding percentage
			(%)
YeGu Investment	350,778,000	Ordinary	19.69
Agriculture Investment	172,500,000	Ordinary	9.68
Tai Shing	147,040,000	Ordinary	8.25
Peak Ring Holding	89,800,000	Ordinary	5.04
New Century	84,300,000	Ordinary	4.73
Beyond Dawn Investment	69,000,000	Ordinary	3.87
SiYuan Investment	61,460,000	Ordinary	3.45
ZhongDi Brothers Investment	42,622,000	Ordinary	2.39
Tianfu Investment	36,100,000	Ordinary	2.03
Golden Avenue Investment	36,100,000	Ordinary	2.03
Vertex Venture Capital	18,100,000	Ordinary	1.02
Series A Investors	568,420,000	Series A Preferred	31.91
Series B Investor	105,260,000	Series B Preferred	5.91
TOTAL	**1,781,480,000**		**100.00**

For further details, please see the subsection headed "— Pre-IPO Investments — Overview of the Series B Pre-IPO Investment".

On October 20, 2014, the registered capital of ZhongDi Beijing was increased to RMB700,000,000, and the increased amount was fully subscribed by ZhongDi Hong Kong. On September 14, 2015, the registered capital of ZhongDi Beijing was further increased to RMB1,200,000,000, and the increased amount was fully subscribed by ZhongDi Hong Kong.

As advised by our PRC legal advisers, we have obtained and completed all requisite approvals and/or registrations in all material aspects from the relevant PRC authorities in respect of the Reorganization, and the Reorganization to the extent that PRC laws and regulations are applicable, has in all material aspects complied with the applicable laws and regulations in the PRC.

PRE-IPO INVESTMENTS

To provide part of the financing required for the business expansion, capital expenditures and general working capital for our operating subsidiaries in the PRC, we have undergone two rounds of Pre-IPO Investments in 2014.

Overview of the Series A Pre-IPO Investment

In accordance with the terms of the Series A Share Purchase Agreement, we issued on July 14, 2014 to the Series A Investors, namely Green Farmlands Group, Jingm Investment Company Limited, Chingford Holding Ltd., Swift Achiever Limited and Optimum Result Developments Ltd., an aggregate of 568,420,000 Series A Preferred Shares at a consideration of RMB0.95 each. As a result, the total issued share capital of our Company was increased from 1,107,800,000 Shares to 1,676,220,000 Shares, comprising 1,107,800,000 Ordinary Shares and 568,420,000 Series A Preferred Shares.

As a closing condition to the Series A Share Purchase Agreement, the First Shareholders Agreement was entered into by, among others, our Company, ZhongDi Hong Kong, ZhongDi Beijing and the Series A Investors on June 26, 2014, pursuant to which the Series A Investors were granted certain special rights.

The respective investment of Green Farmlands Group, Jingm Investment Company Limited, Chingford Holding Ltd., Swift Achiever Limited and Optimum Result Developments Ltd. was fully paid up on July 17, 2014, July 21, 2014, July 17, 2014, July 22, 2014 and July 25, 2014, respectively. All the proceeds raised from the Series A Pre-IPO Investment was injected as additional registered capital into ZhongDi Beijing by ZhongDi Hong Kong and utilized by ZhongDi Beijing in its subsequent acquisitions of equity interest from its then shareholders of ZhongDi Beijing.

Overview of the Series B Pre-IPO Investment

In accordance with the terms of the Series B Share Purchase Agreement, we issued on August 22, 2014 to the Series B Investor, Fortune Hero Investments Limited, an aggregate of 105,260,000 Series B Preferred Shares at a consideration of RMB0.95 each. As a result, the total issued share capital of our Company was increased from 1,676,220,000 Shares to 1,781,480,000 Shares, comprising 1,107,800,000 Ordinary Shares, 568,420,000 Series A Preferred Shares and 105,260,000 Series B Preferred Shares.

As a closing condition to the Series B Share Purchase Agreement, the Second Shareholders Agreement was entered into by, among others, our Company, ZhongDi Hong Kong, ZhongDi Beijing, the Series A Investors and the Series B Investor on August 22, 2014, pursuant to which the First Shareholders Agreement was superseded and replaced in its entirety. A summary of the special rights granted to the Pre-IPO Investors is set out in the subsection headed "— Pre-IPO Investments — Rights of Pre-IPO Investors". All such special rights will terminate and discontinue upon Listing.

The Series B Pre-IPO Investment was completed on August 22, 2014 with the investment amount fully paid on the same day. A portion of the proceeds raised from the Series B Pre-IPO Investment had been injected as additional registered capital into ZhongDi Beijing by ZhongDi Hong Kong in October 2014 and the remaining portion will be fully utilized to fund the expenses incurred by the Listing.

Particulars of the Pre-IPO Investments

Save for the parties, the number and class of Preferred Shares subscribed for and the consideration paid to our Company, other key particulars of the Series A Pre-IPO Investment and Series B Pre-IPO Investment are identical, details of which are set out below.

The subscription price of RMB0.95 per Preferred Share was determined through arm's length negotiation among relevant parties, taking into consideration the business prospect, results of operation and financial condition of our Group. Such subscription price is equivalent to an approximately of 11.03% discount to the maximum Offer Price.

The following table sets forth other key particulars of the Pre-IPO Investments:

Name of Pre-IPO Investor	**Consideration paid**	**Number of Preferred Shares subscribed**	**Class of Shares[(1)]**	**Approximate shareholding percentage[(2)]**	**Approximate shareholding percentage[(3)]**	**Approximate shareholding percentage[(1)(4)]**
	(RMB'000)			*(%)*	*(%)*	*(%)*
Green Farmlands Group	300,000	315,790,000	Series A Preferred	18.84	17.73	14.54
Jingm Investment Company Limited	100,000	105,260,000	Series A Preferred	6.28	5.91	4.85
Chingford Holding Ltd.	95,000	100,000,000	Series A Preferred	5.97	5.61	4.60
Optimum Result Developments Ltd.	37,000	38,950,000	Series A Preferred	2.32	2.19	1.79
Swift Achiever Limited	8,000	8,420,000	Series A Preferred	0.50	0.47	0.39
Fortune Hero Investments Limited	100,000	105,260,000	Series B Preferred	0	5.91	4.85

(1) It is expected that the Preferred Shares held by the Pre-IPO Investors will be automatically converted into Ordinary Shares immediately prior to the Listing in accordance with the Second Shareholders Agreement.

(2) The percentages represent the shareholdings immediately after completion of the Series A Pre-IPO Investment on July 14, 2014.

(3) The percentages represent the shareholdings immediately after completion of the Series B Pre-IPO Investment on August 22, 2014.

(4) The percentages represent the shareholdings immediately after the Global Offering (assuming the Over-allotment Option and the options which may be granted pursuant to the Post-IPO Share Option Scheme are not exercised).

Information about the Pre-IPO Investors

Series A Investors

Green Farmlands Group is an investment holding company incorporated in the Cayman Islands on March 17, 2014. To ensure that the Controlling Shareholders would continue to be controlling shareholders of our Company following completion of the Global Offering and hold more than 30% of our enlarged issued share capital, Mr. Zhang Jianshe, through his wholly-owned company, YeGu Investment, acquired the entire issued share capital of Green Farmlands Group from GF&FB Holding Ltd., the then sole shareholder of Green Farmlands Group, on February 10, 2015[(1)]. Accordingly, upon completion of the Global Offering (assuming the Over-allotment Option and the options which may be granted pursuant to the Post-IPO Share Option Scheme are not exercised) and as a result of the Concert Parties Arrangement, the Controlling Shareholders will together, be directly and indirectly, interested in approximately 40.28% of our enlarged issued share capital, and will become our Controlling Shareholders. For more details, please see the section headed "Relationship with Our Controlling Shareholders" in this prospectus.

(1) The total consideration of the acquisition was US$53 million, which was financed by an unsecured loan to YeGu Investment provided by a fund managed by Ms. Yu Tianhua (于天華), our non-executive Director. Such consideration was fully paid up by YeGu Investment on March 9, 2015.

Jingm Investment Company Limited was incorporated in the Cayman Islands on April 30, 2014. It is a private equity fund with focus on investments in the agriculture industry and is wholly-owned by Shanghai Jingmu, a substantial Shareholder and therefore a core connected person of our Company after Listing.

Chingford Holding Ltd. was incorporated in the BVI on July 8, 2003. It is an investment holding company wholly owned by Mr. Han Jingyuan (韓敬遠), a Hong Kong permanent resident and an Independent Third Party.

Optimum Result Developments Ltd. was incorporated in the BVI on October 2, 2013. It is an investment holding company wholly owned by Mr. Wong Man Chung Francis (黃文宗), a Hong Kong permanent resident and an Independent Third Party.

Swift Achiever Limited was incorporated in the Cayman Islands on January 3, 2014. It is an investment holding company wholly owned by Mr. Lin, Yih-tso (林易佐), a Hong Kong permanent resident and an Independent Third Party.

Series B Investor

Fortune Hero Investments Limited was incorporated in the BVI on July 30, 2014. It is an investment holding company wholly owned by SF Holding Limited (順豐控股有限公司), an Independent Third Party.

To the best of the knowledge and belief of our Directors, none of the Pre-IPO Investors acted with each other, and they had not entered into any arrangements to consolidate the control of the Pre-IPO Investors in our Company.

Rights of Pre-IPO Investors

Pursuant to the Second Shareholders Agreement, the Pre-IPO Investors were granted certain special rights, a summary of which is set out below. Each of such special rights will be automatically terminated upon completion of the Global Offering. Accordingly, all such special rights mentioned below will discontinue upon Listing.

Information and inspection right

In addition to information that will be made available to other Shareholders at the same time, the Pre-IPO Investors are entitled to access our periodic financial and accounting information, other books and records and such other information as they shall reasonably request and the opportunity to discuss with our management regarding the same.

Board representation

Green Farmlands Group, as the lead Series A Investor, is entitled to appoint and remove one Director prior to the Qualified Public Offering (as defined below) so long as it holds any Series A Preferred Shares or Ordinary Shares converted therefrom representing more than 5% of the then total issued share capital of our Company. Ms. Yu Tianhua, Green Famlands Group's nominee, was appointed as a non-executive Director on February 13, 2015 and will be subject to the retirement and re-appointment requirements under the Articles of Association after Listing.

A "Qualified Public Offering" means our Company's listing and public offering of Ordinary Shares pursuant to a prospectus registered in accordance with the relevant companies and securities laws of the jurisdiction of an internationally recognized stock exchange that is acceptable to the holders of at least a majority of the then outstanding Preferred Shares, in any case with a valuation of our Company immediately prior to the closing of such public offering of not less than HK$2,600,000,000 or equivalent in US dollars. The parties to the Second Shareholders Agreement have agreed that the Global Offering is a Qualified Public Offering.

Registration rights

In the event that our Company seeks a public offering in a jurisdiction in which registration rights have a legal significance, each of the Pre-IPO Investors is entitled to customary registration rights, and our Company shall enter into a registration rights agreement with the relevant Pre-IPO Investors for that purpose.

Rights of participation

Each of the Pre-IPO Investors is entitled to the right to subscribe for its pro rata share of any new securities to be issued by our Company save for, among others, securities issued pursuant to the Global Offering or a Qualified Public Offering.

Right of first refusal and co-sale rights

If, prior to the Qualified Public Offering and during the period in which the Pre-IPO Investors still hold any Preferred Shares or Ordinary Shares converted therefrom, any of YeGu Investment, Tai Shing, SiYuan Investment, Mr. Zhang Jianshe, Mr. Liu Dai or Mr. Zhang Kaizhan (the "**Transferor**") intends to transfer to one or more third parties (the "**Transferee**") any of the Shares or rights, options or warrants to purchase such Shares (the "**Offered Shares**") held or controlled by them, the Pre-IPO Investors shall have a right of first refusal to purchase all or a portion of their respective pro rata share of the Offered Shares under the same terms offered to the Transferee.

In the event that the Transferor is Mr. Zhang Jianshe or YeGu Investment and any Pre-IPO Investor decides not to exercise its right of first refusal over all or a portion of its pro rata share of the Offered Shares, such Pre-IPO Investor shall have the co-sale right to participate in such transfer on the same terms.

Liquidation preference

Upon the occurrence of any Deemed Liquidation Event (as defined below), the Pre-IPO Investors are first entitled to be paid, prior to and in preference of any distribution to the other Shareholders, an amount per Preferred Share equal to the greater of (i) RMB0.95, being the issue price of the Preferred Shares and subject to adjustment for any share splits, share dividends, combinations, recapitalizations or similar transactions, and (ii) the amount each Preferred Share shall be entitled to if the whole proceeds from the Deemed Liquidation Event shall be distributed to the holders of Ordinary Shares and Preferred Shares on pro rata and as-converted basis.

For the purpose of the above, "Deemed Liquidation Event" means any of the following, unless waived by holders of at least 50% of the issued and outstanding Preferred Shares, voting together as a single group on an as-converted basis:

(a) a liquidation, dissolution, winding-up (whether voluntary or involuntary) of any member of our Group, appointment of a liquidation committee or administrator in relation to any member of our Group, or institution of bankruptcy, receivership, administration, assignment for the benefit of creditors, or similar insolvency-related proceedings to which any member of our Group is subject; or

(b) any acquisition of any member of our Group by another entity by means of any transaction or series of related transactions (including, without limitation, any share acquisition, reorganization, merger or consolidation) other than (i) a transaction or a series of transactions in which the holders of the voting securities of such member of our Group outstanding immediately prior to such transaction continue to retain (either by such voting securities remaining outstanding or by such voting securities being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of such member of our Group or such surviving entity outstanding immediately after such transaction or series of transaction, (ii) a sale, transfer, lease or other disposition of all or substantially all of the assets (including intellectual property) of any member of our Group (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of any member of our Group), or (iii) the exclusive licensing of all or substantially all of any intellectual property of any member of our Group to a third party ("**Trade Sale**").

The Pre-IPO Investors have subsequently waived the requirements of the distribution of assets of our Company in the event of Trade Sale.

Conversion rights

The Preferred Shares are convertible based on the conversion ratio set out below:

- **Optional conversion**

  Any Preferred Share may, at the sole option and discretion of the holder thereof, be converted at any time without the payment of additional consideration into fully-paid and non-assessable Ordinary Shares based on the then applicable conversion price.

- **Automatic conversion feature**

  The Preferred Shares shall automatically be converted, based on the then applicable conversion price and without payment of any additional consideration, into fully-paid and non-assessable Ordinary Shares immediately prior to the earlier of (i) the closing of a Qualified Public Offering, or (ii) the date specified by written consent or agreement of the holders of at least 50% of the then issued and outstanding Preferred Shares.

- **Conversion ratio**

  A = B/C

  where:

  (i) A = the number of Ordinary Shares converted from each Preferred Share;

  (ii) B = the issue price of the Preferred Shares; and

  (iii) C = the conversion price, which shall be initially the issue price of the Preferred Shares, as adjusted from time to time by customary events such as share splits and combination, dividends distribution, reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions and dilutive issuance, including, among others, in the event of an issuance of new securities (subject to certain carve-outs, for example, any Ordinary Shares issued upon optional conversion or automatic conversion of the Preferred Shares, securities issued pursuant to a Qualified Public Offering or any employees, directors and consultants shares incentive plan).

  The initial conversion ratio for each Preferred Share to Ordinary Share shall be 1:1. In any event, the adjustment to the conversion price of the Preferred Shares will not be linked to the Offer Price or the market capitalization of our Company upon Listing and will be in line with the principles and requirements promulgated by the Stock Exchange.

Strategic Benefits to Our Company

Our Directors are of the view that our Company can benefit from the Pre-IPO Investors' commitment to our Company, and their investment demonstrates their confidence in the operation of our Group and serves as an endorsement of our Company's performance, strength and prospects.

Sole Sponsor's Confirmation

The Sole Sponsor has confirmed that the Pre-IPO Investments are in compliance with (i) the Guidance Letter HKEx-GL29-12 as the considerations for the Pre-IPO Investments were settled more than 28 clear days before the date of our first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing; (ii) the Guidance Letter HKEx-GL43-12 as the special rights granted to the Pre-IPO Investors will be terminated and discontinued upon Listing; and (iii) the requirements under the Guidance Letter HKEx-GL44-12 in respect of the Preferred Shares issued to the Pre-IPO Investors.

Lock-up Undertakings

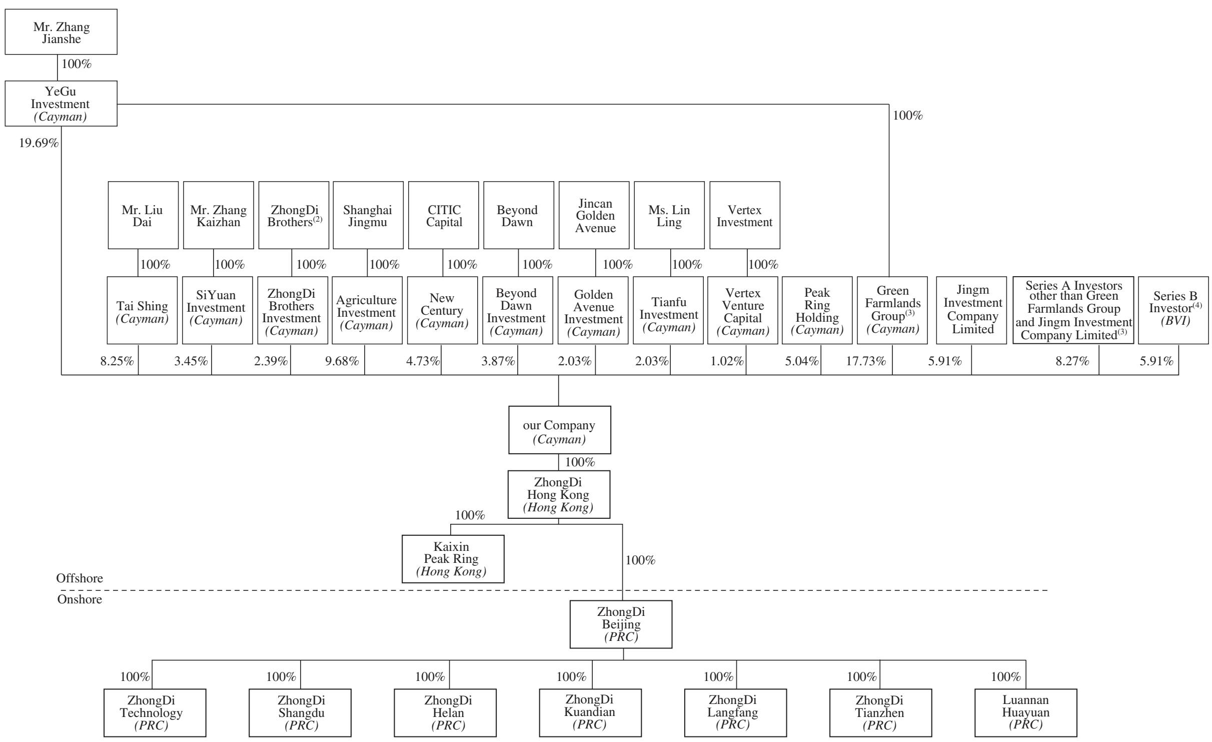
Pursuant to the Second Shareholders Agreement, (i) any Pre-IPO Investor holding any Preferred Shares representing 5% or more of the total issued share capital of our Company immediately after the closing of the Series A Pre-IPO Investment or the Series B Pre-IPO Investment shall not in any way dispose of the Shares held by them within six months after the Listing Date; and (ii) YeGu Investment, Tai Shing, SiYuan Investment, Mr. Zhang Jianshe, Mr. Liu Dai or Mr. Zhang Kaizhan shall not in any way dispose of the Shares held by them within twelve months after the Listing Date.

Public Float

Immediately following completion of the Global Offering (assuming the Over-allotment Option and the options which may be granted pursuant to the Post-IPO Share Option Scheme are not exercised), each of Green Farmlands Group, Jingm Investment Company Limited, Chingford Holding Ltd., Optimum Result Developments Ltd., Swift Achiever Limited and Fortune Hero Investment Limited would be the holder of 315,790,000 Shares, 105,260,000 Shares, 100,000,000 Shares, 38,950,000 Shares, 8,420,000 Shares and 105,260,000 Shares, representing approximately 14.54%, 4.85%, 4.60%, 1.79%, 0.39% and 4.85% of our enlarged total issued share capital. Other than Green Farmlands Group and Jingm Investment Company Limited (a close associate of Shanghai Jingmu, our substantial Shareholder and hence a core connected person after Listing), who will become our core connected persons upon Listing and therefore the Shares held by them will not be considered to be part of the public float for the purpose of Rule 8.08(1) of the Listing Rules, each of the Pre-IPO Investors is independent from our Group and our connected persons, and therefore the Shares held by such Pre-IPO Investors are considered to be part of the public float for the purpose of Rule 8.08(1) of the Listing Rules.

CORPORATE STRUCTURE AFTER THE REORGANIZATION AND BEFORE THE GLOBAL OFFERING

As a result of the Reorganization and immediately before completion of the Global Offering, the shareholding structure of our Group will be as follows[(1)]:



(1) This chart only depicts our major operating subsidiaries in the PRC. For more details of our other PRC subsidiaries, please see the information as set out in the Accountants' Report (the text of which is set out in Appendix I to this prospectus) and the section headed "Statutory and General Information — A. Further Information About Our Group — 3. Changes in the Share Capital of Our Subsidiaries" in Appendix IV to this prospectus.

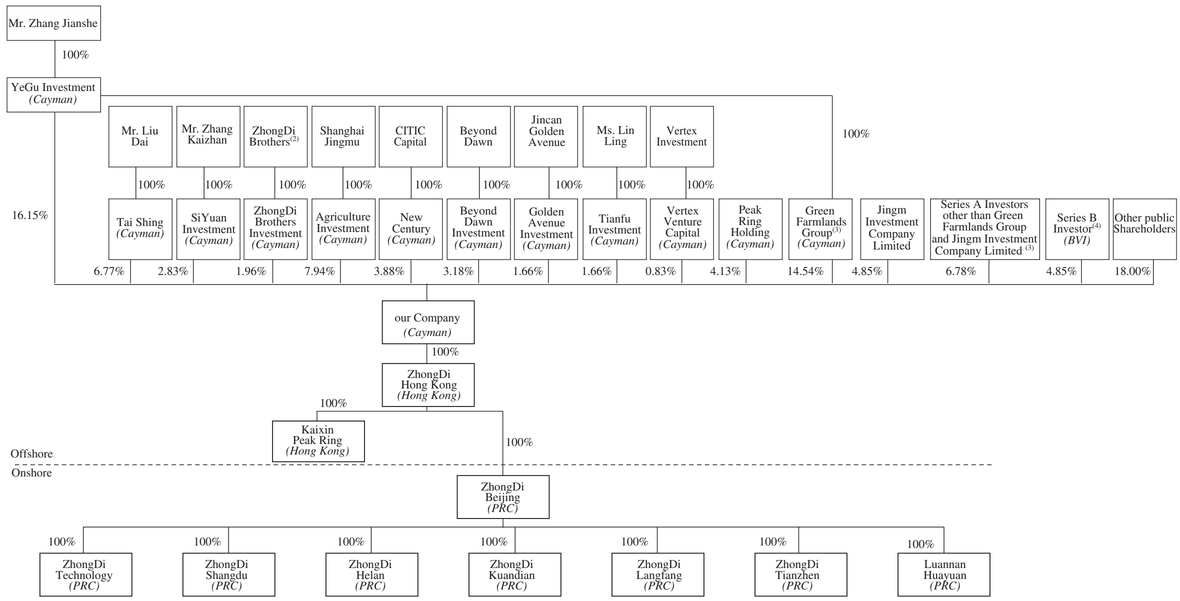
(2) ZhongDi Brothers is a limited partnership wholly-owned by certain employees and ex-employees of ZhongDi Beijing and SinoFarm Group and its affiliates. The general partner of ZhongDi Brothers is Mr. Song Naishe, the deputy general manager of our Company.

(3) The Series A Investors are Green Farmlands Group, Jingm Investment Company Limited, Chingford Holding Ltd., Swift Achiever Limited and Optimum Result Developments Ltd. Green Farmlands Group is wholly-owned by YeGu Investment (as a result of the share transfer which took place in February 2015, details of which are set out in the subsection headed "— Pre-IPO Investments — Information about the Pre-IPO Investors" above) and Jingm Investment Company Limited is wholly-owned by Shanghai Jingmu. Other than Green Farmlands Group and Jingm Investment Company Limited who will become our core connected persons upon Listing, each of the Series A Investors is an Independent Third Party. For more details of the information about each Series A Investor and their respective shareholding, please see the subsection headed "— Pre-IPO Investments".

(4) The Series B Investor is Fortune Hero Investments Limited, which is an Independent Third Party. For more details about the Series B Investor, please see the subsection headed "— Pre-IPO Investments".

CORPORATE STRUCTURE IMMEDIATELY AFTER THE GLOBAL OFFERING

Immediately upon completion of the Global Offering (assuming the Over-allotment Option and the options which may be granted pursuant to the Post-IPO Share Option Scheme are not exercised), the shareholding structure of our Group will be as follows[1]:



(1) This chart only depicts our major operating subsidiaries in the PRC. For more details of our other PRC subsidiaries, please see the information as set out in the Accountants' Report (the text of which is set out in Appendix I to this prospectus) and the section headed "Statutory and General Information — A. Further Information About Our Group — 3. Changes in the Share Capital of Our Subsidiaries" in Appendix IV to this prospectus.

(2) ZhongDi Brothers is a limited partnership wholly owned by certain employees and ex-employees of ZhongDi Beijing and SinoFarm Group and its affiliates. The general partner of ZhongDi Brothers is Mr. Song Naishe, the deputy general manager of our Company.

(3) The Series A Investors are Green Farmlands Group, Jingm Investment Company Limited, Chingford Holding Ltd., Swift Achiever Limited and Optimum Result Developments Ltd. Green Farmlands Group is wholly-owned by YeGu Investment (as a result of the share transfer which took place in February 2015, details of which are set out in the subsection headed

"— Pre-IPo Investments — Information about the Pre-IPO Investors" above) and Jingm Investment Company Limited is wholly-owned by Shanghai Jingmu. Other than Green Farmlands Group and Jingm Investment Company Limited who will become our core connected persons upon Listing, each of the Series A Investors is an Independent Third Party. For more details of the information about each Series A Investor and their respective shareholding, please see the subsection headed "— Pre-IPO Investments".

(4) The Series B Investor is Fortune Hero Investments Limited, which is an Independent Third Party. For more details about the Series B Investor, please see the subsection headed "— Pre-IPO Investments".

(5) The Shares held by YeGu Investment, SiYuan Investment, Tai Shing, Green Farmlands Group, Jingm Investment Company Limited and Agriculture Investment will not be considered to be part of the public float for the purpose of Rule 8.08(i) of the Listing Rules.

(6) Pursuant to a deed of lock-up undertaking dated November 12, 2015 as further described in "B. Further Information about Our Business—1. Summary of Material Contracts" of Appendix IV to this prospectus (the "**Deed of Lock-up Undertaking**"), each of Tianfu Investment, ZhongDi Brothers Investment, Agriculture Investment, Vertex Venture Capital, Beyond Dawn Investment, Golden Avenue Investment, Peak Ring Holding, Jingm Investment Company Limited, Serious B Investor and New Century undertakes, among other things, not to dispose of its Shares at any time after the date of the Deed of Lock-up Undertaking and up to and including the date falling six months after the Listing Date.

PRC REGULATORY REQUIREMENTS

Zhong Lun Law Firm, our PRC legal adviser, has confirmed that all the share transfers and increases in registered capital of our PRC operating subsidiaries as described in this section have been properly and legally settled and all material approvals and permits have been obtained and are valid as of the Latest Practicable Date and the procedures and steps involved are, in all material aspects, in compliance with relevant PRC laws and regulations.

THE RULES ON THE MERGERS AND ACQUISITIONS OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS IN THE PRC

According to the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**New M&A Rules**") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產管理監督委員會), the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006 and effective as of September 8, 2008 and amended in June 2009, where a domestic company, enterprise or natural person intends to acquire its/his/her related domestic company in the name of an offshore company which it/he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM, and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company, any overseas listing of that special purpose company shall be subject to approval by the CSRC.

According to the Guiding Handbook on Access Administration of Foreign Investment (Version 2008) (Shang Zi Fu Zi [2008] No. 530) (《外商投資准入管理手冊》(2008年版)), the New M&A Rules do not apply *mutatis and mutandis* to equity transfers of an established foreign-invested enterprise by the domestic party to foreign parties, regardless of any affiliated relationships among such parties and whether or not the foreign parties are the original shareholders or new investors. The domestic company referred to in the New M&A Rules refers to a domestic-invested enterprise.

As advised by our PRC legal advisers, since (i) ZhongDi Beijing was already a foreign-invested enterprise when ZhongDi Hong Kong first acquired its equity interest in June 2014; and (ii) approval was obtained from Beijing Shunyi Municipal Commission of Commerce, the competent PRC authority, for the conversion of ZhongDi Beijing into a wholly-foreign owned enterprise as a result of the acquisition of equity interest by ZhongDi Hong Kong, the Reorganization was not subject to the New M&A Rules. Accordingly, it is not necessary for us to obtain approval from the CSRC or the MOFCOM for the Listing of our Shares on the Stock Exchange.

SAFE REGISTRATION IN THE PRC

In accordance with the Notice on Relevant Issues of Foreign Exchange Control on Domestic Residents regarding Corporate Financing and Round-trip Investment through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (Hui Fa [2005] No. 75) (the "**SAFE Circular No.75**") promulgated on October 21, 2005 and effective on November 1, 2005, a "special purpose vehicle" means an offshore enterprise directly established or indirectly controlled by PRC domestic residents (companies or individuals) for the purpose of carrying out offshore equity financing with the assets or equity interests they hold in domestic enterprises. The PRC domestic residents who intend to carry out offshore equity financing shall file applications with, and obtain the records, from the foreign exchange administrative authorities.

As advised by our PRC legal advisers, Mr. Zhang Jianshe, Mr. Zhang Kaizhan, Mr. Liu Dai and Ms. Lin Ling, being the relevant beneficial owners of our Group and who are domestic individual residents of the PRC, have completed their respective foreign exchange registration of overseas investments with the local SAFE branch on June 12, 2014 in relation to the incorporation of YeGu Agriculture Investment, SiYuan Investment, Tai Shing, Tianfu Investment, our Company and ZhongDi Hong Kong, as required under the SAFE Circular No. 75.

On July 4, 2014, SAFE issued the Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Round-trip Investment Conducted by Chinese Mainland Residents via Special-purpose Companies (Hui Fa [2014] No. 37) (《關于境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular No. 37**"), pursuant to which the SAFE Circular No. 75 was repealed. According to the SAFE Circular No. 37, with respect to a registered special purpose vehicle, any changes made to the PRC residency of its individual shareholders, its name, term of operation or other basic information, or other material information, such as the increase or reduction of capital contribution or transfer or swap of equity by any shareholder, or merger or de-merger of such registered special purpose vehicle, the shareholders shall promptly re-register such changes with the competent foreign exchange authority.

As of the Latest Practicable Date, no changes as referred to above has occurred to YeGu Agriculture Investment, SiYuan Investment, Tai Shing and Tianfu Investment, directly incorporated by Mr. Zhang Jianshe, Mr. Zhang Kaizhan, Mr. Liu Dai and Ms. Lin Ling, respectively. Accordingly, as advised by our PRC legal advisers, as of the Latest Practicable Date, no application for registration of change needs to be filed with SAFE or other foreign exchange authority as required under the SAFE Circular No. 37.

OVERVIEW

We are a dairy farming company producing premium raw milk in China and we ranked 11th in terms of herd size of dairy cows and 18th in terms of raw milk sales volume out of over 1,000 dairy farming companies in China in 2014 according to Frost & Sullivan. Our quality of raw milk and total herd size are comparable or higher than that of other well-recognized industry leaders. In addition, we are one of the only three dairy farming companies in China that have received the National Science and Technology Progress Award in 2014 granted by the PRC State Council. We engage in business operations mainly including raising dairy cows, breeding dairy cows, raw milk production and sale, as well as importing and selling dairy cows of quality breeds, participating in multiple stages of the dairy farming industry value chain.

We have established a network of dairy farms strategically located in regions suitable for dairy farming in China. As of June 30, 2015, we owned and operated four modernized dairy farms located in Beijing and the Inner Mongolia Autonomous Region in northern China, Liaoning Province in northeastern China, and the Ningxia Hui Autonomous Region in northwestern China, respectively. As of December 31, 2014 and June 30, 2015, we had a total herd of 28,482 and 37,160 Holstein cows at our dairy farms (including our four operating dairy farms as well as Shanxi Tianzhen Farm, Hebei Wen'an Farm and Inner Mongolia Shangdu Farm (Phase II) which were under development as of June 30, 2015), respectively. To ensure the quality and stable supply of feeds at efficient cost, we had also leased or contracted land of approximately 37,000 mu in total as of June 30, 2015 to grow feeds at our five crop farms surrounding or close to our dairy farms.

Our strategically located network of dairy farms and efficient milk production management allow us to target the national market by providing premium raw milk to dairy companies for processing into high-end liquid milk, primarily including UHT milk, fresh milk and yogurt. For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the average annual milk yield of our milking cows was approximately 10.0 tonnes, 9.8 tonnes, 10.8 tonnes and 11.5 tonnes per head, respectively, and the average annual milk yield of our milkable cows was approximately 8.8 tonnes, 8.3 tonnes, 9.6 tonnes and 10.1 tonnes per head, respectively. For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the average selling price of our raw milk was approximately RMB4,509, RMB4,800, RMB4,785 and RMB4,398 per tonne, respectively. According to Frost & Sullivan, the average annual milk yield per milkable cow in 2014 was approximately 5.5 tonnes in China and the national average selling price of raw milk in the first half of 2015 was approximately RMB3,438 per tonne in China. For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we sold 32,083 tonnes, 30,637 tonnes, 63,099 tonnes and 41,057 tonnes of raw milk, respectively.

We also engage in the import trading business primarily in cows, alfalfa hay and other animal husbandry-related products in China. According to Frost & Sullivan, we were the third largest importer of dairy cows in China by volume in 2014, with a market share of 18.1%. Our import trading business supports the expansion of our network of dairy farms, by importing quality dairy cows from overseas in a timely manner as foundation cows for our expanded or newly developed dairy farms.

As of June 30, 2015, we were developing (i) the second phases of two of our four operating dairy farms and (ii) two new dairy farms. In addition, we were in the process of converting our Tianjin Import Quarantine Farm into a new dairy farm, the Tianjin Farm. We intend to commence developing the second phase of our operating Liaoning Kuandian Farm by the second quarter of 2016. Upon completion of our current expansion plans, our network of dairy farms is expected to cover seven provinces or provincial-level cities in China, including Beijing, Tianjin, Shanxi Province, Hebei

Province and the Inner Mongolia Autonomous Region in northern China, Liaoning Province in northeastern China, and the Ningxia Hui Autonomous Region in northwestern China. Upon completion of such developments, the land occupied by our dairy farms is expected to reach a total size of approximately 12,220 mu, with an aggregate designed capacity to raise approximately 71,413 dairy cows.

We have established a scalable operating model for our dairy farms that can be replicated efficiently at our expanded or newly developed dairy farms. We have specialized teams dedicated to each aspect of our expansion process, such as design, construction and management of dairy farms. Leveraging the ability of our import trading business to import large number of quality dairy cows in a timely manner, our scalable operating model enables us to fast-track the development process and thus bring forward the commencement of commercial milk production at our expanded or newly developed dairy farms. We generally take less than 18 months to complete the development of a dairy farm with a designed capacity to raise 5,000 or more dairy cows, from construction of farm infrastructure until commencement of commercial milk production. According to Frost & Sullivan, it usually takes an average of two years to develop a new dairy farm of over 1,000 dairy cows in China.

We believe that our long-term strategic cooperation with Mengniu and Yili provides a solid foundation for the success of our expanding dairy farming business. In August and September 2014, we entered into long-term strategic cooperation agreement for a term of ten years with each of Mengniu and Yili, respectively. Our cooperation with Mengniu and Yili has allowed us to secure purchase commitments for raw milk that meets certain prescribed quality standards we produce at our four operating dairy farms and five of the dairy farms (including second phases of certain operating dairy farms) covered under our current expansion plans for the next ten years. We believe that the strategic locations and network of our dairy farms well position us to provide a long-term and stable supply of premium raw milk to leading national dairy companies such as Mengniu and Yili.

We have experienced rapid growth over the Track Record Period. Our revenue from continuing operations amounted to RMB406.9 million, RMB309.1 million, RMB721.6 million and RMB229.8 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. Our profit from continuing operations amounted to RMB71.2 million, RMB81.5 million, RMB152.3 million and RMB42.5 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. Our revenue from the dairy farming business amounted to RMB150.8 million, RMB182.8 million, RMB308.4 million and RMB180.6 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively, and our gross profit before biological fair value adjustments generated from our dairy farming business amounted to RMB68.5 million, RMB74.6 million, RMB130.5 million and RMB82.2 million for the same periods.

OUR COMPETITIVE STRENGTHS

We are a dairy farming company producing premium raw milk in China. We engage in business operations mainly including raising dairy cows, breeding dairy cows, raw milk production and sale, as well as importing and selling dairy cows of quality breeds, participating in multiple stages of the dairy farming industry value chain in China.

By leveraging the following key competitive strengths of our Company and seizing upon the growth opportunities in the Chinese dairy farming industry, we have grown into a National Flagship

Enterprise for Industrialization of Agriculture (農業產業化國家重點龍頭企業) accredited by the MOA. We believe that the following competitive strengths position us to efficiently implement our extensive expansion plans, thereby enabling the rapid and sustainable growth of our business in terms of scale and market share in the near future.

We have established a network of dairy farms strategically located in regions suitable for dairy farming in China

As of June 30, 2015, we owned and operated four modernized dairy farms located in Liaoning Province in northeastern China, Beijing and the Inner Mongolia Autonomous Region in northern China and the Ningxia Hui Autonomous Region in northwestern China, respectively, all situated in the dairy farming regions designated in the Development Plan for Dairy Farming Regions (2008-2015) (全國奶牛優勢區域布局規劃(2008-2015年)) promulgated by the MOA in 2009.

As of June 30, 2015, we were developing (i) the second phases of two of our four operating dairy farms, namely the Inner Mongolia Shangdu Farm (Phase II) and the Ningxia Helan Farm (Phase II) and (ii) two new dairy farms, namely the Shanxi Tianzhen Farm and the Hebei Wen'an Farm. In addition, we were in the process of converting our Tianjin Import Quarantine Farm into a new dairy farm, the Tianjin Farm. We intend to commence developing the second phase of our operating Liaoning Kuandian Farm by the second quarter of 2016. We constantly explore other potential expansion projects for our dairy farming business. For more details about our expansion, please see the subsection headed "—Our Production Facilities—Expansion Plan".

The table below sets forth selected information about our operating dairy farms and dairy farms under our current expansion plans as of June 30, 2015.

Our Network of Dairy Farms	Location	Commencement of commercial milk production (actual or estimate)	Designed capacity (head, dairy cows)	Size (mu)
Operating Dairy Farms				
Inner Mongolia Shangdu Farm (Phase I)	Northern China	Q3 2003	2,200	300
Liaoning Kuandian Farm (Phase I)	Northeastern China	Q4 2003	1,000	118
Beijing Shunyi Farm	Northern China	Q4 2011	4,200	336
Ningxia Helan Farm (Phase I)	Northwestern China	Q4 2013	16,000	4,600
Subtotal	—	—	23,400	5,354
Dairy Farms under Expansion Plans				
Inner Mongolia Shangdu Farm (Phase II)[(1)]	Northern China	Q3 2015	5,667	579
Shanxi Tianzhen Farm[(2)]	Northern China	Q3 2015	10,717	1,156
Ningxia Helan Farm (Phase II)[(3)]	Northwestern China	Q3 2015	9,607	1,066
Hebei Wen'an Farm	Northern China	Q4 2015	10,924	1,305
Tianjin Farm	Northern China	Q2 2017 or later[(4)]	5,045	700
Liaoning Kuandian Farm (Phase II)	Northeastern China	Q4 2017	6,053	2,060
Subtotal	—	—	48,013	6,866
Total	—	—	71,413	12,220

(1) Our Inner Mongolia Shangdu Farm (Phase II) commenced production in July 2015.

(2) Our Shanxi Tianzhen Farm commenced production in August 2015.

(3) Our Ningxia Helan Farm (Phase II) commenced production in August 2015.

(4) The management will decide the timing of commercial production for our Tianjin Farm based on market conditions and our business prospects. We believe that the earliest time for commencement of commercial production at our Tianjin Farm will be Q2 2017.

Our network of dairy farms allows us to enjoy the following competitive advantages:

- *Strategically located network*. We select the locations of our network of dairy farms based on factors including, among other things, the suitability of the local environment for dairy farming, the supply and demand dynamics of the local raw milk market, the distance and the availability and convenience of transport facilities to downstream dairy product processing facilities. For example, most of our dairy farms are located in areas with natural environments favorable to dairy farming and close to the raw milk processing facilities of leading national dairy companies. We believe that these strategic locations help us secure valuable customers who have stable and large-scale demand for premium raw milk.

- *Targeting national market*. We target the national market by supplying premium raw milk produced at our dairy farms to leading national dairy companies for processing into high-end liquid milk. For example, our premium raw milk purchased by Mengniu and Yili can be processed into high-end liquid milk such as Mengniu's Milk Deluxe (特侖蘇) and Yili's Satine (金典). According to Frost & Sullivan, the total retail sales value of China's high-end liquid milk increased from RMB17.9 billion in 2009 to RMB48.8 billion in 2014 at a CAGR of 22.2%. With the increasing disposable income and the rising health awareness among the Chinese consumers, the total retail sales value of high-end liquid milk in China is expected to reach RMB82.8 billion in 2018, representing a CAGR of 14.1% from 2014 to 2018 and an estimated 35.1% share of retail sales value of all dairy products in 2018. Leading PRC dairy companies typically set up networks of processing facilities across the nation. Our strategically located network of dairy farms in different areas of China allows us to provide premium raw milk to our customers' geographically dispersed networks of processing facilities, helping us to establish and maintain long-term cooperation relationships with the leading dairy companies in China. We believe that by targeting the national market, we reduce reliance on any particular region which gives us greater room to grow our business and expand our market share.

- *Proximity to market centers for dairy consumption*. Our dairy farms are either close to the relatively developed regions surrounding the Bohai Sea in China, including Beijing, Tianjin, Liaoning Province, Shandong Province, Hebei Province and Inner Mongolia Autonomous Region, or the provincial capitals in northwestern China such as Yinchuan in Ningxia Hui Autonomous Region. According to Frost & Sullivan, dairy product processing companies typically set up processing facilities in the vicinity of market centers for dairy consumptions, such as developed regions or provincial capitals. Proximity to such market centers helps us establish stable and cooperative relationship with our quality customers. Most of our existing customers have processing facilities located in a radius of about 200 kilometers around one of our dairy farms, reducing cost and time required for shipment of raw milk.

- *Secured scarce land resources*. Most agricultural lands in China are divided into small parcels and separately leased to local households under China's land contracting system. Meanwhile, urbanization in China has converted large areas of agricultural land into urban zones. Such dispersed ownership of agricultural land and increasing urbanization have led to rigorous regulations being imposed over the use of agricultural lands. In particular, the PRC laws prohibit using arable land to raise livestock. Furthermore, large-scale dairy farms often lease or contract sizable parcels of crop land in the vicinity to grow feeds as a stable and cost-efficient source of silage for dairy cows, which further increases demand for land resources by such dairy farms. As a result, there is an acute scarcity of sizable agricultural land suitable for modern dairy farming. We have secured large areas of land amounting to approximately 12,220 mu, which we believe are sufficient for our existing business operations as well as our current expansion plans. We believe that the large areas of land we have secured in different areas allow us to build barriers to entry and effectively compete against other competitors in the same or nearby regions.

- *Favorable climate conditions.* Our dairy farms are located across northeastern China, northwestern China and northern China in regions of about 40 degrees north latitude. According to Frost & Sullivan, climate conditions of the regions where our dairy farms are located are generally considered suitable for raising and breeding dairy cows, milk production, and growing feeds for dairy cows such as corn and alfalfa. Compared with regions in southern China, summers at our dairy farms generally are not excessively hot and humid for extensive periods; compared with regions of higher north latitudes in China, winters at our dairy farms are not excessively cold.

- *Minimized risk of disease outbreak.* Our operating dairy farms are located across four provinces or provincial-level cities. Our network of dairy farms is expected to eventually cover seven provinces or provincial-level cities upon the completion of our current expansion plans. Compared with dairy farming companies whose dairy farms are all located in the same region or a limited number of regions, we can minimize the risk of major disease outbreak at our dairy farms by spreading across a diverse range of regions in China.

We have a scalable operating model that should enable us to further grow our market share in a sustainable manner

We have established a scalable operating model for our dairy farms that can be replicated efficiently at our expanded or newly developed dairy farms. Leveraging the ability of our import trading business to import large number of quality dairy cows in a timely manner, our scalable operating model enables us to fast-track the development process and bring forward the commencement of commercial milk production at our expanded and newly developed dairy farms. We generally take less than 18 months to develop a dairy farm with a designed capacity for raising 5,000 or more heads of dairy cows, starting from the construction of farm infrastructure to commencing commercial milk production. We may further expedite the development process of our future expanded or newly developed dairy farms by choosing to import pregnant heifers to populate the new facilities. According to Frost & Sullivan, it usually takes an average of two years to develop a new dairy farm of over 1,000 dairy cows. For example, we commenced construction of Ningxia Helan Farm (Phase I) with a designed capacity for raising 16,000 dairy cows in August 2012. In January 2013, heifers imported from overseas were released from the import quarantine farm into Ningxia Helan Farm (Phase I). Such heifers grew into milking cows and commenced commercial milk production in December 2013. Another example is our Beijing Shunyi Farm, where we commenced construction in July 2010. Imported heifers were released into the dairy farm six months later and commercial milk production commenced by the end of 2011. Our efficiency in scaling up our business operations by replicating our dairy farm operating model at our expanded or newly developed dairy farms allows us to effectively secure investment opportunities with efficient costs, thereby enabling us to capture a larger share of the growing premium raw milk market in China.

We expect our strong pipeline of dairy farms under our current expansion plans to enable the rapid and sustainable growth of our business in terms of operating scale and market share. For more details about our expansion, please see the subsection headed "—Our Production

Facilities—Expansion Plan". Please also see the section headed "Risk Factors—Risks relating to our business—We may be unable to adequately manage our future expansion of operations and growth or achieve our growth plan within the desired timeframe to meet the guaranteed minimum supply commitments to our customers" in this prospectus.

We believe that we can achieve rapid growth in terms of our operating scale and market share primarily through the following measures:

- *Importing quality dairy cows that supports the expansion of our network of dairy farms.* According to Frost & Sullivan, we were the third largest dairy cow importer in China in terms of the number of dairy cows imported in 2014, with a market share of 18.1%. Our import trading business forms the foundation upon which we continue to expand our operating dairy farms and develop new dairy farms. In particular,

  ➢ Importing dairy cows from overseas into China involves time-consuming and complicated procedures. It usually takes about seven months to complete a typical transaction, starting from price inquiries with overseas suppliers until delivery of the imported dairy cows to the designated dairy farms in China. We have been able to call on our experiences and knowledge of the importing procedures gained in our import trading business to synchronize the timing of the construction or expansion of our dairy farms and the import of our heifers, so that the heifers could be delivered to our dairy farms once construction of the relevant new facilities has been completed. We own and operate import quarantine farms near various major ports in China, which are essential for importing of dairy cows and help ensure that the import quarantine inspection required under the PRC laws could be completed in time. We believe that the above factors help us accelerate the commencement of commercial milk production at our expanded or newly developed dairy farms.

  ➢ According to Frost & Sullivan, China has become the world's largest importer of dairy cows. As of the Latest Practicable Date, China only permits the importation of dairy cows from Australia, New Zealand, Uruguay, Romania and Chile and due to China's consistently high demand for dairy cows, supply from these countries has been tight. Through our established import trading business, we have established long-term and stable relationships with reputable suppliers of dairy cows in Australia and New Zealand, which secures the supply of quality dairy cows to populate our expanded or newly developed dairy farms even in an undersupplied market.

- *Specialized teams dedicated to each aspect of our expansion.* To achieve rapid and sustainable growth in the scale of our dairy farms and size of our dairy herd, we have specialized teams dedicated to each aspect of the expansion of our operating dairy farms and development of new dairy farms in the following manners:

  ➢ We have an engineering team to evaluate, select and supervise various contractors engaged to design and construct the farm facilities, enabling us to ensure the quality of dairy farm facilities at reasonable cost.

➢ We have a specialized team dedicated to importing quality dairy cows to populate our expanded or newly developed dairy farms as foundation cows.

➢ We have built up a strong reserve of management and operation personnel at our headquarters and operating dairy farms, which can be easily deployed to manage and operate our expanded or newly developed dairy farms. We believe that the deployed personnel can then help replicate our operating model and assimilate newly joined staff.

➢ We have a team of professional technicians at our headquarters supervising and guiding various aspects of herd management at our dairy farms, such as feeding, breeding and disease control. We also cooperate with third-party research institutes on various research and development projects, to improve our herd management techniques and attract high-caliber talent.

- *Standardized design, construction and management of our dairy farms which can be tailored with customized features*. We seek to implement standardized procedures under the centralized control of our headquarters with respect to each aspect of the design, construction and management of our expanded or newly developed dairy farms. At the same time, we endeavor to remain flexible enough to adapt to the local environment of any particular dairy farm. For example,

➢ Our headquarters select professional third-parties to formulate specialized layout design for each of our dairy farms, based on factors such as conditions of the local environment (such as climatic, soil composition and water source) and expected operation scale. Our engineering team also provides advice and guidance to such professional third-parties to ensure the successful implementation of our operating model at each individualized dairy farm.

➢ The various departments at our headquarters centrally manage and control the relevant functions in the operations of our dairy farms. For example, the feeds formula at each dairy farm is formulated and approved by a committee at our headquarters having considered the feeds available, the particular group of dairy cows in question, and features of milk production and reproduction at the specific dairy farm.

➢ Our headquarters can effectively supervise the operations at our dairy farms via our modernized information technology system. We have installed Dairy Comp 305, a dairy farm management software package developed by Valley Agricultural Software in the U.S. and commonly used in the global dairy farming industry, at our headquarters, Beijing Shunyi Farm, Inner Mongolia Shangdu Farm, Ningxia Helan Farm (Phase I), Hebei Wen'an Farm and Shanxi Tianzhen Farm. We expect to install Dairy Comp 305 or similarly advanced information technology system at all our future dairy farms. As a result, our headquarters can timely access information in relation to management of our dairy cows, which helps us effectively control each aspect of our operation at our dairy farms, from breeding and milking to feeding and disease control, among other things.

We produce premium raw milk that dairy companies use to process into high-end liquid milk

According to Frost & Sullivan, based on the four major indicators of raw milk quality commonly adopted in the dairy industry, namely fat content and protein content to determine nutritional value, and aerobic plate count and somatic cell count to determine food safety, the raw milk produced at our dairy farms is classified as premium raw milk, and the quality of our raw milk is significantly above the U.S. Standard, the PRC Standard and the average performances among selected large-scale Chinese dairy farming companies. The table below sets forth comparisons between the average quality indicators of our raw milk produced in 2014, the relevant government standards and selected large-scale Chinese dairy farming companies:

Selected standards/large-scale Chinese dairy farming companies	Protein Content	Fat Content	Aerobic Plate Count	Somatic Cell Count
	(%)	(%)	(CFU/ml)	(CFU/ml)
Our Company(1)	3.3	4.2	10,000	160,000
YuanShengTai(2)	3.4	4.2	4,000	162,000
Shengmu(3)	3.3	4.1	30,000	130,000
Huishan Group(4)	3.2	4.1	50,000	200,000
Modern Dairy(5)	3.2	3.8	<20,000	<250,000
Average of Selected Large-Scale Chinese Dairy Farms(6)	3.0-3.2	3.7-3.9	200,000-250,000	300,000-400,000
EU Standard(7)	N/A	N/A	<100,000	<400,000
U.S. Standard(8)	≥3.2	≥3.5	<100,000	<750,000
PRC Standard(9)	≥2.8	≥3.1	≤2,000,000	N/A

(1) Based on our raw milk production data in 2014.
(2) Based on raw milk production data for 2012 as disclosed in its prospectus dated November 14, 2013.
(3) For its premium non-organic raw milk as disclosed in its prospectus dated June 30, 2014.
(4) Based on raw milk production data for 2012 as disclosed in its prospectus dated September 13, 2013.
(5) As disclosed in its 2013 results announcement dated March 21, 2014 and published on its official website at www.moderndairyir.com.
(6) Including 230 large-scale dairy farms selected and monitored in 2013 by the PRC National Dairy Cow Industry and Technology System (中國國家奶牛產業技術體系), a joint initiative between the MOA and the PRC Ministry of Finance to promote the development of China's dairy farming industry.
(7) See Council Directive 92/46/EEC adopted in the EU.
(8) See Grade "A" Pasteurized Milk Ordinance issued by U.S. Department of Health and Human Services.
(9) See National Food Safety Standard (GB19301—2010) of the PRC.

We believe that we can produce premium raw milk leveraging our strengths across a number of factors, primarily including: (i) the superior breed and genetic features of our dairy cows, (ii) the favorable environment where our dairy farms are located, where the climate and clean water are conducive to the health and welfare of our dairy cows, (iii) our balanced and nutritious feeds formula and modernized feeding methods, providing for the full nutrition needs of our dairy cows, (iv) our advanced milking system, which insulates raw milk from contact with the external environment to minimize the risks of tampering or contamination, and (v) our strict and comprehensive disease control system, which seeks to maintain the overall health of our dairy cows.

The target customers for our premium raw milk primarily include the dairy companies who use our premium raw milk as raw material to produce high-end liquid milk, which is then sold to consumers at a price level higher than that of mass-market dairy products. For example, our premium raw milk purchased by Mengniu and Yili can be processed into high-end liquid milk such as Mengniu's Milk Deluxe (特侖蘇) and Yili's Satine (金典).

For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the average selling price of our raw milk was approximately RMB4,509, RMB4,800, RMB4,785 and RMB4,398 per tonne, respectively. According to Frost & Sullivan, the national average selling price of raw milk in China in the first half of 2015 was approximately RMB3,438 per tonne. We believe that by producing and selling premium raw milk at superior price, we derive the following advantages:

- *Higher profit margin*. Our premium raw milk sells at superior prices compared with raw milk of average quality, generating more attractive profit margin and return.
- *Strong market demand*. According to Frost & Sullivan, China's demand for high-end liquid milk is experiencing rapid growth, which we believe will in turn lead to even stronger demand for our premium raw milk.

We enjoy a stable supply of quality feeds at efficient cost

We have an efficient cost structure for the raw milk production at our dairy farms and we believe that this is achieved primarily through our access to quality and stable supply of feeds at efficient cost. Feeds are the largest component of the cost of sales for our raw milk, representing approximately 83.5%, 78.1%, 80.1% and 83.8% of the cost of sales for raw milk before biological fair value adjustment in the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. According to Frost & Sullivan, corn silage is commonly used as one of the major components of dairy cow feeds in China. Corn silage generally contributes more than 20% of the dry matters in a milking cow's daily ration. Taking into account of the moisture content, corn silage may represent approximately half of the total weight of a milking cow's daily ration. There has been a growing shortfall in the supply of corn silage as a result of the increase in demand from the Chinese dairy farming industry in recent years, leading to gradually rising prices. According to Frost & Sullivan, the average market price of corn silage in China rose by about 69.4% on a cumulative basis from 2009 to 2014.

To ensure that we have access to quality and stable supply of feeds at efficient cost, we had leased or contracted land of approximately 37,000 mu in total for five crop farms surrounding or close to our dairy farms as of June 30, 2015 to grow feeds for our dairy cows. In 2014, corn silage produced at our Ningxia Helan Crop Farm amounted to 43,330 tonnes. Based on Frost & Sullivan's estimate, an average dairy cow typically consumes approximately 5.1 tonnes of corn silage each year. We also grow alfalfa at our Ningxia Helan Crop Farm to produce alfalfa hay as feeds for our dairy cows. By growing feeds at crop farms in the vicinity of our dairy farms, we enjoy the following competitive advantages:

- *Reducing expenditures in transporting feeds*. As our crop farms are located in the vicinity of our dairy farms, we can minimize our costs for transporting the corn silage to our dairy farms.
- *Ensuring quality of feeds*. We are well positioned to ensure the quality and nutrient content of feeds grown at our crop farms, either through our own growing activities or by directing and supervising the growing activities of third-party growers.
- *Securing stable feeds supply*. We secure stable feeds supply through binding contractual arrangements that we have entered into with third-party growers under which the growers commit to sell to us all the corn havested at our crop farms.

- *Improving cost efficiency*. We engage third-party growers to grow corn at all of our crop farms. Usually, the growers will enter into binding contractual arrangements to sell all harvested corn to us at pre-determined prices, allowing us to lock in our purchase costs at a relatively efficient level. As such, we believe we can effectively limit our exposure to market price fluctuations.

- *Reducing expenditures on cow waste treatment*. The cow waste from our dairy farms can be used as organic fertilizers after processing at our various crop farms, reducing our costs to treat and dispose of such cow waste in an environmental friendly manner.

For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our average feed costs of raw milk sold, calculated as the total feed costs accounted under our cost of sales for raw milk before biological fair value adjustment divided by the total volume of raw milk sold during each reporting period, amounted to approximately RMB2,045, RMB2,100, RMB2,181 and RMB2,008 per tonne of raw milk, respectively.

Our strategic cooperation agreements with Mengniu and Yili help secure long-term demand for our raw milk and increase certainty and reliability of our future revenue stream

On August 20, 2014, we entered into a long-term strategic cooperation agreement with Mengniu. Under the Mengniu Strategic Agreement, Mengniu is committed to purchase, and we are committed to sell, until July 31, 2024, (i) 50% of all raw milk to be produced at our Ningxia Helan Farm (including both phases I and II), (ii) all raw milk to be produced at our Liaoning Kuandian Farm (including both phases I and II) and Beijing Shunyi Farm, and (iii) all raw milk to be produced at our Shanxi Tianzhen Farm and Hebei Wen'an Farm that were under development as of June 30, 2015, provided that the raw milk produced meets quality standards prescribed by Mengniu. On September 28, 2014, we entered into another long-term strategic cooperation agreement with Yili. Under the Yili Strategic Agreement, Yili is committed to purchase, and we are committed to sell, for a period of ten years, (i) 50% of all raw milk to be produced at our Ningxia Helan Farm (including both phases I and II), and (ii) all raw milk to be produced at our Inner Mongolia Shangdu Farm (including both phases I and II), provided that the raw milk produced meets quality standards prescribed by Yili. For more details, please see the subsection headed "—Long-term Strategic Cooperation Agreements with Mengniu and Yili".

We believe that our long-term strategic cooperation agreements with Mengniu and Yili help secure demand for our raw milk and increase certainty and reliability of our future revenue stream, and allow us to derive a series of competitive advantages, primarily including:

- *Focusing on customers who place a premium on our network of dairy farms*. Mengniu and Yili are two leading dairy companies in China who target the national market and require a long-term and stable supply of premium raw milk across the country. Our network of operating dairy farms and dairy farms under our current expansion plans are strategically located in seven provinces and provincial-level cities. We believe that there is a great match between our supply and the needs of leading national dairy players such as Mengniu and Yili. By focusing our resources and attention on cooperating with Mengniu and Yili, we aim to maximize shareholders' value by catering the needs of selected customers who place a premium on our cross-regional network of dairy farms.

- *Increasing value of our customer portfolio*. Compared with regional dairy companies who may only operate in one or few regional markets, Mengniu and Yili offer greater customer equity in terms of creditworthiness, projected loyalty, and appetite for growing volume of raw milk produced. By committing to sell all raw milk to be produced at our relevant dairy farms to Mengniu and Yili, we increase the value of our customer portfolio.

- *Increased certainty of future revenue stream*. The long-term purchase commitments from Mengniu and Yili secure demand for and sales of all the raw milk which meets prescribed quality standards we will produce at our four operating dairy farms and five of the dairy farms (including second phases of certain operating dairy farms) covered under our current expansion plans for the next ten years. These arrangements increase the certainty of our future revenue stream, compared with our historical practice of entering into annual raw milk sales agreements every year during the Track Record Period.

- *Preserving potential for pricing upside*. The respective pricing scheme under the Mengniu Strategic Agreement and Yili Strategic Agreement includes a base price and top-up amounts depending on whether and the degree to which our raw milk actually delivered surpasses a pre-determined set of quality indicators. The more superior the quality of our raw milk delivered, the higher the top-up amounts. If we disagree with Mengniu's or Yili's test results and the raw milk prices under the quality-based scheme, we have the contractual right under the Mengniu Strategic Agreement and the Yili Strategic Agreement to request a re-examination by a third-party raw milk quality testing agency. The parties agree that the applicable pricing scheme shall be based on and reflect the prevailing market price, thus preserving potential for pricing upside in the event of upward market movement.

- *Providing basis for continuing investment to expand our network of dairy farms*. Our continuing investment to expand our network of dairy farms is supported by the long-term purchase commitments from Mengniu and Yili. The committed sales significantly reduce the risks involved in our planned capital expenditure to complete our current expansion plans, amounting to approximately RMB1.8 billion in total.

We focus on investing in and improving the breeds and genetic features of our dairy cows to achieve higher and sustainable productivity

As of June 30, 2015, all our dairy cows are of the Holstein breed, which ranks first among the dairy breeds in the world in terms of average milk yield per head according to Frost & Sullivan. For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our average annual milk yield per milking cow was approximately 10.0 tonnes, 9.8 tonnes, 10.8 tonnes and 11.5 tonnes per head, respectively, and our average annual milk yield per milkable cow was approximately 8.8 tonnes, 8.3 tonnes, 9.6 tonnes and 10.1 tonnes per head, respectively. According to Frost & Sullivan, the average annual milk yield per milkable cow in 2014 was approximately 5.5 tonnes in China.

We seek to balance our milk yield in the short term with sustainability over the long run. We believe that the various indices of milk yield, such as the average annual milk yield per milkable cow, shall not be pursued at the cost of sustainability. According to Frost & Sullivan, dairy cows in China generally have an average productive lifespan of three to five lactation periods and the milk yield typically reaches its peak in the third lactation period and trends downward afterwards. With our efforts in improving the breeds and genetic features of our dairy cows, our dairy cows may have more lactation periods with higher and more sustainable milk yield. For example, as of December 31, 2014, we had 426 milkable cows at Inner Mongolia Shangdu Farm (Phase I) that had already reproduced four or more times, representing approximately 37.2% of all milkable cows at that dairy farm. While this percentage results in increasing the average age of milkable cows in the farm to 64.3 months, which is much higher than such average of our entire herd, the average annual milk yield at this dairy farm remains similar to our other dairy farms.

We mainly invest in and improve the breeds and genetic features of our dairy cows in the following manner, so as to continuously improve productivity in a sustainable manner:

- *Importing heifers of quality breed from overseas as foundation cows for our dairy farms.* The foundation cows at our dairy farms are primarily heifers of documented pure-bred Holstein pedigree imported from Australia or New Zealand. According to Frost & Sullivan, Holsteins rank first among the dairy breeds in the world in terms of average milk yield per head. In addition, Holsteins demonstrate strong adaptability to a wide range of climate and environment conditions. Within the Holstein pedigree, we focus on selecting individuals with favorable features. Leveraging our experience and know-how from importing dairy cows under our import trading business, we evaluate the physical attributes, health condition and pedigree of candidate heifers and select the heifers based on features usually correlated with high milk yield and reproductive capability. We believe that importing heifers of quality breed as foundation cows for our dairy farms can help us to effectively improve the genetic features and productivity of our dairy cows.

- *Leveraging genetic progress of dairy herds overseas to improve genetic features of our daily herd.* Our systematic breeding efforts focus on continuous improvement of the genetic features of our dairy herd that are conducive to producing premium raw milk, setting us apart from other dairy farming companies who focus on high raw milk productivity in terms of volume at the expense of quality. We adopt systematic breeding management measures to continually improve the genetic features of our dairy cows, primarily including (i) formulating and adjusting breeding plan for each dairy cow according to its physical attributes, pedigree, age, and historical breeding record, (ii) adopting artificial insemination technology using frozen semen, imported from the United States, Canada or Germany, from bulls selected on the basis of predicted transmitting ability of their superior genetic features, and (iii) employing sex-sorted frozen semen to increase the proportion of female calves born. Particularly, we endeavor to purchase semen from sires that are selected using genome sequencing technology overseas, which we believe allows us to identify sires with favorable genetic features in a time-efficient manner and thus leverage the recent genetic progress of dairy herds of the overseas dairy farming industry. By systematically breeding and raising reserve cows at our dairy farms, we can exercise effective control over the genetic compositions of our dairy herd, reduce the additional expenditures and risks of external disease involved in purchasing replacement cows, and ultimately achieve self-sustainability of our dairy herd by breeding sufficient number of foundation cows for our new dairy farms. We believe that the success of our systematic breeding efforts can be demonstrated partly by the price premium commanded by our reproduced heifers/calves compared with the imported dairy cows sold by our import trading business during the same periods.

- *Modernizing herd management system by leveraging international expertise.* We leverage the advanced skills and methods of international peers to modernize our herd management system. In February 2014, we commenced to seek technical consulting advice from Cargill, an internationally renowned conglomerate, who had been providing comprehensive technical advisory services in relation to various aspects of our herd management system, such as measuring feeds nutrition, formulating daily ration formula, assessing dairy herd's health condition, and evaluating records of milk production and reproduction.

- *Technical innovation and research capacity as the foundation for sustainable productivity growth.* We are committed to improve the productivity of our dairy farms through sustainable technical innovation. For example, we cooperated with China Agricultural University (中國農業大學) and Institute of Animal Science of CAAS (北京市畜牧獸醫研究所), respectively, with respect to certain research and development projects to improve productivity of dairy cows in 2013. Our research and development projects have received a series of accolades in recognition of their technical progress and wide applicability, such as the First Class Prize for Promotion of Science and Technology issued by Chinese Ministry of Education (中國教育部科技推廣一等獎), the First Class Prize for Agricultural Science and Technology Award issued by the MOA (農業部中華農業科技獎一等獎) and the Second Class Prize for National Science and Technology Progress Award (國家科技進步二等獎).

We have an experienced and professional management team, focusing on the sustainable growth of our business

Our management team comprises experienced and professional team members. Mr. Zhang Jianshe (張建設), our Chairman, has worked for our Group for more than 12 years. Mr. Zhang Jianshe serves as a vice president of China Animal Agriculture Association (中國畜牧業協會), reflecting the breadth and depth of his network in the PRC animal husbandry industry. In 2013, Mr. Zhang Jianshe was awarded the title "Outstanding Entrepreneur of the Year 2012-2013" ("2012-2013年度優秀企業家") by the Agricultural Industrialization Branch of China Agricultural Society (中國農學會農業產業化分會), in recognition of his contribution to the development of the PRC dairy industry. Mr. Zhang Kaizhan (張開展), our executive Director and general manager, has worked for our Group for more than eight years and has more than 27 years of experience in the animal husbandry industry. Mr. Zhang Kaizhan also serves as an executive director of China Animal Agriculture Association (中國畜牧業協會), an executive director of Dairy Association of China (中國奶業協會) and an executive director of the Pig Industry Branch of China Animal Agriculture Association (中國畜牧業協會豬業分會). Mr. Song Naishe (宋乃社), our deputy manager, has more than 26 years of experience in the dairy industry, and has worked for our Group for more than seven years. Mr. Song Naishe has published numerous articles about dairy farm operations on various academic journals in the PRC. We believe that our professional management team with extensive experience will help us to seize upon the growth opportunities in China's dairy industry.

Our management team endeavors to promote technology innovation in our dairy farming business by leveraging the research capacity of leading third-party research institutions in China. Working with the National Dairy Industry and Technology System (國家奶牛產業技術體系), which is a research and development initiative jointly set up by the MOA and Ministry of Finance to promote the development of China's dairy farming industry, we have established at our Beijing Shunyi Farm the National Dairy Research & Development Center Experimental Base (國家奶牛產業技術研發中心試驗基地). Beijing Shunyi Farm is also designated as the Feed and Feed Additive Effectiveness Evaluation Base (飼料和飼料添加劑有效性評價基地) by the MOA, the Graduate Education and Science & Technology Innovation Base (研究生培養與科技創新實踐基地) by China Agricultural University, and a Standardization Model Dairy Farm (奶牛標準化示範牧場) by the MOA. In addition, we cooperate with the Sino-Dutch Dairy Development Center (中荷奶業發展中心) in research and innovation by designating our Beijing Shunyi Experimental Base Farm, which is part of our Beijing Shunyi Farm, as the Dutch Dairy Expertise Center. We are also actively involved in the Sino-German Livestock Cooperation Project, an initiative led by BMEL (德意志聯邦共和國食品和農業部) and the MOA (中華人民共和國農業部) that aimed at introducing advanced livestock management technology from Germany to China. By cooperating with various leading third-party research institutions, we are able to access advanced dairy farming technology and apply it in our operations. For example, we installed a roughage intake control (RIC) feeding system at our Beijing Shunyi Farm in 2012 as part of a research project, which was specially designed to monitor and influence the individual feed intake behavior of the dairy cows that were test subjects. Under the research project, each dairy cow has access to a dedicated feeder based on its own identity, and the RIC management software records the exact feeding time, duration and feed intake for each dairy cow. The resulting data provides the basis for further comprehensive analysis and research in relation to our feeding management.

Our management team has an international perspective. We have selected outstanding technical personnel from our dairy farms to participate in training overseas. We have also invited international industry experts of the dairy industry to come to China for presentations and seminars. For example, we set up a World Wide (China) Dairy Management Training Center (環球(中國)奶業管理培訓中心) in cooperation with a Chinese subsidiary of World Wide Sires, Ltd., the world's leading cattle genetics marketing organization, in March 2012, to facilitate training in and applications of advanced dairy farming technologies. We have also engaged international experts of the dairy industry to advise us on evaluating and updating our operation technology and processes. For example, in February 2014, Cargill commenced providing to us comprehensive technical advisory services, enabling us to leverage its world-class expertise in dairy farming to improve our operational efficiency. Lastly, we import advanced production equipment from abroad, such as the mixer-blender used for feeding total mixed rations to our dairy cows, to improve the automation level and reduce labor costs at our dairy farms.

OUR STRATEGIES

We intend to continue expanding our operation scale, and ultimately become one of the largest dairy farming companies in China, producing premium and safe raw milk. To achieve this objective, we plan to implement the following strategies:

Continue to expand existing and develop new dairy farms

As of June 30, 2015, we were developing (i) the second phases of two of our four operating dairy farms, namely the Inner Mongolia Shangdu Farm (Phase II) and the Ningxia Helan Farm (Phase II) and (ii) two new dairy farms, namely the Shanxi Tianzhen Farm and the Hebei Wen'an Farm. In addition, we were in the process of converting our Tianjin Import Quarantine Farm into a new dairy farm, the Tianjin Farm. We intend to commence developing the second phase of our operating Liaoning Kuandian Farm by the second quarter of 2016. Upon completion of our current expansion plans, the total size of our dairy farms is expected to be approximately 12,220 mu, representing a 127.9% increase in total size compared to the current size of 5,354 mu of our four operating dairy farms as of June 30, 2015; we will own and operate seven dairy farms in total, with an aggregate designed capacity for raising approximately 71,413 heads of dairy cows, representing an increase of 205.2% from the current aggregate capacity for raising 23,400 heads of dairy cows at our four operating dairy farms. Furthermore, we are constantly exploring other potential expansion projects for our dairy farming business. For example, we are currently exploring potential opportunities to develop new dairy farms in northern China and other regions such as Gansu Province. For more details about our expansion, please see the subsection headed "—Our Production Facilities—Expansion Plan".

Combining our scalable operating model for dairy farms with our ability to import large number of quality dairy cows, we intend to fast track the development of dairy farms under our expansion plans and the eventual commercial milk production. Our Inner Mongolia Shangdu Farm (Phase II), Ningxia Helan Farm (Phase II) and Shanxi Tianzhen Farm commenced production in July 2015, August 2015 and August 2015, respectively, and such dairy farms are ramping up their production to reach full-scale operation. We currently expect the second phase of our Liaoning Kuandian Farm to commence commercial milk production in the fourth quarter of 2017, and our Hebei Wen'an Farm and Tianjin Farm to commence commercial milk production in the fourth quarter of 2015 and the second quarter of 2017 or later[(1)], respectively.

Our strong pipeline of dairy farms under expansion plans provides us the platform to achieve significant growth in terms of our operating scale and market share in the near future. With a larger operating scale and market share, we believe that we could maximize our competitive advantages with respect to breeding technology and herd management, improve our profit margin, and eventually solidify our position in the dairy farming industry in China. With an expanded network of dairy farms covering major dairy farming regions in China, we could increase penetration into our target markets and raise market awareness of our products throughout the country.

Pursue opportunities to expand into downstream processing operations of the dairy industry value chain

We intend to pursue opportunities to expand into the downstream processing operations of the dairy industry value chain, while taking into consideration of the amount of capital required, the supply and demand dynamic of the PRC dairy products and maturity of our dairy farming business. Taking advantage of our dairy farming business production of premium raw milk, we currently expect to focus on fresh milk and yogurt in our future downstream dairy operations, which we believe, compared with other dairy products such as UHT milk, have more promising market prospects in China and place more stringent requirements on the quality of raw milk. We expect to use the premium raw milk that our upstream dairy farming business produces and is not sold to Mengniu or Yili to process into fresh milk and yogurt. We may choose to invest in and establish downstream operations independently, or cooperate with third parties in the form of joint ventures, through which we could leverage the resources provided by such third parties, such as strong marketing capability, mature distribution channels and strong financial backings.

On October 15, 2014, we entered into a non-binding, non-exclusive letter of intent with S.F. Express Co., Ltd. (順豐速運有限公司) ("**SF Express**"), a Chinese delivery services company, with respect to possible cooperation in fresh milk and yogurt production and distribution projects. SF Express is under common control with our Series B Investor. Under the letter of intent, we intend to process the premium raw milk that our dairy farms produce and are not sold to Mengniu or Yili into fresh milk and yogurt, which SF Express intends to market, sell and distribute by leveraging its extensive cold chain logistics network in China, e-commerce platforms such as SF Best (順豐優選) at

(1) The management will decide the timing of commercial production for our Tianjin Farm based on market conditions and our business prospects. We believe that the earliest time for commercial production to commence at our Tianjin Farm will be the second quarter of 2017.

www.sfbest.com, and/or other distribution channels such as Heike Stores (順豐嘿客), an online shopping service community store network across China. The fresh milk and yogurt are expected to be marketed and sold under consumer brand owned by us. Both parties intend to further negotiate specifics of the expected cooperation, which are expected to be incorporated in a binding cooperation agreement to be executed by both parties.

We may also consider acquiring at the opportune time regional downstream dairy processors in China that are potentially competitive, so that we can achieve accelerated growth in scale in our future downstream dairy operations.

We believe that if we expand into the downstream dairy operations, we can unlock the full value of the premium raw milk produced by our upstream dairy farming business. By combining downstream processing with upstream dairy farming, we would be in a position to provide quality and safe dairy products to consumers and improve our degree of integration. We believe that a vertically integrated business will help us further improve our profitability and eventually maximize shareholders' returns.

As of the Latest Practicable Date, we did not have any definitive timetable for expanding into the downstream processing operations of the dairy industry value chain. Please see the section headed "Risk Factors — Risks Relating to Our Business — We may face challenges and incur additional costs if we expand into the downstream dairy products market in the future" in this prospectus.

Continue to improve operational efficiency of our dairy farms

We intend to continue to improve the overall operating efficiency of our dairy farms mainly through the following aspects:

- *Promoting sustainable genetic progress of our dairy cows*. We intend to continue adopting systematic breeding management measures to improve the genetic features of our dairy cows. For example, when purchasing frozen semen imported from the U.S., Canada or Germany, we will require the semen suppliers to provide data from testing genetic feature of the sires using genome sequencing technology. Genome sequencing technology enables us to assess the transmitting ability of the superior genetic features of a sire at a relative young age.

- *Improving efficiency of feed management*. We intend to continue to feed nutritious and balanced ration to our dairy cows by maintaining and improving on the following measures: (i) continuing to engage international experts to advise us on feed management, (ii) continuing to group our dairy cows to feed them different rations, according to their age, lactation stage, milk yield, nutrition needs and other relevant factors, and (iii) continuing to feed our dairy cows total mixed rations.

- *Expanding participation in the Dairy Herd Improvement project*. Our Beijing Shunyi Farm and Ningxia Helan Farm currently participate in the Dairy Herd Improvement (DHI) project that is run by Dairy Data Center of China (中國奶牛數據中心) under the Dairy Association of China (中國奶業協會). We regularly deliver raw milk samples of each milking cow from our participating dairy farms to Dairy Data Center of China for analysis and inspection. The resulting data will then be entered into our farm management software system, Dairy Comp 305, guiding our herd management team information with respect to feeding, breeding, milking, disease control and culling. Our participation in the DHI project helps us to improve our herd management in a scientific and systematic manner. We intend to gradually require all of our dairy farms to participate in the DHI project.

Seek to establish additional new crop farms and further improve yield and efficiency of our crop farms

To ensure the quality and stable supply of feeds at efficient cost, we had leased crop land of approximately 37,000 mu in total as of June 30, 2015 for our five crop farms, namely Inner Mongolia Shangdu Crop Farm, Beijing Shunyi Crop Farm, Ningxia Helan Crop Farm, Hebei Wen'an Crop Farm and Tianjin Crop Farm, to grow corn and alfalfa as feeds for our dairy cows.

We will seek to lease additional sizable parcels of crop land in the vicinity of our dairy farms to grow feeds as a stable and cost-efficient source of feeds for dairy cows. We are currently exploring potential projects of establishing new crop farms in Gansu Province. As of the Latest Practicable Date, we have not commenced developing any of the potential projects for new crop farms. There is no definitive timetable or budget for establishment of new crop farms nor is there any guarantee that development for any new crop farm will commence at all.

We will seek to optimize the operating efficiency of our crop farms and further improve the yield of the crops grown at our crop farms. For example, we intend to adjust our timing for sowing according to the features of local climate, further improve the irrigation at our crop farms and strengthen operation management at the crop farms.

As we continue to develop new dairy farms, we will endeavor to select locations with sizable parcels of crop land in the vicinity as the sites for our new dairy farms. We intend to continue to remain flexible in terms of whether to engage third-party growers to grow feeds on our new crop farms, considering various factors such as (i) costs involved compared with deploying our employees to grow the feeds, (ii) the local know-how of the third-party growers with respect to the local climate, soil composition and other environment conditions, and (iii) the relationship with local communities.

OUR BUSINESS OPERATIONS

Our business operations primarily comprise of two segments: (i) a dairy farming business that primarily produces and sells raw milk, and (ii) an import trading business that primarily imports cows, alfalfa hay, live poultry, breeding stock and other animal husbandry-related products such as frozen bull semen.

Dairy Farming Business

General

We are a dairy farming company producing and selling premium raw milk in China. Our dairy farming business is primarily engaged in feeding, breeding and milking the dairy cows and selling raw milk primarily to industrial customers, who further process the raw milk into high-end liquid milk such as UHT milk, fresh milk and yogurt.

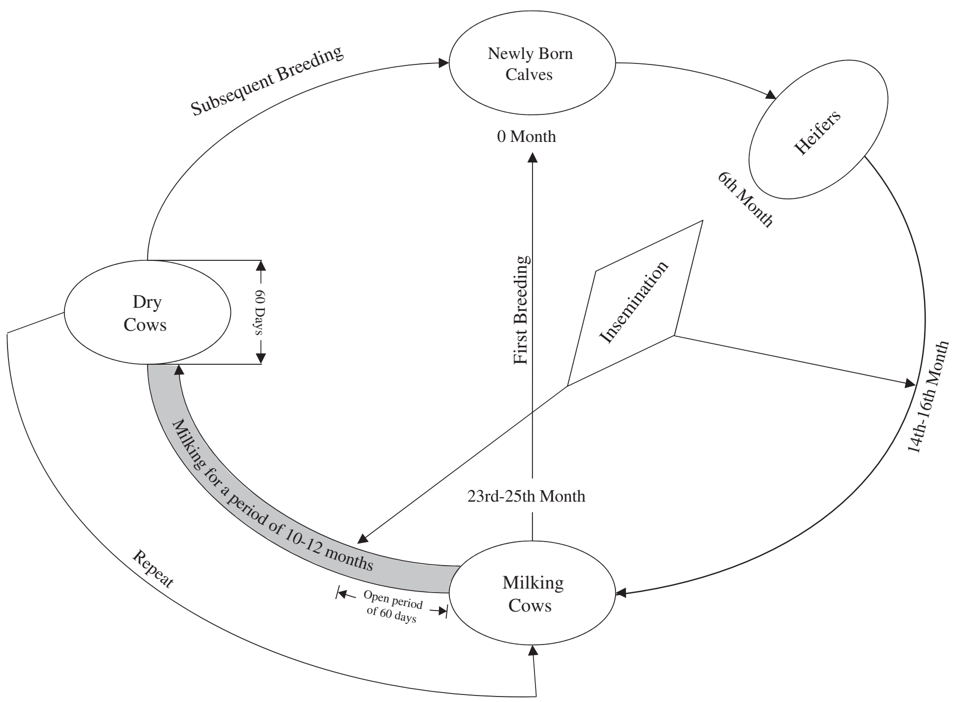
As of June 30, 2015, we operated four dairy farms located strategically across the northern, northeastern and northwestern China, with 37,160 dairy cows in total. All our dairy cows are of Holstein breed, which ranks first among the dairy breeds in the world in terms of average milk yield per head according to Frost & Sullivan. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our average annual milk yield per milking cow reached approximately 10.0 tonnes, 9.8 tonnes, 10.8 tonnes and 11.5 tonnes per milking cow, respectively, and our average annual milk yield per milkable cow was approximately 8.8 tonnes, 8.3 tonnes, 9.6 tonnes and 10.1 tonnes per head, respectively. The foundation cows at our dairy farms are primarily high quality heifers with documented pure-bred Holstein pedigrees, and are imported from Australia or New Zealand. We inseminate the heifers using frozen semen imported from the U.S., Canada and Germany to achieve genetic improvement of our herd.

Our dairy cows consist of (i) milkable cows, including milking cows and dry cows, (ii) heifers and calves, and (iii) reproduced heifers/calves born at our dairy farms that we intend to sell to third parties or to dairy farms of our Group, which are therefore classified as cows held for sale. The table below sets forth the total number, breakdown and other related information of our dairy cows on the dates indicated.

	Number of Dairy Cows			
	Milkable Cows	Heifers and calves	Reproduced heifers/calves held for sale	Total
			(head)	
As of December 31,				
2012	3,813	1,809	1,800	7,422
2013	5,143	6,429	131	11,703
2014	8,671	19,311	500	28,482
As of June 30,				
2015	10,374	26,286	500	37,160

Life Cycle of Dairy Cows

The average life expectancy for dairy cows at our dairy farms is approximately seven years from their birth to the time they are culled. The diagram below illustrates the life cycle of our dairy cows.



- *Calves*. Calves generally refer to cows under the age of six months. We generally sell all male calves as beef cows immediately after birth, and only female calves are kept as additions to our dairy herd.

- *Heifers*. Heifers generally include dairy cows aged not less than six months until giving births for the first time, which typically happens around the age of 23-25 months. We normally inseminate our female calves during the age of 14th-16th months, and the pregnancy period typically lasts approximately nine months.

- *Milking cows*. After giving birth for the first time, a heifer is milked immediately and will therefore become a milking cow. Before approximately 60 days have passed after it has given birth, we will not artificially inseminate the milking cow again. This period of suspending insemination is commonly called as “open period”.

- *Lactation period and dry period*. A milking cow generally secretes and produces milk for a period of 305 to 340 days, which is referred to as the “lactation period”. We generally stop milking a pregnant milking cow approximately 60 days ahead of the projected date of calving, generally referred to as the “dry period”.

- *Culling*. Dairy cows with low milk production, reproduction problems, diseases, udder problems or other problems are culled from the dairy herd.

Products of Dairy Farming Business

Raw Milk

We are dedicated to the production of premium quality raw milk, which we sell primarily to industrial customers, who further process the raw milk into high-end liquid milk such as UHT milk, fresh milk and yogurt. The premium quality of our raw milk can be demonstrated by a series of key quality indicators. The table below sets forth comparisons of such key quality indicators between our premium raw milk, raw milk produced by other leading producers and certain national or industrial standards:

Selected standards/large-scale Chinese dairy farming companies	**Protein Content**	**Fat Content**	**Aerobic Plate Count**	**Somatic Cell Count**
	(%)	**(%)**	**(CFU/ml)**	**(CFU/ml)**
Our Company(1)	3.3	4.2	10,000	160,000
YuanShengTai(2)	3.4	4.2	4,000	162,000
Shengmu(3)	3.3	4.1	30,000	130,000
Huishan Group(4)	3.2	4.1	50,000	200,000
Modern Dairy(5)	3.2	3.8	<20,000	<250,000
Average of Selected Large-Scale Chinese Dairy Farms(6)	3.0-3.2	3.7-3.9	200,000-250,000	300,000-400,000
EU Standard(7)	N/A	N/A	<100,000	<400,000
U.S. Standard(8)	≥3.2	≥3.5	<100,000	<750,000
PRC Standard(9)	≥2.8	≥3.1	≤2,000,000	N/A

(1) Based on our raw milk production data in 2014.

(2) Based on raw milk production data for 2012 as disclosed in its prospectus dated November 14, 2013.
(3) For its premium non-organic raw milk as disclosed in its prospectus dated June 30, 2014.
(4) Based on raw milk production data for 2012 as disclosed in its prospectus dated September 13, 2013.
(5) As disclosed in its 2013 results announcement dated March 21, 2014 and published on its official website at www.moderndairyir.com.
(6) Including 230 large-scale dairy farms selected and monitored in 2013 by the PRC National Dairy Cow Industry and Technology System (中國國家奶牛產業技術體系), a joint initiative between the MOA and the PRC Ministry of Finance to promote the development of China's dairy farming industry.
(7) See Council Directive 92/46/EEC adopted in the EU.
(8) See Grade "A" Pasteurized Milk Ordinance issued by U.S. Department of Health and Human Services.
(9) See National Food Safety Standard (GB19301—2010) of the PRC.

Due to the premium quality of our raw milk, we have been able to sell it at premium prices. The table below sets forth the sales volume, revenues, and average selling prices of our raw milk during the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Sales volume (tonnes)	32,083	30,637	63,099	31,254	41,057
Revenue (RMB, million)	144.7	147.1	301.9	153.5	180.6
Average selling price (RMB per tonne)	4,509	4,800	4,785	4,911	4,398

According to Frost & Sullivan, the national average selling price of raw milk in China in the first half of 2015 was approximately RMB3,438 per tonne. The average selling price of our raw milk over the same period represented a premium of 27.9% above the national average selling price.

Reproduced Heifers/Calves

To take advantage of particularly attractive price points in the domestic dairy cows market, our dairy farming business also sells some of the dairy cows that are born at our dairy farms. Based on the annual budget and business plan for the next year, our management determines the number of reproduced heifers that will be held on our dairy farms or sold to third party customers in the next year. These reproduced heifers are classified as dairy cows held for sale and included in our Group's current assets.

The table below sets forth the number of reproduced heifers/calves sold, revenue generated and average selling price per head for the reproduced heifers/calves sold during the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Reproduced heifers/calves sold (head)	270	1,800	325	—	—
Revenue generated (RMB'000)	6,156	35,682	6,488	—	—
Average selling price per head (RMB)	22,800	19,823	19,963	—	—

During the Track Record Period, the reproduced heifers/calves born at our dairy farms generally commanded higher average selling prices than those for the imported dairy cows sold under our import trading business. We believe that the robust selling prices for our reproduced heifers/calves demonstrate, among other things, (i) the efficiency and quality of the breeding programs for our dairy cows, (ii) perceived superior adaptability of our reproduced heifers/calves to the local environment in China compared with cows imported from Australia or New Zealand, and (iii) convenient and fast transaction process for the buyers purchasing our reproduced heifers/calves compared with purchasing imported dairy cows, which typically takes seven months to complete.

We adopt a prudent and balanced approach as to the particular number, if any, of the reproduced heifers/calves to be sold in a given period, considering a variety of factors such as (i) our dairy farms' demand for reserve cows to replace culled dairy cows, (ii) existing and forecast capacity to raise dairy cows at our dairy farms, (iii) prevailing and forecast market price for dairy cows, (iv) present value of expected returns from future raw milk production over the reproduced heifers/calves' lifetimes, (v) time and resources required to continue raising the reproduced heifers/calves, and (vi) expected availability of additional female calves to be born at our dairy farms.

As we continue to expand the scale of operations for our dairy farming business, we expect to balance sales of reproduced heifers/calves with the increasing internal demand of our dairy farms to keep the reproduced heifers/calves as reserve cows and replace the culled cows of our expanding dairy herd.

For discussions about the historical fluctuations in the number of reproduced heifers/calves sold during the Track Record Period, please see the section headed "Financial Information—Key Factors Affecting Our Results of Operations and Financial Condition—Reproduced Heifers/Calves Sold to Customers" in this prospectus.

Import Trading Business

General

We commenced our import trading business in 2010. Prior to September 2010, SinoFarm Group, a connected person of our Company beneficially owned by our three Directors, Mr. Zhang Jianshe, Mr. Liu Dai and Mr. Zhang Kaizhan, owned and operated (i) a seed business to develop, produce and sell agricultural seeds, and (ii) an import trading business primarily importing dairy cows and other animal husbandry-related products. In order to expand our dairy farming business and having considered the potential benefits of integrating the import trading business with our dairy farming business, our Ultimate Controlling Shareholders began realigning the different lines of businesses under their control, with a view to merge the import trading business with our Group's dairy farming business. Accordingly, customer orders received by SinoFarm Group's import trading business had gradually been diverted to our Group while we began soliciting and accepting customer orders for import trading since April 2010. SinoFarm Group had ceased to operate in the import trading business since September 2010. We believe that many of our competitive strengths are attributable to the merging of the import trading business with our Group's dairy farming business. For more details, please see the section headed "History, Development and Reorganization — Our History and Development" in this prospectus.

During the Track Record Period, we imported heifers from Australia and New Zealand for both our import trading business and our daily farming business. We classify imported heifers as cows held for our dairy farming business if there is no corresponding transaction agreement entered into with our customers under our import trading business.

We conduct our import trading business under two distinctive business models, principal trading and agency services:

- *Principal trading*. Under the principal trading model, we primarily import cows and alfalfa hay into China as principal and sell such products to our customers. During the Track Record Period, most of the cows we imported were dairy cows and we also imported a small portion of beef cows. We earn any premium charged over the import price as our return. We enter into a supply agreement with the overseas supplier and a sales agreement with our customer, acting as a principal in both agreements. Ownership of the imported cows and alfalfa hay will pass to us when we purchase from our overseas suppliers. After quarantine inspection, feeding or warehousing, we then pass the ownership of such products to our customers when we re-sell the imported goods in China. Particularly, the risks and rewards of ownership of the imported cows will pass to us from the overseas supplier when the cows pass the ship's rails at the destination port. We then pass the same risks and rewards of ownership to our principal trading customers at the time when the cows are delivered to and accepted by our customers.

- *Agency services*. Under our agency services model, we primarily import live poultry, breeding stock and other animal husbandry-related products such as frozen semen of farm animals as agent of our customers in China. As our customer's agent, we execute the customer's order by finding a potential overseas supplier who is willing to enter into and perform the transaction, and as agent, we help our customer enforce the transaction on behalf of our customer until the imported goods are delivered to the customer. We enter into a tripartite agreement with the overseas supplier and our customer with respect to the import transaction. We charge the customer a commission for acting as its agent in finding a willing supplier and enforcing the transaction. Ownership of the imported goods passes directly from the overseas supplier to our customer. We are not liable for any risks or defects in relation to the imported goods.

The table below sets forth the breakdown of our revenue from import trading business by business model during the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	(RMB'000, except percentages)									
							(unaudited)			
Principal trading	248,321	97.0%	120,945	95.8%	408,254	98.8%	178,524	99.6%	48,971	99.4%
Agency services	7,734	3.0%	5,364	4.2%	4,875	1.2%	770	0.4%	312	0.6%
Total	256,055	100.0%	126,309	100.0%	413,129	100.0%	179,294	100.0%	49,283	100.0%

A substantial majority of our import trading business by value was conducted under the principal trading model during the Track Record Period and up to the Latest Practicable Date. Compared with the agency services model, we believe that the principal trading model generally allows us to maximize our revenue and profit from the import trading business, primarily reflecting (i) the additional value-added services that we usually offer in a principal trading transaction, such as providing our import quarantine farms to house the imported cows during the period of import quarantine inspection, feeding the imported cows at the import quarantine farms, and arranging transportation to deliver the imported cows from the import quarantine farms to the customers and (ii) the additional risks associated with the imported goods that we take on for a principal trading transaction, which can be passed on to the customer only after delivery of the imported goods. In an agency services transaction, we may only participate in the import process up until unloading of the imported goods at the Chinese destination port and we do not take on any risk in relation to the imported goods.

Principal Trading

We primarily import and sell cows and alfalfa hay as feeds under the principal trading model. The table below sets forth the breakdown of our revenue from principal trading by traded goods during the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Principal trading					
Cows	227,939	114,630	401,545	177,938	40,793
Alfalfa hay	20,382	6,315	6,709	586	8,178
Total	248,321	120,945	408,254	178,524	48,971

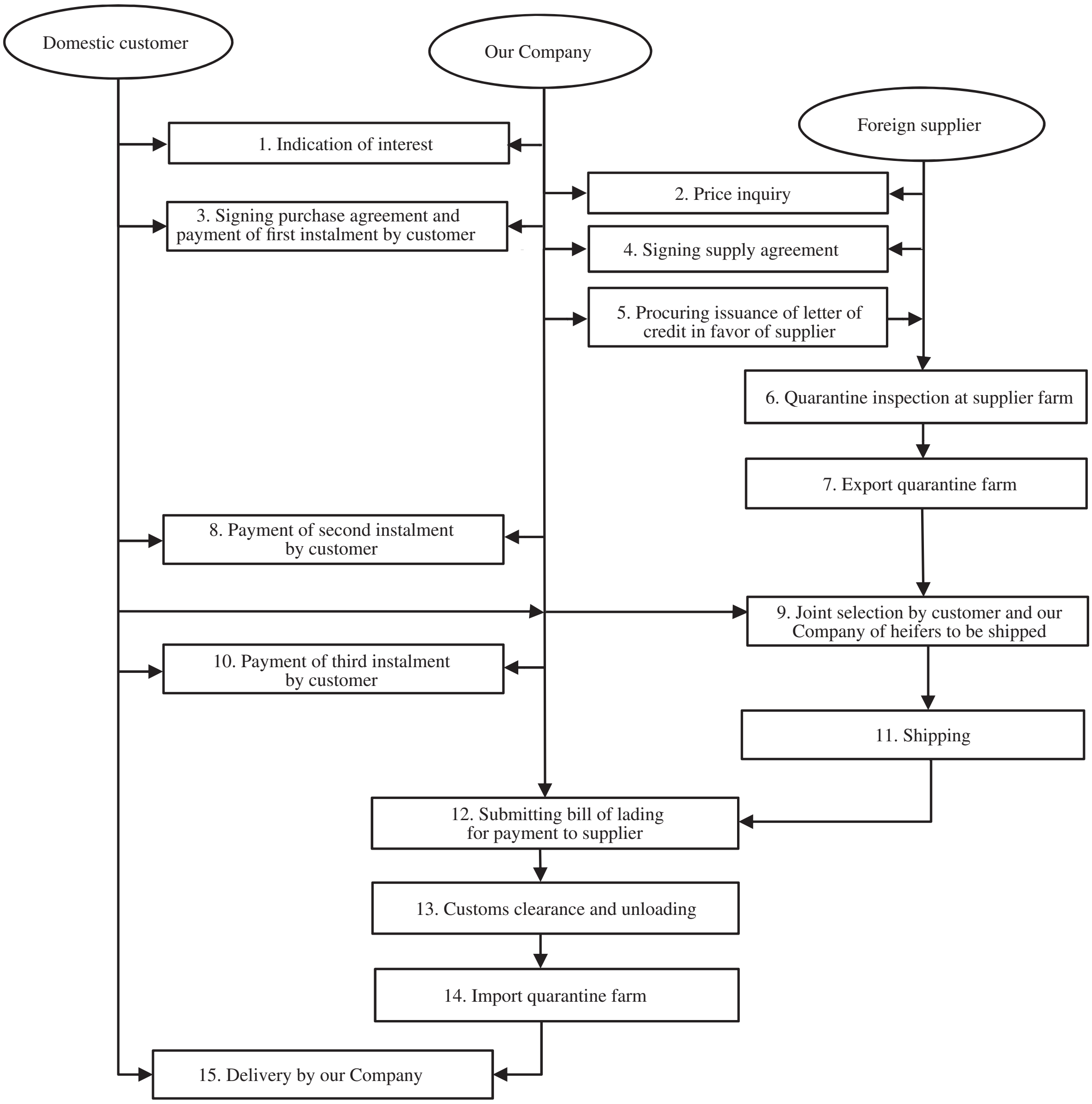
Material Adverse Change Relating to Our Import Trading Business

The performance of our import trading business in the first half of 2015 was impacted by significant declines in raw milk prices in China since March 2014. Revenue from our import trading business decreased by 72.5% from RMB179.3 million in the first half of 2014 to RMB49.3 million in the first half of 2015 as the number of orders for dairy cows decreased significantly. Due to the lead time for delivery of imported cows, the 4,600 cows orders we received from our customers this year are only expected to be delivered by January 2016 with the revenue recognized in the same period. As such, we do not expect any further revenue from the import trading of cows in the second half of 2015. In light of this, we expect our revenue from our import trading business for the year ending December 31, 2015 to be substantially lower than that for the year ended December 31, 2014. For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the average selling price of our imported cows delivered in each reporting period was approximately RMB22,356, RMB20,199, RMB18,385 and RMB24,950 per head, respectively, generally in line with the market trends.

Dairy cows

During the Track Record Period and up to the Latest Practicable Date, we have imported and sold nearly all dairy cows under the principal trading model. Nearly all dairy cows that we imported during the Track Record Period were heifers from Australia and New Zealand. Our customers for imported dairy cows primarily include third-party dairy farms in China. Our dairy farming business also purchases dairy cows imported by our import trading business as foundation cows for our dairy farms. Such purchases by our dairy farming business are eliminated as inter-segmental sales in our Group's revenue. For more details, please see the section headed "Financial Information—Description of Certain Income Statement Items—Revenue" in this prospectus.

A typical transaction of import and sale of dairy cows takes approximately seven months to complete, comprising multiple steps and procedures. An individual transaction may take longer or shorter than seven months depending on factors such as availability of supply, capacities of our import quarantine farms, and subsequent amendments to our initial agreements, if any. The following diagram illustrates the key steps involved in a typical transaction.



- *Executing transaction agreements.* After receiving an indication of interest for potential orders to import dairy cows, we conduct price inquiry with our long-term dairy cow suppliers in Australia and New Zealand. If a potential customer is satisfied with the price and other sales terms, the customer will enter into a purchase and sale agreement with us, and pay us the first instalment of purchase price shortly thereafter. After executing the purchase and sale agreement, we will enter into a supply agreement with the foreign supplier to import the dairy cows. Furthermore, we will procure the issuance of a letter of credit in favor of the supplier with a face value of the full consideration under the supply agreement.

- *Identifying candidate dairy cows and quarantine inspections in supplier country*. Upon receipt of the letter of credit, the supplier will commence identifying candidate dairy cows from their dairy herds based on agreed criteria such as age, pedigree, milk yield of the dairy cow's female parent, physical features and health conditions. The GAQSIQ will then dispatch an official veterinarian to travel to the supplier country and conduct quarantine inspection of the candidate dairy cows at the supplier farm, in accordance with the relevant protocols on quarantine and health requirements agreed upon between the PRC AQSIQ and Australia or New Zealand authorities. Such onsite quarantine inspection generally takes 15 to 30 days, depending on the number of candidate dairy cows. Dairy cows passing the inspection will be moved to an export quarantine farm sanctioned by the supplier country for quarantine inspection for 30 days, depending on the applicable law and quarantine protocols at the supplier country.

- *Selecting heifers*. After the customer has paid us the second instalment of the purchase price, our technical staff and customer representative travel to the supplier country and jointly select the dairy cows at the export quarantine farm. We endeavor to select cows that can produce large quantities of premium quality milk for a sustained period of time. According to Frost & Sullivan, the physical appearance of a dairy cow is a key indicator of its milk yield, and a cow with certain physical appearance of its legs, withers, neck and skin usually produces more milk for a longer period of time. We believe that our long-term experience in importing dairy cows into China provides us valuable know-how and expertise in selecting the most productive dairy cows.

- *Shipping and customs clearance*. After the dairy cows have been selected for shipment and pass the quarantine inspection at the export quarantine farm, the customer pays us the third instalment of purchase price. The selected dairy cows are then loaded onto a specialized cargo vessel to be transported to China via sea, which is generally arranged by the supplier. Upon loading, the supplier will submit the bill of lading to the relevant advising bank for full payment of the consideration. The sea voyage from Australia or New Zealand to China generally takes approximately 15 to 18 days. During the sea voyage, the dairy cows are fed by specialists of the supplier with feedings carried on the ship. Titles and related expenditures and risks in relation to the dairy cows transfer from the supplier to our Company when the cows pass the ship's rail at the destination port.

- *Import quarantine inspection*. Upon arrival at the destination port in China, we go through the customs clearance and the dairy cows are unloaded and moved to one of our import quarantine farms near the port. The dairy cows will stay at the import quarantine farm for 45 days in accordance with the applicable PRC laws. We feed total mixed rations to the dairy cows at the import quarantine farm using modernized machinery.

- *Delivery*. The dairy cows that have passed the quarantine inspection by PRC AQSIQ at the import quarantine farm will be delivered via trucks to the dairy farm designated by the customer. We are generally responsible for arranging the delivery transportation. The customer inspects the delivered cows and accepts the dairy cows that satisfy the quality requirements under the purchase and sale agreement. If the actual number of dairy cows accepted by the customer is different from what is set forth in the original purchase and sale agreement, we and the customer will settle the portion of the purchase price corresponding to the variation shortly after delivery and acceptance.

We record revenue from import and sale of dairy cows upon delivery to and acceptance by the customers. The dairy cows for which we have entered into sales and purchases agreements with the customers during a given reporting period will not be counted as dairy cows sold during the same period, until such cows have been delivered to and accepted by the customers. Since our customers usually pay up the full purchase price more than two months before the delivery of the goods, we record such payments as advance payments from customers during the interim. During the Track Record Period, we also imported and sold a small portion of beef cows in transaction procedures that are similar to the import and sales of dairy cows. For more details, please see the section headed "Financial Information—Certain Statement of Financial Position Items—Trade and Other Payables" in this prospectus.

Alfalfa hay

Our principal trading activities also include importing alfalfa hay from the U.S. and then selling to third-party dairy farms in China. Our dairy farming business also purchases alfalfa hay imported by our import trading business as feeds for our dairy cows. Such purchases are eliminated as inter-segmental sales in our Group's revenue. For more details, please see the section headed "Financial Information—Description of Certain Income Statement Items—Revenue" in this prospectus.

A typical transaction for import and sale of alfalfa hay commences with indication of interests from a potential customer. After the customer enters into purchase agreement with us, we enter into a supply agreement with the foreign supplier. The imported alfalfa hay is transported from the U.S. to China via sea, which generally takes between 20 to 30 days. Titles and related expenditures and risks in relation to the alfalfa hay transfer from the supplier to our Company when the alfalfa hay passes the ship's rail at the destination port. We generally use the payment method of documents against payment (D/P), which requires the supplier to ship the alfalfa hay and then submit the relevant documents to the collecting bank, who will release the documents to us only upon our payment for the alfalfa hay. We generally transport the imported alfalfa hay by truck from the arrival port to the location designated by the customer. We generally require the customer to pay us in full within one week before the goods arrive at the destination port.

Agency Services

Under our agency services model, we primarily import live poultry, breeding stock and other animal husbandry-related products such as frozen semen of farm animal. For details about our agency services provided to our customers, please see the subsection headed "— Our Business Operations — Dairy Farming Business — General". For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, revenue from our agency services accounted for approximately 3.0%, 4.2%, 1.2% and 0.6% of the revenue from our import trading business, respectively.

LONG-TERM STRATEGIC COOPERATION AGREEMENTS WITH MENGNIU AND YILI

We have maintained long-term and stable relationships with our customers such as Mengniu and Yili. In August and September 2014, we entered into long-term strategic cooperation agreements with Mengniu and Yili, respectively. We believe that our strategic cooperation agreements with Mengniu and Yili help secure long-term demand for our raw milk and increase certainty and reliability of our future revenue stream. For more details, please see the subsection headed "—Our Competitive Strengths—Our strategic cooperation agreements with Mengniu and Yili help secure long-term demand for our raw milk and increase certainty and reliability of our future revenue stream". Please also see the section headed "Risk Factors — Risks Relating to Our Business — We rely heavily on a limited number of customers, such as Mengniu and Yili, for sales of our raw milk and our business, results of operations and financial condition could be materially and adversely affected in the event of breach or early termination of our raw milk purchase and sale agreements or if we do not enforce the minimum purchase obligations of Mengniu or Yili. Under the Mengniu Strategic Agreement, the Yili Strategic Agreement and the relevant raw milk purchase and sale agreements, we will breach the relevant raw milk purchase and sale agreements if we fail to deliver raw milk to such customers in accordance with the prescribed schedule, quantity or quality, and, in such case, we shall compensate such customers in accordance with the PRC laws." in this prospectus. The table below sets forth selected information about our operating dairy farms and dairy farms under our expansion plans as of June 30, 2015 that were covered by our cooperation agreements with Mengniu and Yili, respectively.

Cooperation with Mengniu and Yili	Location	Time for commencing commercial milk production (actual or estimate)	Designed capacity (head, dairy cows)	Size (mu)	Strategic partner
Operating Dairy Farms					
Inner Mongolia Shangdu Farm (Phase I)	Northern China	Q3 2003	2,200	300	Yili
Liaoning Kuandian Farm (Phase I)	Northeastern China	Q4 2003	1,000	118	Mengniu
Beijing Shunyi Farm	Northern China	Q4 2011	4,200	336	Mengniu
Ningxia Helan Farm (Phase I)	Northwestern China	Q4 2013	16,000	4,600	Mengniu: 50% Yili: 50%
Subtotal	—	—	23,400	5,354	—
Dairy Farms under Expansion Plans					
Inner Mongolia Shangdu Farm (Phase II)[1]	Northern China	Q3 2015	5,667	579	Yili
Shanxi Tianzhen Farm[2]	Northern China	Q3 2015	10,717	1,156	Mengniu
Ningxia Helan Farm[3] (Phase II)	Northwestern China	Q3 2015	9,607	1,066	Mengniu: 50% Yili: 50%
Hebei Wen'an Farm	Northern China	Q4 2015	10,924	1,305	Mengniu
Liaoning Kuandian Farm (Phase II)	Northeastern China	Q4 2017	6,053	2,060	Mengniu
Subtotal	—	—	42,968	6,166	—
Total	—	—	66,368	11,520	—

(1) Our Inner Mongolia Shangdu Farm (Phase II) commenced production in July 2015.
(2) Our Shanxi Tianzhen Farm commenced production in August 2015.
(3) Our Ningxia Helan Farm (Phase II) commenced production in August 2015.

Long-term Strategic Cooperation with Mengniu

The Mengniu Strategic Agreement requires that Mengniu and we shall enter into a separate raw milk purchase and sale agreement in agreed form for a term of ten years with respect to each dairy farm covered under the Mengniu Strategic Agreement, namely Liaoning Kuandian Farm (including both phases I and II), Beijing Shunyi Farm, Ningxia Helan Farm (including both phases I and II), Shanxi Tianzhen Farm and Hebei Wen'an Farm. We entered into raw milk purchase and sale agreements with Mengniu for each of our Liaoning Kuandian Farm and Ningxia Helan Farm in August 2014 and Beijing Shunyi Farm in October 2014. We expect to enter into raw milk purchase and sale agreements with Mengniu for the other covered dairy farms as they commence commercial milk production and in accordance with the Mengniu Strategic Agreement. Our PRC legal advisers have advised us that the Mengniu Strategic Agreement and the underlying raw milk purchase and sale agreements entered into under the Mengniu Strategic Agreement are legally binding under the PRC laws. The following is a summary of the key terms of the Mengniu Strategic Agreement and the relevant raw milk purchase and sale agreements:

- *Exclusivity*. Except for Ningxia Helan Farm, with respect to which we will sell only half of the raw milk produced to Mengniu, Mengniu has committed to purchase, and we have committed to sell, all raw milk produced at all other dairy farms covered under the Mengniu Strategic Agreement which meets the quality standards prescribed by Mengniu. If we and Mengniu mutually agree to adjust downwards the minimum purchase volume, we have the discretion to dispose of the unsold raw milk at our discretion, including selling it to alternative buyers or by using it in our own operations by, for example, dehydrating it into unprocessed milk powder to feed our calves.

- *Minimum supply commitments*. Under the Mengniu Strategic Agreement, we are committed to supply a minimum amount of raw milk which meets certain quality standards prescribed by Mengniu on a per day basis and such pre-determined average minimum supply amount generally increases over the years, reflecting the expected increase in our raw milk production as our dairy herd expands. Our Directors believe that following completion of our current expansion plans, we would be able to meet our contractual commitments for increased supply under the Mengniu Strategic Agreement. From time to time, in implementing the monthly supply schedule between us and Mengniu, we may mutually agree with Mengniu to adjust downwards its minimum purchase volume taking into account, among other things, our ability to meet the minimum supply level for that month, our customers' demand for our raw milk and the raw milk market price in that region. Such downward adjustments are negotiated on a case by case basis and as advised by our PRC legal advisers, they neither amend nor supersede the agreed minimum supply levels set out in the Mengniu Strategic Agreement for future periods. Our PRC legal adviser has confirmed that the Mengniu Strategic Agreement is effective and legally enforceable and our Group is entitled to enforce its rights thereunder. However, we may choose to waive the minimum quantity requirements and compensation to us for their breach of such requirements due to Mengniu's dominant position in the market and its strong bargaining power, as well as our heavy reliance on Mengniu. If Mengniu reduces its minimum purchase volume for an extended period of time and we are unable to sell the unsold raw milk to alternative buyers at similar prices, our financial performance may be materially adversely impacted.

- *Annual supply plan*. The average minimum daily supply amount for each month fluctuates from month-to-month, taking into account factors such as dry periods of our milkable cows and our current expansion plans. Having regard to our minimum supply commitments, we and Mengniu shall determine the raw milk supply plan (in terms of monthly volume) for the next calendar year prior to the end of March in the present year for each dairy farm. The actual quantity of raw milk we deliver in a particular month may deviate slightly from the pre-determined monthly supply schedule. In implementing the monthly supply schedule between us and Mengniu, both parties have, from time to time, discussed and reached a mutual understanding to adjust the volume of supply after taking into consideration, among other things, the market conditions, the respective parties' own conditions and overall market prices in the relevant region.

- *Pricing*. To the extent that the amount of raw milk we deliver in a particular month is within the pre-determined monthly supply schedule (including permitted deviation), the price of the raw milk we supply is to be determined by a quality-based scheme, comprising a base amount and top-up amounts depending on whether and the degree to which our raw milk delivered surpasses a pre-determined set of quality indicators, such as microbe count, protein content and fat content. The pricing scheme is to be set up by Mengniu in a reasonable manner based on the principles that (i) prevailing market prices shall be followed, and (ii) the more superior the quality of our raw milk delivered, the higher the applicable price. Mengniu shall promptly settle the consideration payable to us each month on a periodic basis in accordance with the agreement.

- *Transportation*. We are responsible for arranging transportation for the daily delivery of our raw milk to the processing plants designated by Mengniu in the relevant raw milk purchase and sale agreements, which are usually close to relevant dairy farms. The transportation costs shall be borne by us. Please see the subsection headed "— Logistics" for details regarding our transportation arrangements.

- *Acceptance*. Mengniu will weigh the raw milk delivered by us and test its quality against several indicators. The weighing and testing results form the basis for determining whether the delivered raw milk meets the prescribed quality standards and the total price payable. If we do not agree with the original test results, we may request further tests by a third-party raw milk quality testing agency within eight hours of the original test results being received by us.

- *Quality control and inspection*. We are required to comply with all applicable statutory requirements with respect to our production process and produced raw milk. Our raw milk delivered to Mengniu must also meet the quality standards prescribed by Mengniu. Mengniu may not tighten or relax such quality standard without reasonable explanation. Mengniu also imposes quality control requirements with respect to matters such as milking procedures and sanitation of milking equipment, storage and transportation facilitates. Mengniu may monitor our milk production, storage and transportation facilities to ensure compliance.

- *Our breach of the agreements and corresponding consequences*. We will breach the relevant raw milk purchase and sale agreement if we fail to deliver raw milk to Mengniu in accordance with the prescribed schedule, quantity or quality, and, in such case, we are required to compensate Mengniu in accordance with the PRC laws. If we decline to deliver any raw milk for a consecutive period of not more than five days, we will be liable to compensate Mengniu liquidated damages, calculated by reference to the volume of milk that was not supplied during the relevant period (determined in accordance with the agreements) and the previous month's raw milk price for such breach. In addition, if we continuously, for a consecutive period of more than one month, fail to meet our minimum supply commitment (including permitted deviations), Mengniu may claim liquidated damages to be calculated by reference to the volume of milk that we fail to supply during that period and the raw milk price during that month; Mengniu may also unilaterally terminate the relevant raw milk purchase and sale agreement. We will be deemed to have terminated the agreement if we continuously refuse to supply any quality raw milk to Mengniu for a consecutive period of more than five days, and we shall be liable to pay Mengniu liquidated damages of an amount equivalent to 20% of the value of the unperformed agreement, by reference to the then raw milk price. If we deliver less than the prescribed quantity of raw milk (taking into account any permitted deviation), the raw milk price payable by Mengniu shall be discounted and such discount is calculated by reference to the extent of the gap between the actual quantity delivered and the quantity required to be delivered in accordance with the prescribed supply schedule (including any permitted deviation).

- *Mengniu's breach of the agreements and corresponding consequences*. Mengniu will breach the relevant raw milk purchase and sale agreement if it fails to purchase raw milk we deliver to it in accordance with the agreement unless otherwise mutually agreed by Mengniu and us, adjusts its quality standards without reasonable explanation, or fails to settle the consideration payable to us. In each case, Mengniu shall compensate us in accordance with the PRC laws. If Mengniu declines to purchase any raw milk at all that we deliver to it for a consecutive period of not more than five days, Mengniu will be liable to compensate us liquidated damages, calculated by reference to the volume of milk that was not purchased during the relevant period (determined in accordance with the agreements) and the previous month's raw milk price for such breach. Mengniu will be deemed to have terminated the agreement if it continuously refuses to purchase any raw milk at all that we deliver to it for a consecutive period of more than five days, and Mengniu shall be liable to pay us liquidated damages of an amount equivalent to 20% of the value of the unperformed agreement, by reference to the then raw milk price.

- *Early termination*. The Mengniu Strategic Agreement may be terminated early by the consent of the parties or if the purpose of the agreement is rendered unachievable by any force majeure event. A party may also terminate the agreement if the other party commits a material breach, that is not remedied within a reasonable period (which shall not be less than 30 days), or the non-defaulting party has already suffered material losses notwithstanding the breach having been remedied. A party may terminate the agreement if it or the other party becomes incapable of performing its or their obligations for a consecutive period of more than 30 days due to bankruptcy or other material deterioration in its business operations.

- *Force majeure*. Any delay or failure of any party to perform its obligations due to a force majeure event under the relevant agreements shall not be deemed as a breach.

Long-term Strategic Cooperation with Yili

The Yili Strategic Agreement requires that Yili and we shall enter into a separate annual raw milk purchase and sale agreement in the agreed form every year with respect to each dairy farm covered by the Yili Strategic Agreement. We have entered into the first annual raw milk purchase and sale agreement with Yili for each of our Inner Mongolia Shangdu Farm and Ningxia Helan Farm in December 2014. Our PRC legal advisers have advised us that the Yili Strategic Agreement is legally binding under the PRC laws. The following is a summary of the key terms of the Yili Strategic Agreement and the relevant raw milk purchase and sale agreements expected to be entered into:

- *Exclusivity*. We have committed to sell, and Yili has committed to purchase, all raw milk produced by our Inner Mongolia Shangdu Farm which meets quality standards prescribed by Yili for a period of ten years. We have also committed to sell, and Yili has committed to purchase, half of the raw milk produced by Ningxia Helan Farm which meets quality standards prescribed by Yili during the same period. If we and Yili mutually agree to adjust downwards the minimum purchase volume, we have the discretion to dispose of the unsold raw milk as we desire, including selling it to alternative buyers or by using it in our own operations by, for example, dehydrating it into unprocessed milk powder to feed our calves.

- *Minimum Supply Commitments*. Under the Yili Strategic Agreement, we are committed to supply a minimum amount of raw milk which meets certain quality standards prescribed by Yili on a per day basis and such pre-determined average minimum supply amount generally increases over the years, reflecting the expected increase in our raw milk production as our dairy herd expands. Our Directors believe that following completion of our current expansion plans, we would be able to meet our contractual commitments for increased supply under the Yili Strategic Agreement. From time to time, in implementing the monthly supply schedule between us and Yili, we may mutually agree with Yili to adjust downwards its minimum purchase volume taking into account, among other things, our ability to meet the minimum supply level for that month, our customers' demand for our raw milk and the raw milk market price in that region. Such downward adjustments are negotiated on a case by case basis and as advised by our PRC legal advisers, they neither amend nor supersede the agreed minimum supply levels set out in the Yili Strategic Agreement for future periods. Our PRC legal adviser has confirmed that the Yili Strategic Agreement is effective and legally enforceable and our Group is entitled to enforce its rights thereunder. However, we may choose to waive the minimum quantity requirements and compensation to us for their breach of such requirements due to Yili's dominant position in the market and its strong bargaining power, as well as our heavy reliance on Yili. If Yili reduces its minimum purchase volume for an extended period of time and we are unable to sell the unsold raw milk to alternative buyers at similar prices, our financial performance may be materially adversely impacted.

- *Annual supply plan*. The average minimum daily supply amount for each month fluctuates from month-to-month, taking into account factors such as dry periods of our milkable cows and our current expansion plans. Having regard to our minimum supply commitments, we and Yili shall determine the raw milk supply plan (in terms of monthly volume) for the next calendar year prior to the end of July in the present year for each dairy farm. The actual quantity of raw milk we deliver in a particular month may deviate slightly from the pre-determined monthly supply schedule. In implementing the monthly supply schedule between us and Yili, both parties may discuss and reach a mutual understanding from time to time to adjust the volume of supply after taking into consideration, among other things, the market conditions, the respective parties' own conditions and overall market prices in the relevant region.

- *Pricing*. The price of our raw milk supplied to Yili is to be determined according to a pricing scheme similar in nature to our strategic cooperation with Mengniu. When the raw milk purchase and sale agreement is executed each year, the pricing scheme is to be adjusted annually to reflect the overall market price and the raw milk sale price of other large-scale dairy farms in the same region. Such annual adjustments shall not deviate more than 5% compared to the previous year's price. Yili may also adjust the price of the raw milk supplied to it during the term of an existing purchase and sale agreement, taking into account the fluctuations of market prices and seasonal factors. Yili is required to promptly settle the consideration payable to us each month on a periodic basis in accordance with the agreement.

- *Transportation*. We usually arrange for the transportation for the daily delivery of our raw milk to the processing facilities designated by Yili, in which case we bear the transportation costs. See the subsection headed "— Logistics". Yili may also choose to appoint the carrier responsible for the daily transportation and delivery, and pay the transportation expenditures directly to such carrier.

- *Acceptance*. Yili will weigh the raw milk delivered by us and test its quality against several indicators. The weighing and testing results form the basis for determining whether the delivered amount of raw milk meets the prescribed quality standards and the total price payable. We can request for a re-testing by Yili to confirm the results of the test. If we disagree with the test results, we and Yili may jointly submit the testing sample to a third-party testing agency for re-examination.

- *Quality control and inspection*. In addition to the applicable statutory quality standards, we also need to comply with the quality standards prescribed by Yili. Yili may adjust its quality standards in relation to food safety issues only and only if prior agreement has been obtained from us, unless such adjustment is mandated by statutory or government requirements. Yili may also adjust its quality thresholds in response to actual fluctuations in the market and seasonal factors, as long as such adjustment has been publicly announced by Yili. Yili also imposes quality control requirements on our milking procedures and sanitation of milking equipment, storage and transportation facilities. Yili may inspect our facilities to ensure compliance.

- *Our breach of the relevant agreements and corresponding consequences*. We will be deemed to fail to supply raw milk to Yili if we do not deliver our raw milk to Yili in accordance with the prescribed schedule, quantity or quality standards. We will breach the relevant agreements if we fail to supply raw milk to Yili that satisfies its prescribed quality standards and we shall be liable to compensate Yili for the economic losses it incurs as a result. We will also breach the relevant agreements if we fail to deliver the quantity of raw milk to Yili as prescribed in the relevant agreements, and we are liable to pay liquidated damages to Yili calculated by reference to the amount of raw milk not delivered to Yili (determined in accordance with the agreements) and 30% of the raw milk price that would have been payable (or a multiple of a pre-determined amount). If the raw milk we deliver to Yili contains contaminants or banned substances, we are liable to pay Yili a fixed sum per instance of breach. If we fail to supply raw milk to Yili for more than 30 instances within one year , we are deemed to have unilaterally terminated the relevant raw milk purchase and sale agreement.

- *Yili's breach of the relevant agreements and corresponding consequences*. Yili will breach the relevant agreements if it does not purchase raw milk we deliver to it that meets the prescribed quality standards, fails to settle the consideration payable to us, or adjusts its quality standards without reasonable explanation. In each case, it will be liable to compensate us for any economic losses we incur as a result of such breach, pay any interest accrued on outstanding payables to us at the applicable bank loan lending interest rate, and pay liquidated damages to us for any raw milk we delivered to Yili but not purchased by it in accordance with the relevant agreements, calculated by reference to the amount of milk not purchased by Yili (determined in accordance with the agreements) and 30% of the raw milk price that would have been payable (or a multiple of a pre-determined amount). If Yili fails to purchase raw milk we deliver to it for more than 30 instances within one year , it is deemed to have unilaterally terminated the relevant raw milk purchase and sale agreement.

- *Early termination*. The parties may terminate the relevant agreements by consent. In the case of a deemed or actual unilateral early termination of the relevant agreements by any party, the defaulting party shall pay the non-defaulting party liquidated damages which is an amount equivalent to 20% of the value of the unperformed agreements, calculated by reference to the average daily raw milk price in the past three months supplied.

- *Force majeure*. Failure of any party to perform its obligations under the relevant agreements due to a force majeure event shall not be deemed as a breach.

Downward Adjustments of Purchase Volume of Our Raw Milk from December 2014 to June 2015

Due to a shortage of supply of raw milk and the surge in raw milk prices in China in the second half of 2013, dairy companies started to import milk powder from foreign countries, such as Australia and New Zealand, to meet their production requirements and reduce their costs of raw materials. Milk powder can be used as a substitute for raw milk for certain dairy products and was generally cheaper than domestic raw milk during the Track Record Period. The volume of imported milk powder increased significantly from 573,100 tonnes in 2012 to 854,400 tonnes in 2013 and further to 923,700 tonnes in 2014. In 2014, the total volume of imported milk powder accounted for 19.8% of raw milk production in China in 2014. The volume of imported milk powder was 344,000 tonnes in the first half of 2015. For details, please see the subsection headed "Competition from Foreign Dairy Brands and Foreign Milk Powder Imports" in the section headed "Industry Overview" in this prospectus.

With substantial amounts of unconsumed imported milk powder in stock, one of our key customers proposed, and we agreed after due and careful consideration, to adjust downwards its minimum purchase volume in our raw milk purchase and sale agreements from December 2014 to June 2015. There has been no such downward adjustment of purchase volume since July 2015. Our key customer has stronger bargaining power than us due to its dominant position in the market. Although we believe that the temporary mutual arrangements we reached with this customer to accommodate the short term market fluctuations are in our best interests and indicative of a relationship that is built on good faith, we may continue to choose to waive such minimum purchase volume requirements for such customer and may choose to do so for other customers in the future. The unsold amounts would have represented approximately RMB1.1 million and RMB18.8 million of revenue in 2014 and the first half of 2015, respectively, if we had actually sold all the originally agreed purchase volume of our raw milk to that key customer. The difference between the originally agreed purchase volume and the decreased purchase volume for such customer during 2014 and the first half of 2015 was equal to approximately 1% and 11% of our total raw milk production volume in the respective periods. From December 2014 to June 2015, we sold approximately 20% of this raw milk to another key customer, which was a leading national dairy company, and to other alternative buyers, which were local dairy processors that had long-term relationship with us. We dehydrated the remainder into unprocessed milk powder, which we intend to use to feed new calves in our expanded dairy farms. The unsold raw milk that was dehydrated into unprocessed milk powder was recorded as inventories. Our inventories were being stated at the lower of (a) cost, and (b) net realizable value. The cost of inventories was determined on a weighted average method and represented (a) the fair value of the unsold raw milk less cost to sell at the point of harvest, (b) process cost of dehydration, and (c) any other costs incurred in bringing the milk powder to its present location and condition. In determining the net realizable value of the unprocessed milk powder, as it was held by us for the purpose of feeding our calves, we will not write down the carrying value of the unprocessed milk powder below cost if the raw milk to be produced by those calves which are fed with such unprocessed milk powder is expected to be sold at or above the cost. The carrying amounts of such unprocessed milk powder measured in accordance with the above method were approximately RMB0.7 million and RMB13.0 million for the year ended December 31, 2014 and the six months ended June 30, 2015.

Downward Pressure of the Raw Milk Price Since March 2014

Due to the surge of the milk powder imports, the market price of raw milk in China has been subject to downward pressure since March 2014. The average raw milk price in China decreased substantially from RMB4,228 per tonne in March 2014 to RMB3,440 per tonne in February 2015, and remained stable at around RMB3,400 per tonne from February 2015 to September 2015. For further details about raw milk prices, please see the subsection headed "Raw Milk Price" in the section headed "Industry Overview" in this prospectus. According to the strategic cooperation agreements we have entered into with Mengniu and Yili, the price of raw milk provided by us to Mengniu and Yili is based on the principles that (i) prevailing market prices shall be followed, and (ii) the more superior the quality of our raw milk delivered, the higher the applicable price. As a result, we have been able to minimize the decrease in our average raw milk selling price compared to the market average because of the superior quality of the raw milk we produce. Moreover, Mengniu and Yili are generally willing to pay above-average prices to us in order to maintain a stable supply of raw milk from us and a long-term cooperative relationship with us under the respective strategic cooperation agreements. Therefore, our average raw milk selling price only decreased by 5.7% from the second half of 2014 to the first half of 2015, whereas the average raw milk market price in China decreased by 11.8% in the same periods. Our average raw milk selling price was approximately RMB4,200 per tonne in September 2015 based on management accounts while the average raw milk market price in China was RMB3,436 per tonne in September 2015. Because the production volume and the average milk yield of the milking cows in our dairy farms continue to increase as we expand our business and improve our operating efficiency, our business, results of operations and financial condition have not been materially impacted by the decreasing raw milk market price.

The revenue from our dairy farming business grew modestly on a month-over-month basis in the first half of 2015, generally in line with the increase of the average sales volume of our raw milk in the same period. Notwithstanding the decrease in the average selling price and the downward adjustments to the minimum purchase volume of our raw milk, due to our continued efforts to increase the average milk yield of our milking cows and to manage our feed cost, the gross profit margin of our dairy farming business increased slightly from 42.3% in 2014 to 45.5% in the first half of 2015.

MILK PRODUCTION MANAGEMENT

Factors Affecting Milk Production

Our milk production is mainly influenced by the number of our milking cows. Hereditary features including breed and genetics of our dairy cows determine the potential for our milk production for a given herd. Feed and herd management then determine whether the hereditary potential could be attained. A dairy cow with high potential for milk production will not produce at a high level unless she receives proper feed and nutrition. Proper herd management, such as adherence to routine milking and feeding schedules, also contributes to a high level of milk production.

Milk production is also influenced by the health of our dairy cows. For example, mastitis, an inflammation of the udder, could significantly reduce milk production.

Furthermore, a dairy cow's milk yield is typically low during its first lactation cycle relative to when it reaches its peak level during the third lactation cycle. Within the same lactation cycle, the milk yield is generally the highest during the period between the sixth and eighth weeks after calving, after which the yield level gradually tapers off. For more details, please see "Industry Overview — Dairy Farming — Milk production cycle" in this prospectus. The convergence of dry periods of our milkable cows will also result in fluctuations of milk production within a given period.

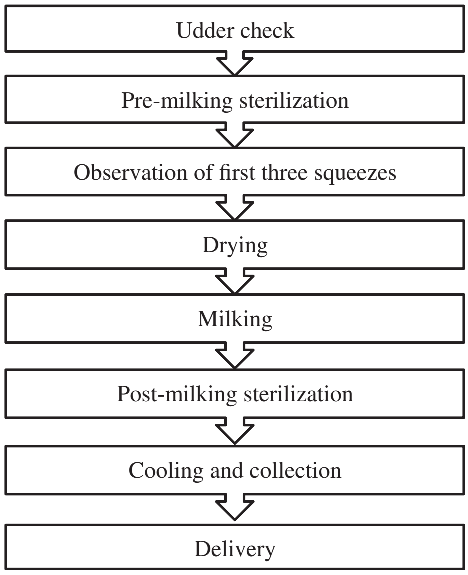
According to Frost & Sullivan, dairy cows prefer relatively cool and dry weather and their milk yield is relatively low in summer months due to high temperature. We have installed misting systems and fans at our dairy farms to minimize the reduction of milk yield in summer.

For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our average annual milk yield per milking cow was approximately 10.0 tonnes, 9.8 tonnes, 10.8 tonnes and 11.5 tonnes per head, respectively; and our average annual milk yield per milkable cow was approximately 8.8 tonnes, 8.3 tonnes, 9.6 tonnes and 10.1 tonnes per head, respectively.

Milking Production Process

Milking is an important production process for dairy farms. Improper milking procedures or poor milking equipment may lead to the infection of udders, high levels of microbe count and somatic cell count, thereby adversely affecting the milk yield and safety and quality of raw milk. Good milking practices enable cows to be milked effectively and in a timely manner. We adopt standardized milking procedures at all of our dairy farms, carrying out the extraction of raw milk in an automated and sanitary environment to ensure milk safety and quality.

We generally milk our milking cows three times every day at our dairy farms. Our milking process primarily consists of the following steps:



- *Udder check*. Our dairy workers firstly conduct check of the health conditions of milking cows' udders, such as checking any appearance of redness, swelling or injuries in the udder.

- *Pre-milking sterilization*. Before milking, the udders and teats of milking cows are sprayed with sanitizing fluids. We also clean and sterilize the teat cups before milking.

- *Observation of the first three squeezes*. To ensure the quality and safety of raw milk, we keep the first three squeezes of raw milk from the milking cows in designated containers for observation of any clots or flocs. Upon observation of any abnormal signs, the milking cow will be immediately transferred for veterinary treatment and milked separately. The produced raw milk will be destroyed in an environmental friendly manner.

- *Drying*. The udders and teats of milking cows are wiped dry with dry towels within 30 seconds after sterilization.

- *Milking*. To commence the milking process, the dairy workers will attach the teat cups, which are connected directly to a central milk tank, to our milking cows' udders promptly after finishing the above procedures to minimize the risk of infection.

- *Post-milking sterilization*. After milking, the udders and teats of milking cows are immediately sprayed with sanitizing fluids.

- *Cooling and collection*. Our raw milk is cooled immediately after it is milked from dairy cows and flows through specialized sealed pipes to our milk tank, which was kept at 2-4°C.

- *Delivery*. The raw milk is directly piped from our central milk tank to the thermo-insulated milk trucks and delivered to our customers within 24 hours.

To ensure the quality of our raw milk and the health of milking cows, we also conduct regular cleansing of our milking machines, the process of which includes flushing, acid pickling and alkaline cleaning.

Milking Facilities

Our milking process is highly automated, directly piping the raw milk from our dairy cows to milk tank. The raw milk is completely insulated from any contact with the external environment, minimizing the risks of tampering or contamination. We adopt appropriate milking facilities by taking into account of the size of relevant dairy herd, time and cost of repair and maintenance, and operating cost and efficiency. Our Shanxi Tianzhen Farm, Inner Mongolia Shangdu Farm (Phase II) and Ningxia Helan Farm (Phase I and II) currently use rotary milking system while our other dairy farms use parallel or herringbone milking system. Parallel and herringbone milking systems are relatively easy to repair and maintain with few disruption to normal operations. A rotary milking system is fast, efficient and capable of milking large herds.

Parallel and herringbone milking systems require the dairy cows to be loaded onto the milking platform in groups as they enter into the milking parlor, after which our workers sanitize and attach milking cups to the dairy cows' udders. Milking usually takes about six to eight minutes. After milking is completed, the milking cups automatically fall from the udders and the teats are sanitized again. The dairy cows will then exit the milking parlors in groups. Under the rotary milking system, our workers stand near the entrance to the milking parlor and attach milking cups to the dairy cows' udders after sanitization as they pass by. The dairy cows are loaded onto the milking platform one at a time as the platform slowly rotates in the milking parlor. The constant flow of dairy cows loading and unloading onto the platform provides a smooth movement to the dairy cows. By the time the platform has almost completed a full rotation, we sanitize the dairy cows before they exit the platform.

As of the Latest Practicable Date, we had installed 15 milking systems across all of our dairy farms, most of which were purchased from overseas suppliers. The suppliers or distributors of the milking systems carry out trainings for the operational personnel at our dairy farms. Utilization rates of the milking systems at our four dairy farms ranged from approximately 70% to 80% as of December 31, 2014, largely depending on how many milking cows each farm had. We expect the utilization rates to increase as our dairy herd expands. The utilization rate is calculated by dividing the actual operating hours of the milking systems per day, averaged over the year, by the designed operating hours of such milking systems per day.

Delivery of Raw Milk

Most of our customers' processing facilities are located within a radius of about 200 kilometers from our dairy farms, which enables us to deliver our raw milk in a timely manner to ensure its safety and quality. We engage third-party logistics providers to deliver our raw milk, which is directly piped from our central milk tank to the milk tankers and generally delivered to our customers within 24 hours.

HERD MANAGEMENT

We believe that a dairy farm must follow good management practices to keep the dairy cows healthy and achieve efficient milk production.

Feeding

Feeding is an important aspect of the dairy farm operations because of its direct impact on raw milk production, animal health and reproduction.

Feeds for dairy cows account for the majority of costs for dairy farming. Dairy cows need to be fed balanced rations to achieve the most profitable milk production. According to Frost & Sullivan, feeding has a significant influence on the amount of milk a dairy cow produces. Proper feeding and care allow the dairy cow to produce closer to her maximum genetic ability.

Feeding may also impact the reproduction of our dairy cows. Underfeeding delays the time a heifer reaches first heat, while overfeeding may negatively impact the reproduction of a dairy cow than cows which are fed balanced rations.

Grouping Dairy Cows to Feed Total Mixed Rations

We adopt the modern feeding method of feeding total mixed rations. A total mixed ration is a feed ration that has all or almost all of the feed ingredients blended together, which is then fed free choice to all the dairy cows in the same group, allowing the dairy cows to eat at will. The total mixed ration contains roughage, concentrates and other ingredients that are combined to meet the energy, protein, mineral, vitamin and crude fiber needs of the dairy cows. We believe that feeding our dairy cows with total mixed rations would primarily result in the following advantages:

- Each dairy cow receives a balanced ration, and the feeds are used more efficiently.
- Each dairy cow is properly fed to produce milk close to her maximum genetic potential.
- Reduced labor is required for feeding a given dairy herd.
- We may substitute ingredients of rising costs with cheaper ingredients ration without compromising nutrient value of the feed ingredients.

We divide our dairy cows into different groups according to their age, stage of lactation and milk production level and match the ration to the distinctive nutrient needs of each group. For example, calves are fed with colostrum milk, which is high in fat, protein and antibodies compared with regular milk, immediately after birth so that the newborn calves can absorb the antibodies directly.

Components of Dairy Rations

The major components of our total mixed rations include:

- *Roughages*. The majority of the dry matter in the dairy rations comes from roughages, primarily including silage and hay. Alfalfa hay and corn silage are two of the most common roughages used. We generally use corn silage as the main roughage in a dairy ration. Corn silage is a palatable feed that can be easily stored and handled. It is produced by cutting the entire corn crops after they have reached dough stage and chopping up the corn crops into silage. The silage is then piled, compressed and sealed fermentation and storage. We also supplement corn silage with alfalfa hay, which yields more protein and digestible nutrients than most of the other hay crops.
- *Concentrates*. Concentrates are included in the dairy ration mainly for their energy content. The concentrates in our dairy rations primarily consist of corn, wheat bran, soybean meal, cotton seed meal and corn by-products.
- *Mineral supplements*. A well-balanced dairy ration needs to include mineral supplements to meet the mineral needs of dairy cows, such as calcium, phosphorus, magnesium, potassium and sodium.

- *Vitamin and other supplements*. To ensure the dairy rations contain sufficient vitamins A, D and E, we may add certain vitamin premix into the dairy rations.

Feed Testing and Analysis

We conduct periodic feed testing and analysis to properly balance the ration and reduce feed costs. We have been seeking technical consulting advice from Cargill, an internationally renowned conglomerate company, to leverage its world-class expertise in analyzing and designing feed formula. Cargill primarily provides us with the following services:

- *Testing feed nutrients.* Feeds vary greatly in terms of nutrient content. To help ensure that our dairy cows are fed with total mixed rations meeting all nutritional needs, Cargill conducts timely testing upon receipt of the sample feeds provided by our dairy farms. The testing results will serve as one of the bases for designing the feed formula at our relevant farms.

- *Designing feed formula.* Using its proprietary software system, Cargill designs the optimal formula for the total mixed rations fed to the different groups of our dairy cows given the available feed materials. The feed formula will then be reviewed for approval by our Group's feed formula and nutrition committee at the headquarters. Our dairy farms are required to follow the approved feed formula strictly.

- *Advising on herd management.* Cargill periodically dispatches teams of experts to conduct onsite visits of our dairy farms. The experts evaluate and advise on various elements of our herd management practices, including milk production and breeding record keeping, health conditions of our dairy cows, and standard operating procedures.

Feed Conversion Efficiency

We endeavor to achieve the most profitable milk production by feeding our dairy cows with balanced rations that are cost efficient. The table below sets forth the sales volume of raw milk, feed costs recorded as cost of sales for raw milk before biological fair value adjustment and average feed costs of raw milk sold during the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Raw milk sales volume (tonne)	32,083	30,637	63,099	31,254	41,057
Feed costs recorded as cost of sales for raw milk before biological fair value adjustment (RMB, million)	65.6	64.3	137.6	62.9	82.5
Average feed costs of raw milk sold[1] (RMB per tonne)	2,045	2,100	2,181	2,012	2,008

(1) Calculated as feed costs recorded under our cost of sales for raw milk before biological fair value adjustment divided by the total volume of raw milk sold during each reporting period.

According to Frost & Sullivan, the prices of major components of the feeds to our dairy cows, such as corn silage and alfalfa hay, had generally been rising over the course of the Track Record Period. The effect of rising feeds prices on our average feed costs of raw milk sold had been partially offset by our generally improving average annual milk yield during the Track Record Period. For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our average annual milk yield per milking cow was approximately 10.0 tonnes, 9.8 tonnes, 10.8 tonnes and 11.5 tonnes per head, respectively.

Breeding

An important part of successful herd management is to breed and raise reserve cows as replacements for milkable cows in a dairy herd. Compared with purchasing replacement cows from third party suppliers, we primarily derive the following advantages from the breeding programs for our dairy cows:

- *Controlled genetic improvement*. We can exercise a greater degree of control over the genetic improvement of our dairy herd by selecting sires and dams with the most desirable traits that are heritable.

- *Expenditure efficiency*. Breeding and raising reserve cows is more efficient than directly buying replacements in terms of expenditures incurred.

- *Reduced risk of diseases*. We can reduce the risk of bringing any external disease into our existing dairy herd by avoiding purchasing replacement cows.

Artificial Insemination

According to Frost & Sullivan, the genetics of male parents, or sires, play a crucial role in the genetic improvement of a dairy herd. For example, approximately 87.5% of the genes of the third-generation cows in a dairy herd are from the sires that inseminated the foundation cows and first and second generation cows.

We primarily adopt the following approaches with respect to the artificial insemination of our dairy cows:

- *Choosing genetically superior sires*. We believe that choosing genetically superior sires will help to accelerate the genetic progress of our dairy herd. We generally purchase semen imported from the U.S., Canada or Germany that are from selected genetically superior sires. To select the most suitable sires, we consider a variety of factors including a sire's health condition, milk yield and fertility of its daughters, and its predicted transmitting ability with respect to desired traits such as milk production, fertility and longevity. In addition, we endeavor to purchase semen from sires that are selected using genome sequencing technology in the U.S., Canada or Germany, which we believe allows us to identify sires with favorable genetic features in a time-efficient manner and thus leverage the recent genetic progress of the overseas dairy farming industry.

- *Using sex-sorted semen*. We use sex-sorted semen for mature heifers in order to achieve significantly higher birth rates of female calves, which will enable us to more rapidly grow our dairy herd. According to Frost & Sullivan, without using sex-sorted semen, the usual birth rate for female calves is approximately 50%. Using sex-sorted semen could enable us to attain a high birth rate of female calves up to approximately 80-90%.

- *Installing automated heat detectors*. One of the keys to successful artificial insemination is detecting cows in heat. To increase the heat detection rate of our dairy cows, we install automated heat detectors to each of our dairy cows to be inseminated, enabling us to determine the best time to inseminate the cows.

- *Choosing optimal time of breeding*. When our heifers reach approximately 14 months old, they should reach the right size for breeding. We endeavor to breed the heifers in time so that they calve at 23 to 25 months of age, which generally will increase the expected return over the life time of our dairy cows according to Frost & Sullivan. We generally artificially inseminate a dairy cow within 60-100 days after calving, achieving a calving interval of approximately 400 days.

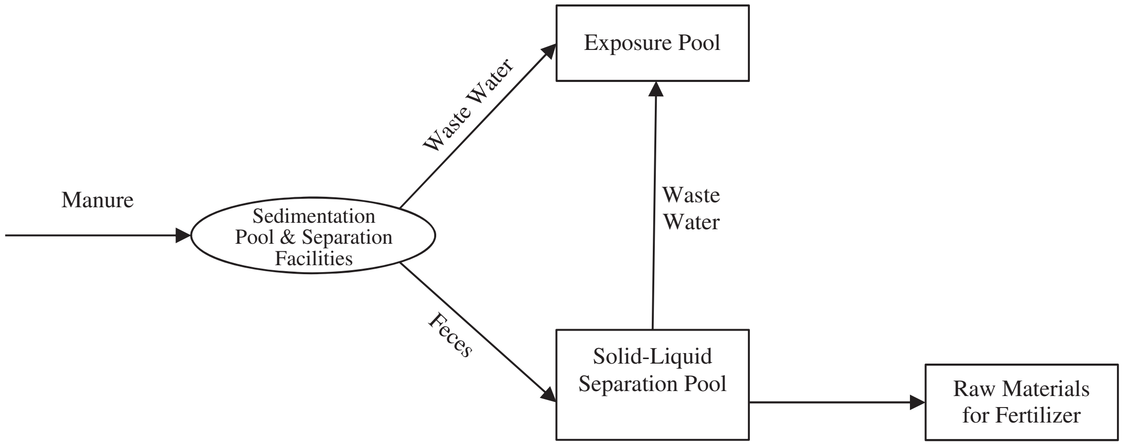
Culling

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we culled 641, 813, 1,153 and 865 milkable cows, representing an annualized culling rate of 17.11%, 21.04%, 16.27% and 18.62%, respectively. We have adopted culling practices to permanently remove certain cows from our dairy herd. Dairy cows are culled because of a variety of factors, such as low milk yield, reproduction problems, diseases, udder problems, among other things. We also consider the cost, availability and estimated productivity of our reserve cows when deciding how many cows to cull. Utilization and variable and fixed operating costs of the relevant dairy farm are also relevant. For example, having taken into account the various factors, we may increase the culling for a given herd if (i) we expect that the future cohort of our dairy herd to be more productive than the existing cohort due to improved genetics, or (ii) the existing cohort achieves a sufficient pregrancy rate. We believe that our culling program complements our breeding efforts to continuously enhance the genetics, reproductive fitness and milk yields of our dairy herd over time.

Waste Management

Waste management is critical to the daily operations of large-scale dairy farms and to environmental protection. The main waste produced on our dairy farms is manure. We currently remove and sell the cow waste produced to local farmers as biological fertilizer. We have installed cow waste treatment facilities to separate solid waste from liquid waste at our Beijing Shunyi Farm and Ningxia Helan Farm (Phase I). We will install specialized cow waste treatment facilities at all dairy farms under our current expansion plans. The solid waste would be sold to third party fertilizer manufacturers as raw materials, while the liquid will generally be provided to the local farmers or our crop farms in the vicinity for use as biological fertilizer.

The diagram below illustrates the typical process of our manure handling system.



Manure generated by our dairy cows is generally moved to a sedimentation pool at the relevant dairy farm, and then are separated into waste water and feces by our separation facilities. Feces are sent to a solid-liquid separation pool to be further processed by extracting the remaining waste water from the feces. The resulting solid waste will then be sold to third party fertilizer manufacturers as raw materials. The waste water from the sedimentation pool and solid-liquid separation pool will be placed in an exposure pool for decomposition and fermentation, and ultimately be provided to the local farmers or our crop farms in the vicinity for use as biological fertilizer.

Farm Management Technologies

To improve the efficiency of our herd management, two of our farms, Ningxia Helan Farm (Phase I) and Beijing Shunyi Farm, have participated in the National Dairy Herd Improvement Program (DHI) organized by the Dairy Data Centre of China (中國奶牛數據中心). We regularly dispatch raw milk samples from each participating farm to the Dairy Data Centre of China for performance measurement. We input the data from such measurement report into our herd management software programs for guidance of our production process, including feeding, breeding, milking performance assessment, disease control, and culling.

We employ a series of on-farm management software programs, such as AfiFarm (阿菲牧) and SmartDairy. In addition, we have installed Dairy Comp 305 at our headquarters, Beijing Shunyi Farm, Inner Mongolia Shangdu Farm, Ningxia Helan Farm (Phase I), Hebei Wen'an Farm and Shanxi Tianzhen Farm. We are in the process of installing Dairy Comp 305 or similarly advanced information technology system at our Liaoning Kuandian Farm and all our future dairy farms. Dairy Comp 305 system is a dairy farm management program developed by Valley Ag. Software, a leading farm management software developer in the U.S. Our headquarters can easily access and monitor the herd and production details at the dairy farms through the Dairy Comp 305 system, allowing integration of operation data and central control of operations of our dairy farms. We intend to consolidate our management software systems at each dairy farm through the adoption of the Dairy Comp 305 system.

Our farm management programs help us improve the operating efficiency and management capabilities of our dairy farms primarily through the following aspects:

- *Data recording*. The management programs monitor and record relevant details about our dairy cows, including but not limited to herd profile, pedigree, reproductive events, health status and milk production.

- *Operation guiding*. Based on analysis of the recorded data, the management programs generate operation guides in relation to a series of herd management decisions such as feeding, culling, insemination, drying off milking cows and vaccination.

- *Performance evaluating*. Our management programs produce performance reports evaluating our dairy farms with respect to a series of indices including milk production, health condition and reproductive efficiency.

Cattle Welfare

It is our management philosophy to prioritize cattle welfare. We have adopted the following measures to ensure the health and well-being of the cows at our import quarantine farms and dairy farms:

- For imported cows, our overseas suppliers are responsible for the health and well-being of the cows during the sea voyage. The suppliers' specialists will be responsible for feeding the cows on the ships. Upon arrival at the destination port in China, the cows will be moved to one of our import quarantine farms by trucks that are sterilized and bedded with sand to provide a comfortable condition during transportation. We adopt the total mixed ration, or TMR, feeding system at our import quarantine farms.

- We have equipped our dairy farms with free stall ventilated barns that allow for free movement, which ensure that cows could walk freely between the bedding and the feeding area.

- We have installed roller shutters outside our barns which are waterproof and UV-proof. The shutters could be rolled up or down according to the temperature to facilitate ventilation or to keep the barns warm.

- We have also installed fans and water spray systems at some of our operating dairy farms to create a cool and comfortable environment during summers.

- We have padded the floor of barns for our dairy cows with soft padding materials to ensure maximum comfort and avoid slipping.

- We focus on providing a suitable lighting regime which impacts the hormone levels of dairy cows. Proper light intensity and duration have positive effects on the health, fertility and milk yield of dairy cows. Particularly, lighting controls hormone levels in the dairy cows and therefore proper lighting has a positive impact on milk yield. We are in the process of installing energy-saving LED lights at our new farms to provide our dairy cows with proper lighting.

- Our milking systems are designed to milk the dairy cows gently, quickly and comfortably. We endeavor to provide a comfortable milking process to our dairy cows.

- We continue to upgrade our waste handling system. For example, we replaced the current waste scrappers at our Ningxia Helan Farm (Phase I) with advanced water flushing facilities in the first half of 2014, which would further improve the hygiene conditions of our barns and provide our dairy cows with a more healthy and comfortable environment.

Disease Control

We have implemented a strict and comprehensive disease control system to maintain the health of our dairy herd. For example, we employ veterinarians stationed at each dairy farm to monitor the health of our dairy herd by, among other things, performing routine checks on our dairy cows twice per day. We also utilize the external expertise such as Cargill, which agrees to, among other things, dispatch its experts periodically to visit our dairy farms and conduct systematic evaluation of the health conditions of our dairy cows.

To the best knowledge of our Directors, there were no occurrences of any disease at any of our dairy farms that had any material adverse impact on our business operations, results of operations or financial conditions during the Track Record Period and up to the Latest Practicable Date.

Our disease control system primarily comprises the following aspects.

Protocols for entering dairy farms

Unauthorized vehicles, persons, animals or equipment are prohibited from entering our dairy farms. Our employees and vehicles are required to be disinfected before they enter our dairy farms.

Regular and frequent disinfection of equipment and facilities

We disinfect the living quarters of our staff, barns, milking halls and our veterinary hospitals regularly. For example, we disinfect the veterinary hospitals every day. Employees are required to wear masks, hats and gloves when handling dairy cows or milk.

Disease control measures

Infectious diseases, such as Foot-and-Mouth Disease, or FMD, brucellosis, and bovine tuberculosis, or bovine TB, are the major threats to the dairy farming industry. We have adopted several disease control measures at our dairy farms, including regularly administering the FMD vaccination and regularly conducting quarantine inspection for brucellosis and bovine TB. We vaccinate all young female calves that are between two and three months of age and the whole herd every four to six months as part of our FMD prevention measures. With respect to brucellosis and bovine TB, we conduct regular quarantine inspections of the herd to keep the herd clean. We also require our employees to be regularly tested to make sure that there is no cross-species infection between human and animal. Where there is substantial risk of any disease outbreak, we carry out farm-wide disinfection and immunization to prevent the spread of the relevant disease among our dairy herd.

Lameness and mastitis, the two most common diseases affecting dairy farms, are relatively rare among the cows at our dairy farms. We believe this is attributable to our good hygiene practices, our well-managed free stalls and clean environment of our facilities.

Quarantine and treatment of diseased and dead cows

We quarantine our diseased dairy cows in separate barns and our veterinary personnel inspect them promptly. We collect biopsy samples and carry out testing in our laboratories to determine the cause and severity of the disease. Based on the condition of the diseased cows, we may treat them with government-approved drugs, including antibiotics in certain circumstances, pursuant to the directions from our veterinarians. We use reasonable doses of antibiotics in accordance with the drug instructions on our diseased cows only when their symptoms warrant such treatment. We do not give our cows antibiotics sub-therapeutically. The milk produced by the diseased cows is disposed of and discarded properly and is not used for sale or feeding calves. Where medical treatment is not cost-effective or not feasible, the diseased dairy cows are culled, their bodies are disposed of in an environmentally friendly manner, and the affected areas are disinfected. Dairy cows that are being or have been cured of any disease are milked in a separate milking hall until their milk passes all of our tests and examinations. Generally, dead cows and aborted fetuses are disposed of by our veterinary personnel within a few hours after death.

Mandatory disease control training for new staff

We require our new staff to complete mandatory disease control training and go through mandatory health check before they begin to work. Mandatory health check is repeated for employees at our dairy farms at least once a year.

OUR PRODUCTION FACILITIES

The following map of China shows our operating dairy farms, crop farms and import quarantine farms by their locations as of the Latest Practicable Date.

Our Dairy Farms

General

As of June 30, 2015, we owned and operated four dairy farms across China with an aggregate land area of 5,354 mu. The foundation cows at our dairy farms are primarily high quality heifers with documented pure-bred Holstein pedigree, which were imported from Australia or New Zealand. We focus on promoting self-sustainability of our dairy herd by breeding and raising reserve cows.

The table below sets out certain details of our four operating dairy farms as of June 30, 2015:

	Inner Mongolia Shangdu Farm (Phase I)	Liaoning Kuandian Farm (Phase I)	Beijing Shunyi Farm	Ningxia Helan Farm (Phase I)	Total
Location	Northern China	Northeastern China	Northern China	Northwestern China	—
Commencement of commercial milk production	September 2003	November 2003	November 2011	December 2013	—
Size of dairy farm (mu)	300	118	336	4,600 [1]	5,354
Designed capacity [2] (head, dairy cows)	2,200	1,000	4,200	16,000	23,400
Herd size (head, dairy cows)	2,599	758	4,480	14,130	21,967[3]

(1) Our Ningxia Helan Farm (Phase I) is located on several leased or contracted parcels of land of an aggregate size area of approximately 4,600 mu. We currently utilize approximately 2,000 mu for the operations of Ningxia Helan Farm (Phase I).

(2) Designed capacity of a dairy farm refers to the designed number of dairy cows that can be raised at the same time at the relevant dairy farm.

(3) Our total herd size would be 37,160 dairy cows if the 5,637 dairy cows at our Shanxi Tianzhen Farm, the 3,779 dairy cows at our Inner Mongolia Shangdu Farm (Phase II) and the 5,777 dairy cows at our Hebei Wen'an Farm, which were under development as of June 30, 2015, are included.

Our Dairy Farms

Our dairy farms are located strategically across the regions in China that are suitable for raising dairy cows. The following sets forth certain details regarding our dairy farms.

- *Inner Mongolia Shangdu Farm.* Inner Mongolia Shangdu Farm is located in Shangdu County, Inner Mongolia Autonomous Region. Shangdu County is in the central part of Inner Mongolia, which is mostly a plateau averaging approximately 1,400 meters in altitude. The local climate features long, cold and dry winters and warm summers. Dairy farming is one of the major industries in the local economy and enjoys favorable government policies. Large-scale dairy processors such as Mengniu and Yili have established processing operations in Ulanqab City, located approximately 100 kilometers from Shangdu County.

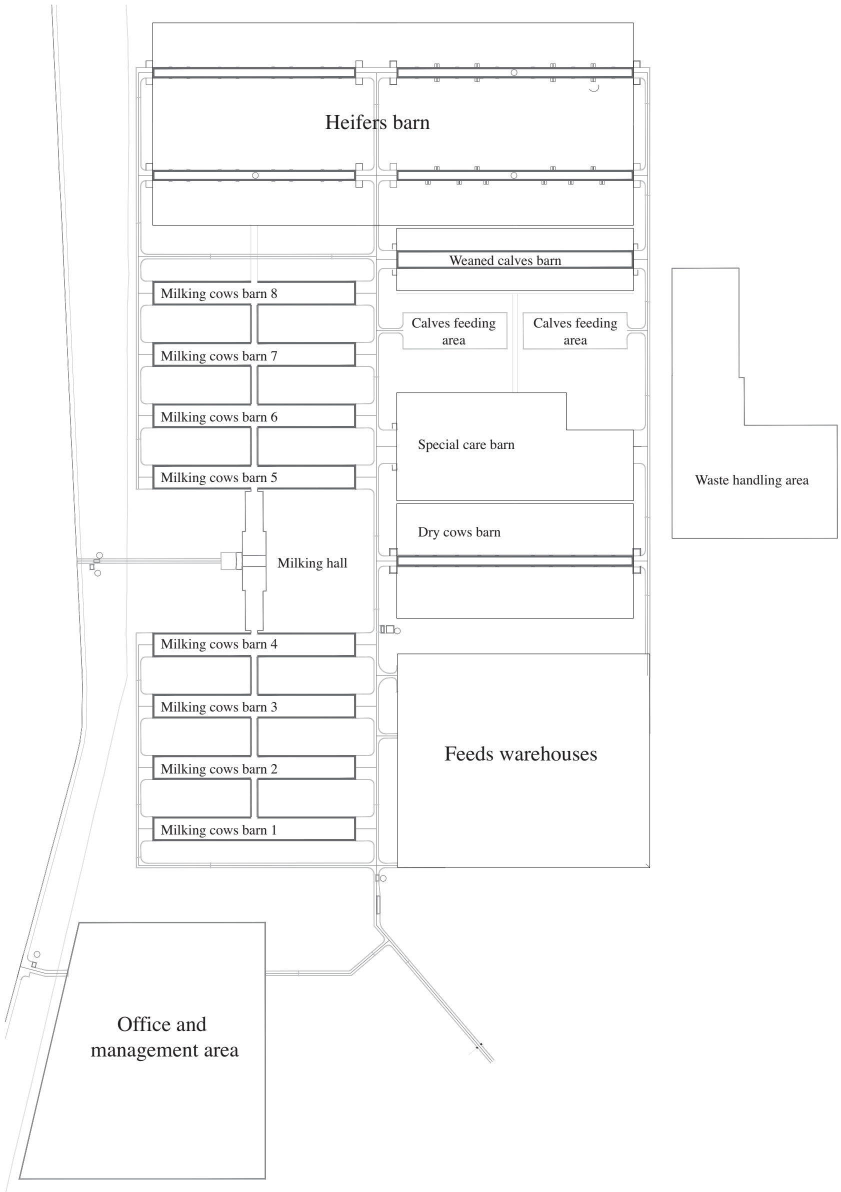
- *Liaoning Kuandian Farm.* Liaoning Kuandian Farm is located in Kuandian County, Liaoning Province. Located in northeastern China, Kuandian County has relatively short summers and long winters, which is generally considered favorable for milk production by dairy cows. Kuandian County is close to the Yalu River, a major regional river in northeastern China. There is a strong local tradition of agricultural activities such as corn growing, enabling our Liaoning Kuandian Farm to source quality corn silage grown locally and dispose of cow manure as biological fertilizer to the local farmers. Liaoning Kuandian Farm is approximately 200 kilometers from Shenyang City, the capital of Liaoning Province and a regional center of the northeastern region in China. Many national dairy processors such as Mengniu and Yili have established dairy products processing operations near Shenyang City.

- *Beijing Shunyi Farm.* Beijing Shunyi Farm is located in Shunyi District, Beijing. It has convenient access to nearby downstream dairy processors and a developed market for dairy products in Beijing. Taking advantage of the access to universities and other academic institutes in Beijing, our Beijing Shunyi Farm has carried out extensive research and development projects with various well-known academic institutes such as China Agricultural University, Chinese Association of Agricultural Science Societies, Chinese Academy of Agricultural Sciences, and Beijing University of Agriculture. Beijing has a relatively dry, monsoon-influenced semi-humid continental climate, characterized by hot and humid summers and generally cold and dry winters. With sizable corn and fruit plantations in the Shunyi District, manures produced by our Beijing Shunyi Farm have been timely disposed to organic fertilizer producers as raw materials.

- *Ningxia Helan Farm*. Ningxia Helan Farm is located in Helan County, Ningxia Hui Autonomous Region. Helan County is close to the upper stream of the Yellow River and is equipped with an extensive network of canals for irrigation. The local climate is moderate and suitable for crop growing, providing us with convenient access to stable and plentiful supplies of corn silage as feeds for our dairy cows. The location of Ningxia Helan Farm is far from the local residential and industrial quarters, reducing contagion risk of animal disease. Ningxia Helan Farm is located close to local large-scale fruit and vegetable plantations, creating strong demand for the processed manure from our Ningxia Helan Farm as organic fertilizers. There are multiple downstream dairy and food processors operating within or close to Helan County, such as Yili, Mengniu, Want Want China Holdings Limited (中國旺旺控股有限公司) and Ningxia Saishang Dairy Company Limited (寧夏塞尚乳業有限公司).

Dairy Farm Layout

Our dairy farms are designed and constructed using a modern and scientific layout to maximize productivity in an environmentally friendly manner. A typical dairy farm is primarily comprised of milking halls, barns for calves, heifers and milkable cows, isolated areas for cows infected with diseases, waste treatment facilities and feed warehouses. Below is an illustration of the layout of our Ningxia Helan Farm (Phase I):



We house our dairy cows separately by groups, by providing separate barns for calves, heifers, milking cows, dry cows and cows that need special care, respectively. We aim to arrange the layout of a dairy farm in such a manner to achieve higher productivity and labor efficiency. For example, the milking hall should be situated close to the milking cows barn; we also require the barns to be able to protect the dairy cows from extreme weather conditions and provide them with adequate ventilation.

Our Crop Farms

General

To ensure the quality and stable supply of feeds at efficient cost, we endeavor to establish crop farms in the vicinity of our dairy farms. Our crop farms grow and provide feeds such as corn and alfalfa to our dairy cows. The crop farms also use some of the treated manure at our dairy farms as organic fertilizer, reducing our costs to dispose of the cow waste produced by our dairy cows in an environmental friendly manner.

As of June 30, 2015, we owned five crop farms, each of which was close to one of our dairy farms, with an aggregate crop land area of approximately 37,000 mu. The table below sets out certain details of our existing crop farms as of June 30, 2015.

	Inner Mongolia Shangdu Crop Farm	Beijing Shunyi Crop Farm	Ningxia Helan Crop Farm	Hebei Wen'an Crop Farm	Tianjin Crop Farm
Commencement of operation	2009	2013	Corn: 2012 Alfalfa: 2014(1)	2014	2014
Size (mu)	606	905	Corn: 16,341 Alfalfa: 13,877	3,130	2,218
Crop grown	Corn	Corn and wheat	Corn and alfalfa	Corn	Corn
Grower(s)	Contracted third-party growers	Contracted third-party growers	Contracted third-party growers	Contracted third-party growers	Contracted third-party growers
Owner(s) of crop grown	Contracted third-party growers	Contracted third-party growers	Contracted third-party growers	Contracted third-party growers	Contracted third-party growers

(1) We commenced a pilot program to grow alfalfa in a limited area of Ningxia Helan Crop Farm in 2013. We commenced to grow alfalfa on a commercial scale at Ningxia Helan Crop Farm in 2014.

Corn

Corn is an annual crop harvested and replanted once each year. According to Frost & Sullivan, corn is one of the most widely planted crops in the world, adaptable to a wide range of climate conditions. We or our contracted growers grow corn at all our crop farms, where corns are planted in spring and harvested around September. Upon harvest, the entire corn crop is cut and chopped up into silage. The silage is then piled and compressed to eliminate oxygen from the pile. The compressed pile is sealed with plastic film and ferments for several weeks. We store the sealed corn silage at our dairy farms, which can be conveniently fed to our dairy cows over the course of one year until the next harvest.

We generally contract with third-party growers who grow corn crops at our crop farms and sell the grown corn crops to us, which allows us to take advantage of the cost efficiency of the local labor force. For example, with respect to our Ningxia Helan Crop Farm, we have entered into various contracts with local growers, under which the local growers agree to grow and harvest corn crop on the relevant portions of the crop farm, process harvested corn crop into corn silage, and sell all processed corn silage to us. The other salient terms of such growing contracts include:

- *Good growing practices*. The growers will follow good growing practices at Ningxia Helan Crop Farm, the breach of which will entitle us to terminate the contracts.

- *Quality standards*. The contracts specify detailed quality standards for the corn crop harvested and corn silage produced by the growers, such as physical features and nutrition contents. We may supervise and provide guidance on the growing activities of the growers.

- *Risk allocation*. The growers are responsible for all risks related to the corn crops including, crop growing, irrigation, harvesting, processing and transportation up to the point of delivery to and acceptance by us of the processed corn silage.

- *Exclusivity.* We commit to purchase all the corn silage of satisfactory quality produced by the growers at Ningxia Helan Crop Farm. The growers may not sell to any third party without our prior written approval.

- *Pricing.* We pay the growers purchase prices calculated by reference to a benchmark amount provided in the contracts, subject to further adjustment reflecting the quality of the delivered corn silage.

In 2014, corn silage produced at our Ningxia Helan Crop Farm amounted to 43,330 tonnes. Based on Frost & Sullivan's estimate, an average dairy cow typically consumes approximately 5.1 tonnes of corn silage each year.

Alfalfa

Alfalfa is a perennial crop that can grow for up to seven years after sowing at our Ningxia Helan Crop Farm. It is a deep-rooted legume that grows best in moderate to well-drained soils. Alfalfa can be harvested from the bud stage until the bloom stage, by cutting the stems and leaving the roots intact in the soil. In Ningxia, the roots will usually grow new stems in 40-50 days after cutting, until they are ready to be cut again. We can harvest the alfalfa four times a year between May and October after the year of sowing. The harvested alfalfa is dried in the field to reduce the moisture content and then baled into alfalfa hay.

The crop yield for alfalfa is relatively low in the year of sowing, gradually ramping up during the following years. Alfalfa can grow for up to seven years after growing. After the fourth harvest in the autumn of the last year of growing, the soil will need to be rested until we sow the alfalfa again in the next year and the next cycle repeats.

At our Ningxia Helan Crop Farm, we commenced a pilot program to grow alfalfa in 2013, and commenced to grow alfalfa on a commercial scale in 2014. To leverage the efficient cost of the local labor market, we engage third-party growers to grow the alfalfa. Our Ningxia Helan Crop Farm occupies favorable location to grow alfalfa, considering that (i) the local climate and chemical properties of the soil are suitable for growing alfalfa, and (ii) the large and flat terrains of the Ningxia Helan Crop Farm allow us to employ advanced mechanical sowing and harvesting equipment to maximize our operational efficiency.

Our Import Quarantine Farms

As of the Latest Practicable Date, we owned and operated four import quarantine farms across China with an aggregate gross land area of approximately 1,100 mu. When the cows imported by our import trading business arrive at the destination port in China, they will be unloaded and moved to one of our import quarantine farms after customs clearance. The cows stay at the import quarantine farm for 45 days in accordance with the applicable PRC laws. Upon expiration of the 45-day period, the cows that pass the quarantine inspection are then transported and delivered to our dairy farms or to our customers.

The table below sets out details of our import quarantine farms as of the Latest Practicable Date:

	Guangxi Beihai Import Quarantine Farm	Beijing Import Quarantine Farm	Tianjin Import Quarantine Farm(2)	Hebei Tangshan Import Quarantine Farm(3)	Total
Commencement of operation	Q3 2003	Q4 2009	Q4 2013	Q3 2014	—
Location	Southern China	Northern China	Northern China	Northern China	—
Size (mu)	121	134	700	125	1,080
Designed capacity(1) (head of cows)	4,500	4,200	8,000	6,000	22,700

(1) Designed capacity of an import quarantine farm refers to the designed maximum number of heifers that can be raised at the same time at the relevant farm.

(2) We are currently converting Tianjin Import Quarantine Farm into a new dairy farm, namely Tianjin Farm. We currently expect to cease using it as an import quarantine farm by the end of the first quarter in 2016.

(3) We acquired Hebei Tangshan Import Quarantine Farm in January 2014 from Independent Third Parties.

Expansion Plan

Development Process of Dairy Farms

We believe that we have been able to complete the development of our dairy farms within a significantly shorter timeframe than our competitors. The key steps in the development process of a dairy farm typically include:

- *Identifying and securing potential farm site*. We aim to identify the optimal farm site based on a series of criteria such as climate features, soil conditions, water resources, availability of crop land in proximity, convenience of transportation, distance to downstream dairy product processor, and existing or potential competitors in the same area. Once the potential farm size is identified, we seek to secure the relevant land at the size. For more details about our Group's properties, please see the subsection headed "— Properties".

- *Preparing feasibility studies*. We generally engage third party engineering and planning experts to prepare feasibility studies to review and analyze the pros and cons of a potential farm site. It typically takes approximately one month to complete a feasibility study.

- *Designing farm layout.* After we have decided in favor of a particular farm site, we contract with professional third-party designers to design the farm layout that would fit the local environment. The design process typically takes approximately two months.

- *Acquiring government approval*. Before we commence the construction of a new dairy farm, we are primarily required to acquire, among other things, the approval from the local branch of the NDRC and the approval for environmental impact assessment report (環評報告批覆).

- *Constructing farm infrastructure*. We generally engage third-party contractors to construct the farm infrastructure. We also engage independent agents to, along with our own development team, supervise and monitor the construction progress. After the construction is completed and before we may operate the dairy farm, we are required to obtain the inspection approval for completed environmental protection facilities (環保設施竣工驗收).

- *Importing foundation cows.* Leveraging our experiences and expertise acquired from our import trading business, we aim to synchronize the timing of the arrival of our foundation cows imported from Australia or New Zealand with the completion of the construction of our reserve cow facilities, which are necessary to house and feed the imported foundation cows. After the foundation cows reach the time of calving, we commence commercial milk production at the relevant dairy farm.

According to Frost & Sullivan, it usually takes an average of two years to develop a new dairy farm of over 1,000 dairy cows in China, from commencing construction of farm infrastructure until commencing commercial milk production. We took less than 18 months to develop our Beijing Shunyi Farm and Ningxia Helan Farm (Phase I), which commenced construction in July 2010 and August 2012, respectively, and commenced commercial milk production in November 2011 and December 2013, respectively. We may further expedite the development process of our future expanded or newly developed dairy farms by choosing to import pregnant heifers to populate the new facilities. The diagram below illustrates a typical timeline of the major development milestones of our dairy farms.

TIME	Commencement	3rd month	6th-7th month	≤18th month
MILESTONE	√ Commencing construction of facilities	√ Completing construction of reserve cow facilities	√ Heifers imported from Australia or New Zealand populating the reserve cow facilities	√ Heifers commencing first breeding and commercial milk production

Dairy Farms under Current Expansion Plans

We intend to continue to grow our business through expanding operating dairy farms and developing new dairy farms to increase our overall raw milk production capacity and scale of our dairy farming business. According to Frost & Sullivan, the raw milk demand in China has consistently outstripped the raw milk supply from 2009 to 2014, and the shortfall in supply is expected to expand and reach approximately 28.3 million tonnes in 2018. According to Frost & Sullivan, the demand for premium raw milk is likely to grow faster than the demand for regular raw milk in the future. Although the market price for raw milk has been subject to downward pressure since March 2014 and we mutually agreed to adjust downwards the minimum purchase volume with one of our key customers from December 2014 to June 2015, we believe that such adverse developments are temporary and regional primarily due to the import of a large quantity of milk powder into China in 2014 and have more profound impact on small- to medium-scale dairy farms than large-scale dairy farms, which generally have higher milk yield and produce raw milk of better quality. For further details, please see "Industry Overview — Competition from Foreign Dairy Brands and Foreign Milk Powder Imports" of this prospectus. As the gap between the premium raw milk demand and supply is expected to continue to grow and the PRC government continues to support the establishment of large-scale dairy farms through favorable policies, we believe that we should expand our existing dairy farms and develop new dairy farms to produce more premium raw milk to meet the growing demand. As of June 30, 2015, we were developing (i) the second phases of two of our four operating dairy farms, namely the Inner Mongolia Shangdu Farm (Phase II) and the Ningxia Helan Farm (Phase II) and (ii) two new dairy farms, namely the Shanxi Tianzhen Farm and the Hebei Wen'an Farm. In addition, we were in the process of converting our Tianjin Import Quarantine Farm into a new dairy farm, the Tianjin Farm. We intend to commence developing the second phase of our operating Liaoning Kuandian Farm by the second quarter of 2016. Our Inner Mongolia Shangdu Farm (Phase II), Ningxia Helan Farm (Phase II) and Shanxi Tianzhen Farm commenced production in July 2015, August 2015 and August 2015, respectively, and such dairy farms are ramping up their production to reach full-scale operation. We constantly monitor the progress in expanding our dairy farms and can adjust our expansion plans based on our evaluation of market conditions, construction processes and other factors including our negotiation with Mengniu and Yili. As of the Latest Practicable Date, our expansion plans had been implemented in accordance with the expected schedule.

The table below sets forth certain details about our ongoing or planned expansion and development activities for dairy farms as of June 30, 2015. We expect to finance all these projects with a combination of proceeds from bank borrowings, net proceeds from our Pre-IPO Investments, net proceeds from the Global Offering and internal funds generated from our operations. Given the expected significant capital expenditures being incurred for expansion, our depreciation charges are expected to increase in the future. After the completion of this expansion plan, the estimated annual depreciation charge will be RMB50.2 million. Because our total revenue is expected to increase in line with the depreciation charges as we expand our dairy farms, we believe that our net profit in the future will not be adversely impacted by the increase in the depreciation charges.

	Expansion of Operating Dairy Farms			Development of New Dairy Farms			
Our Current Expansion Plans	**Inner Mongolia Shangdu Farm (Phase II)[1]**	**Ningxia Helan Farm (Phase II)[2]**	**Liaoning Kuandian Farm (Phase II)**	**Shanxi Tianzhen Farm[3]**	**Hebei Wen'an Farm**	**Tianjin Farm**	**Total**
Location	Inner Mongolia	Ningxia	Liaoning Province	Shanxi Province	Hebei Province	Tianjin	—
Actual/expected commencement of commercial milk production	Q3 2015	Q3 2015	Q4 2017	Q3 2015	Q4 2015	Q2 2017 or later[4]	—
Designed capacity[5] (head, dairy cows)							
Milkable Cows[6]	4,200	7,500	3,630	6,000	5,949	3,000	30,279
Heifers/calves	1,467	2,107	2,423	4,717	4,975	2,045	17,734
Total	5,667	9,607	6,053	10,717	10,924	5,045	48,013
Estimated annual milk production capacity[7] (tonne/year)	37,800	67,500	32,670	54,000	53,541	27,000	272,511
Size (mu)	579	1,066	2,060	1,156	1,305	700	6,866
Designed number of foundation cows[8] (head, dairy cows)	2,589	6,554	3,630	5,997	5,150	3,000	26,920
Total estimated capital expenditure[9] (RMB million)	156	208	204	227	244	176[10]	1,215
Total capital expenditure incurred as of June 30, 2015[11] (RMB million)	72.5	81.2	0.1	66.7	79.5	70.5	370.5

(1) Our Inner Mongolia Shangdu Farm (Phase II) commenced production in July 2015.

(2) Our Ningxia Helan Farm (Phase II) commenced production in August 2015.

(3) Our Shanxi Tianzhen Farm commenced production in August 2015.

(4) The management will decide the timing of commercial production for our Tianjin Farm based on the market conditions and our business prospects. We believe that the earliest time for our Tianjin Farm's commercial production will be Q2 2017.

(5) Designed capacity of a dairy farm refers to the designed number of dairy cows that can be raised at the same time at the relevant dairy farm.

(6) The number of milkable cows relative to the corresponding total number of the designed capacity may vary significantly, primarily because we may increase the portion of milkable cows raised at one phase of a dairy farm and decrease the milkable cows raised at the other phase of the same dairy farm. We believe that we may derive greater operational efficiency by concentrating resources required to raise dairy cows of the same age group.

(7) Estimated annual milk production capacity is calculated by multiplying (i) the estimated number of milkable cows at a dairy farm when it has reached its designed capacity for dairy cows, by (ii) the estimated average annual milk yield of 9.0 tonnes per milkable cow, which is estimated on the basis of the historical production record of our dairy herd during the Track Record Period.

(8) The designed number of foundation cows for each dairy farm is based on (i) the designed capacity for dairy cows to be raised at each dairy farm, and (ii) the expected reproduction rates of the foundation cows.

(9) The total estimated capital expenditure includes the estimated capital expenditure in connection with the infrastructure and equipment and does not include the estimated capital expenditure on the imports and raising of foundation cows. Capital expenditure for dairy farms may vary significantly depending on a number of factors, including the soil texture and climate features at the chosen locations, farm designs and the expected age profiles of dairy cows at the relevant farms.

(10) This relates to capital expenditure for constructing the current Tianjin Import Quarantine Farm and then converting it into Tianjin Farm. It is expected that such conversion will be able to utilize part of the infrastructure already constructed at the Tianjin Import Quarantine Farm (the constructed infrastructure may raise a maximum of 8,000 heifers), pushing up the total estimated capital expenditure for Tianjin Farm.

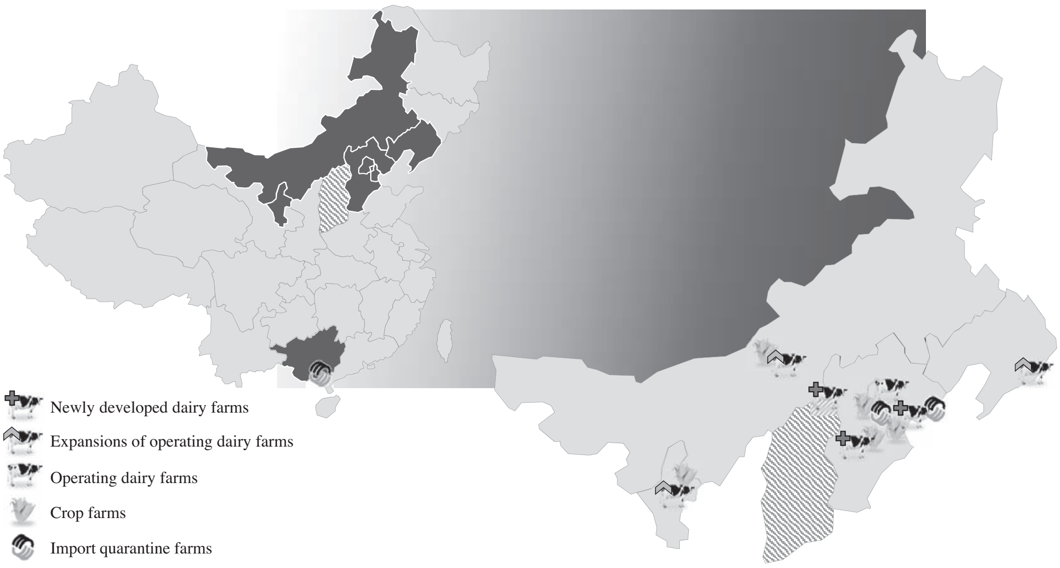
(11) The total capital expenditure incurred as of June 30, 2015 includes the capital expenditure incurred as of June 30, 2015 in connection with the infrastructure and equipment and does not include the capital expenditure incurred as of June 30, 2015 on the imports and raising of foundation cows.

The table below sets forth the estimated number and schedule for procurement of dairy cows as foundation cows for our dairy farms under current expansion plans.

	Dairy cows arrived/ estimated to arrive (As of the Latest Practicable Date)	**Expected Latest Arrival Date**	**Status as of Latest Practicable Date**
	(head, dairy cows)		
Inner Mongolia Shangdu Farm (Phase II)	2,589	—	Arrived in Q3 2014
Ningxia Helan Farm (Phase II).	1st batch: 2,859	—	1st batch: arrived in Q2 2014
	2nd batch: 696	—	2nd and 3rd batches: arrived in Q3 2014
	3rd batch: 2,999		
Liaoning Kuandian Farm (Phase II).	3,630	Q4 2016	No purchase agreement signed
Shanxi Tianzhen Farm. . . .	1st batch: 4,297	—	Arrived in Q4 2014
	2nd batch: 1,368	—	2nd batch: arrived in Q1 2015
Hebei Wen'an Farm	1st batch: 4,479	—	1st and 2nd batches: arrived in Q1 2015
	2nd batch: 1,351	—	
Tianjin Farm	3,000	Q2 2016 or later[1]	No purchase agreement signed

[1] The foundation cows are expected to arrive at our Tianjin Farm around 12 months before our Tianjin Farm commences commercial production, which is expected to be Q2 2017 at the earliest.

Upon completion of our current expansion plans, our dairy farm network will cover seven provinces or provincial-level cities in China. The following map of China shows our dairy farms, crop farms and import quarantine farms upon completion of our current expansion plans.



Potential Expansion Projects

In addition to our dairy farms under current expansion plans, we are constantly seeking and exploring other potential expansion projects to further increase our overall raw milk production capacity and scale of our dairy farming business. For example, we are currently exploring potential opportunities to develop new dairy farms and establish new crop farms to secure more quality and stable supply of feeds for our growing dairy herd in northern China and other regions such as Gansu Province.

As of the Latest Practicable Date, we have not commenced development of any of the potential expansion projects currently under consideration. We have no definitive timetable or budget for implementing any such projects and there is no guarantee that development for any such potential expansion projects will commence at all.

Justifications for Our Expansion Plan

Despite the latest downturn in the raw milk market and the downward adjustments of the minimum purchase volume by one of our key customers, we believe that our expansion plan is justifiable for the reasons set forth below.

The downturn in raw milk market prices in the PRC is expected to be a short term phenomenon.

Since March 2014, the market price for raw milk in the PRC has decreased due to a significant increase in imports of milk powder in 2014. This was in turn due to the surge in China's raw milk prices in the second half of 2013 caused by a shortage of domestic supply of raw milk, which resulted in a huge increase in imports. The volume of imported milk powder reached 923,700 tonnes in 2014, which accounted for 19.8% of domestic raw milk production in the same year. We do not expect the heavy use of imported milk powder by Chinese dairy manufacturers for manufacturing their products to continue on a long-term basis. For details about the competition from foreign dairy brands and its impact on the raw milk price in China, please see the subsections headed "Competition from Foreign Dairy Brands and Foreign Milk Powder Imports" and "Raw Milk Price" in the section headed "Industry Overview" in this prospectus, respectively.

We generate our revenue from selling premium quality milk which cannot be replaced by milk powder

Our industry expert, Frost & Sullivan, predicts that China's raw milk supply will remain in deficit in the next three years while the demand for premium raw milk will be growing at a faster pace than the overall raw milk demand in the PRC. We produce premium quality milk which is mainly used by our customers to manufacture premium dairy products. As such, we can distinguish ourselves from those dairy farms which produce lower quality raw milk that, according to Frost & Sullivan, can largely be replaced by milk powder and therefore is most at risk of being replaced and made redundant by a surge in milk powder imports.

In addition, the Directors are of the view that instead of relying on imports, in the long run the PRC government would still support building up the domestic raw milk supply. According to Frost & Sullivan, national dairy products manufacturers have been working towards strengthening their domestic supply chain to ensure a stable supply of quality raw milk.

Demand for our raw milk will increase with new processing facilities coming into operation

According to Frost & Sullivan, processing capacity constraint is one of the factors leading to a decrease in raw milk procurement for most of downstream dairy processing companies in China. Due to limited processing capacities, domestic dairy processing companies have to adjust product structure in the short run by increasing the proportion of mid-to-low end liquid milk and process dairy products, and decreasing the proportion of high-end liquid milk to accelerating reconstitute milk powder to reconstituted milk and other processed dairy products within the shelf life of imported milk powder.

We expect that new milk processing facilities of our customers which are located near our dairy farms will begin operation in the near future (in particular, Ningxia Helan Farm and Inner Mongolia Shangdu Farm) based on our communications with them, though their detailed plans have not been made public. We believe that this development will help further increase the demand for our raw milk which will ensure the strategic agreements to be performed as contracted.

We continue to be protected by the contractual provisions under the Mengniu Strategic Agreement and Yili Strategic Agreement

Notwithstanding the mutual agreement to modestly adjust downward the minimum purchase volume, this is not a permanent amendment to the relevant strategic agreement. Our PRC legal adviser has confirmed that the relevant provisions of the Mengniu Strategic Agreement and Yili Strategic Agreement continue to be effective and legally enforceable and we are still legally entitled to enforce the terms of these agreements. Although we may choose to waive the minimum purchase requirements due to our key customers' dominant position in the market and strong bargaining power, we will enforce our rights thereunder if we consider it appropriate and beneficial to our Group as a whole on a long-term basis.

Our PRC legal adviser also confirms that there are no restrictions in the Mengniu Strategic Agreement and Yili Strategic Agreement preventing us from selling raw milk to other customers if Mengniu or Yili, as the case may be, do not take up all the milk they contracted to purchase. In fact, because we produce high quality raw milk, notwithstanding the downward volume adjustments, we have been able to sell some of the raw milk not taken up to other dairy manufacturers.

QUALITY CONTROL

Quality control is essential for the dairy industry in China. As such, we place great emphasis on quality control and have installed and implemented strict monitoring and quality control systems to manage our operations. At different stages of our production process, we perform a number of quality inspections and testing procedures, such as sensory testing, physicochemical index evaluation, total bacterial count testing, veterinary drug residue testing and pathogenetic bacteria testing, to ensure that our raw milk complies with applicable PRC health and safety regulations for food products. Under the Mengniu Strategic Agreement and Yili Strategic Agreement, we are committed to supply Mengniu and Yili with raw milk that complies with applicable statutory quality standards as well as the relevant quality thresholds established by Mengniu and Yili, respectively. We will be in breach of the Mengniu Strategic Agreement, Yili Strategic Agreement and the relevant raw milk purchase and sale agreements covered by such strategic agreements if, among other things, our raw milk fails to comply with any required quality standards or contains any contaminants. For more details, please see the sections headed "— Long-term Strategic Cooperation Agreements with Mengniu and Yili" and "Risk Factors — Risks Relating to Our Business — We rely heavily on a limited number of customers, such as Mengniu and Yili, for sales of our raw milk and our business, results of operations and financial condition could be materially and adversely affected in the event of breach or early termination of our raw milk purchase and sale agreements or if we do not enforce the minimum purchase obligations of Mengniu or Yili. Under the Mengniu Strategic Agreement, the Yili Strategic Agreement and the relevant raw milk purchase and sale agreements, we will breach the relevant raw milk purchase and sale agreements if we fail to deliver raw milk to such customers in accordance with the prescribed schedule, quantity or quality, and, in such case, we shall compensate such customers in accordance with the PRC laws." in this prospectus.

In the wake of the melamine incident in 2008, the general public and government in China have become seriously concerned about the safety of China's raw milk and dairy products, particularly with respect to any additives, chemicals or other artificial substances that might be added to raw milk. Our customers, as dairy products manufacturers, are required by law to carry out melamine contamination tests before their dairy products are sold on the market. Our customers also carry out the melamine contamination tests when our raw milk is delivered. We continuously monitor our milking process and carry out inspections at systematic intervals throughout the process to ensure consistency in the quality of our raw milk and compliance with applicable milk safety standards. Our modern milking systems imported from abroad directly pipe the raw milk from dairy cows to our milk tank, which also minimize the involvement of employees and eliminate the risk of external contamination during the milking process. As we have never added any additive or chemical substances in our raw milk for any purpose, our raw milk has never been found to contain melamine or any artificial substance.

Each of our employees is required to observe our quality control standards during the day-to-day operations. We have also established a quality control team specializing in monitoring and enforcement of our quality control system. As of the Latest Practicable Date, our quality control team comprised 12 members, most of whom have obtained relevant tertiary education or university degrees. Our quality control team has an average of more than ten years of relevant industry experience. Our raw milk had never been contaminated during the Track Record Period and up to the Latest Practicable

Date. In addition, since the commencement of our operations and up to the Latest Practicable Date, we had not received any safety or quality related complaints regarding our raw milk or been subject to any product dispute or recall or return of our product which could have a material adverse effect on our financial condition or results of operations. Please see the section headed "Risk Factors — Risks Relating to Our Business — Failures to maintain the quality of our raw milk could materially and adversely affect our business" in this prospectus.

Our comprehensive quality control system is divided into five stages: (i) control over the quality of imported heifers; (ii) control over the quality of feeds; (iii) control over the quality of dairy herd; (iv) quality control during the milking process; and (v) quality control during storage and delivery of raw milk.

Quality Control of Imported Dairy Cows

All the dairy cows we have imported are pure-bred. For Holstein dairy cows, we require that the cows to be imported either have Australian Dairy Breeding Animal Certificates issued by Australian Dairy Herd Improvement Scheme, or are provided with Three Generation Pedigree issued by Livestock Improvement Corporation Limited in New Zealand. For each shipment of imported dairy cows, a health certificate issued by the veterinary authorities of the exporting countries, together with a certificate issued by accredited veterinarian certifying that all supplied dairy cows have been examined and have no hereditary defects and diseases of reproductive system would be required.

Before the dairy cows can be shipped to China, they go through multiple rounds of selections and inspections. First, we authorize our overseas suppliers to conduct on-site screening of candidate dairy cows according to the quality and specifications provided in the supply agreement. The PRC AQSIQ will then dispatch official veterinarian to the supplier country to conduct quarantine inspection at the supplier farm. Dairy cows that have passed such onsite quarantine inspection will then be moved to an export quarantine farm for quarantine inspection. Our technical staff will then accompany the customer representative to the export quarantine farm to select the dairy cows to be shipped to China.

Upon arriving at the destination ports, the dairy cows will be unloaded and brought to our import quarantine farms for quarantine inspection of 45 days in accordance with the applicable PRC laws. Our import quarantine farms are established and managed in compliance with strict livestock quarantine laws and regulations of China. For example, a minimum distance of three kilometers needs to be maintained between our import quarantine farm and the nearest residence, school, wet market, livestock farm and slaughterhouse. Our import quarantine farms are also equipped with necessary sterilization facilities, feeds delivery and waste handling systems, and quarantine areas for disease control. Furthermore, according to Frost & Sullivan, we are one of the few import traders of dairy cows in China to adopt the total mixed ration, or TMR, feeding system at import quarantine farms, which helps to improve nutrient content of feeds and ensure healthy conditions of the imported dairy cows.

Quality Control of Feeds

Feed quality can materially affect the quality and yield of raw milk. Our feed consists primarily of corn silage, alfalfa hay, soybeans, soybean meal, cottonseeds and sheep grass. We have implemented a centralized procurement system at our headquarters for purchase and distribution of feeds to each of our farms. The feeds formulas are determined by our headquarters and subject to adjustments based on the feedback from each farm. Upon delivery of the feeds, our quality control personnel conduct preliminary inspection through sensory evaluation on the color and purities of the feeds. Further inspection would be conducted with the help of equipment, testing water content, nutrients and other indicators. Additionally, we conduct sampling of each batch of feeds at our dairy farms, and regularly deliver such samples to a third party technical firm for nutrition testing to help us better monitor the quality of our feeds.

We enter into growing agreements with local third-party growers to grow corn and alfalfa at our crop farms. We regularly send quality control inspectors to such farms to monitor the planting and harvesting process. We are not obliged to purchase the corn silage that fail to meet the specified quality standards provided in our growing agreements with the growers. Our employees supervise and guide the third-party growers in their growing and harvesting activities to ensure the quality of alfalfa hay ultimately produced.

Other feeds delivered by our suppliers must also be inspected by our quality control department. Feeds that fail the inspection are rejected and immediately returned to the suppliers. We store different types of feeds separately in our warehouses to prevent cross-contamination, and we inspect and test the stored feeds periodically to prevent spoilage.

Quality Control of Dairy Herd

We import quality dairy cows from Australia and New Zealand and inseminate our dairy cows with semen imported from the U.S., Canada and Germany (which are generally regarded by the dairy industry as having high-quality bulls) to improve the genetic mix of our herd. We acquire frozen semen from our suppliers and only accept semen produced by donor bulls which have been duly tested and registered with the local Holstein associations. We also require the imported semen to be in compliance with the applicable statutory requirements collectively set by the GAQSIQ and the relevant source countries.

Each of our dairy farms has also installed a set of herd management software to closely monitor the quality and health of our dairy cows. Upon observation of any signs of sickness, such dairy cow will be immediately quarantined in a separate barn and examined by our professional veterinarian. We also have a set of comprehensive disease control standards and procedures designed to ensure and maintain the health of our dairy cows. We carry out routine health inspections two times per day, based on observations of, among other things, movement and rumination of the dairy cows. Upon observation of any sign of sickness, our inspectors inform our veterinarians immediately who then conduct further health checks.

Quality Control over Milk Production

We continuously monitor our milking process and carry out inspections at systematic intervals throughout the process to ensure consistency in the quality of our raw milk and compliance with applicable milk safety standards. To ensure the quality and safety of raw milk, we sanitize the teats of dairy cows before milking commences, and we discard the first three squeezes of raw milk from the dairy cows. After the milking process is complete, we then spray the teats of dairy cows once again with sterilizing fluid.

We have adopted strict hygiene standards at all of our milking facilities. Our modern milking systems imported from abroad directly pipe the raw milk from dairy cows to our milk tank, which also minimize the involvement of employees and eliminate the risk of external contamination during the milking process.

We also perform regular inspections of facilities in order to ensure our milking systems perform at optimal levels. During the Track Record Period, we have not experienced any material or prolonged stoppages of our production due to a milking facilities failure.

According to (i) our raw milk purchase and sale agreements during the Track Record Period and (ii) Mengniu Strategic Agreement, Yili Strategic Agreement and the relevant raw milk purchase and sale agreements covered by such strategic agreements, our customers usually may refuse to accept delivery of our raw milk if the raw milk (i) fails to pass the safety and quality inspection conducted by our customers, (ii) is produced by milking cows that gave birth within seven days of milking production, were undergoing antibiotic treatment when milked or had been milked within seven days after receiving such treatment, or were suffering from any infectious diseases, such as mastitis, bovine TB, or brucellosis, when milked, (iii) has been spoiled or adulterated, or (iv) fails to meet other safety and quality standards stipulated by laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any incident where our customer rejected delivery of our raw milk that resulted in material adverse effect on our business operations.

Quality Control over Storage and Delivery of Raw Milk

We periodically inspect and test our raw milk for, among other things, veterinary drug residues, microbe count, pathogenetic bacteria, protein content and fat content, and generate testing reports for our internal records.

We contract with various third-party logistics providers to deliver our raw milk to our customers. We require them to obtain the necessary licenses and qualifications to transport and deliver raw milk. Their vehicles are designed to maintain optimal storage conditions for the safety and quality of our raw milk during transit. The milk containers in the delivery trucks are cleaned and sanitized regularly in accordance with our quality control procedures. The milk containers are thermo-insulated throughout the whole transportation process, to ensure a temperature below 4°C to maintain freshness of the milk. Each milk container is sealed with lead before leaving our dairy farms and may be opened only by our customers upon delivery. Since we endeavor to deliver the raw milk produced on any given day to our customers within 24 hours, we generally do not maintain any raw milk stock at our dairy farms.

SALES AND MARKETING

General

We sell our raw milk primarily to industrial customers who have dairy product processing facilities located near our dairy farms. With respect to our import trading business, we engage in a variety of marketing activities to promote customer awareness, primarily including organizing and participating in industry seminars and conferences, and selectively placing advertisements on industry publications. Given the relatively specialized community of our customers for import trading business, including primarily dairy farms and other animal-husbandry farms, we believe that word-of-mouth marketing is another powerful tool to increase our repeat customers and attract new customers for our import trading business.

Our Customers

During the Track Record Period, our Group's top five customers primarily included (i) various leading national dairy companies such as Yili, Mengniu and Sanyuan, who purchased the raw milk produced by our dairy farming business as their raw materials, and (ii) various dairy farming companies, who purchased the dairy cows imported and sold by our import trading business. The following tables set forth revenues from the top five customers of our dairy farming business and import trading business for the periods indicated.

For the year ended December 31, 2012

	Revenue	% of total import trading revenue
	(RMB' million)	(%)
Top five customers[1] from import trading business		
Customer A[2]	76.2	29.8%
Customer B[2]	25.2	9.9%
Customer C[2]	21.7	8.5%
Customer D[3]	20.1	7.8%
Customer E[4]	19.7	7.7%
Total	162.9	63.7%

	Revenue	% of total dairy farming revenue
	(RMB' million)	(%)
Top five customers[1] from dairy farming business		
Customer F[5]	132.2	87.7%
Customer G[5]	12.2	8.1%
Customer H[6]	0.05	0.03%
Customer I[7]	0.002	0.001%
Customer J[8]	0.001	0.001%
Total	144.5	95.8%

For the year ended December 31, 2013

	Revenue	% of total import trading revenue
	(RMB' million)	(%)
Top five customers[1] from import trading business		
Customer K[4]	70.0	55.4%
Customer L[3]	22.8	18.1%
Customer M[4]	21.7	17.2%
Customer N[9]	4.4	3.5%
Customer J[8]	1.5	1.1%
Total	120.4	95.3%

	Revenue	% of total dairy farming revenue
	(RMB' million)	(%)
Top five customers[1] from dairy farming business		
Customer F[5]	111.2	60.8%
Customer L[3]	20.1	11.0%
Customer G[5]	15.4	8.4%
Customer O[10]	8.7	4.7%
Customer P[5]	8.0	4.4%
Total	163.4	89.3%

For the year ended December 31, 2014

	Revenue	% of total import trading revenue
	(RMB' million)	(%)
Top five customers[1] from import trading business		
Customer Q[4]	73.6	17.8%
Customer R[2]	52.9	12.8%
Customer S[3]	45.6	11.0%
Customer T[3]	32.2	7.8%
Customer U[3]	24.8	6.0%
Total	229.1	55.4%

	Revenue	% of total dairy farming revenue
	(RMB' million)	(%)
Top five customers[1] from dairy farming business		
Customer F[5]	140.1	45.4%
Customer P[5]	46.0	14.9%
Customer G[5]	44.5	14.4%
Customer O[10]	32.3	10.5%
Customer V[4]	31.5	10.2%
Total	294.4	95.4%

For the six months ended June 30, 2015

	Revenue	% of total import trading revenue
	(RMB' million)	(%)
Top five customers[1] from import trading business		
Customer B[2]	29.0	58.8%
Customer W[3]	11.7	23.7%
Customer X[11]	2.6	5.3%
Customer Y[2]	2.4	4.9%
Customer Z[2]	1.2	2.4%
Total	46.9	95.1%

For the six months ended June 30, 2015

	Revenue	% of total dairy farming revenue
	(RMB' million)	(%)
Top five customers[1] from dairy farming business		
Customer G[5]	92.1	51.0%
Customer F[5]	88.2	48.8%
Customer AA[12]	0.2	0.1%
Customer BB[12]	0.1	0.1%
—	—	—
Total	180.6	100.0%

Note (1): The identities and profiles of the customers are not disclosed in these tables due to confidentiality concerns.

Note (2): An agricultural company in China

Note (3): A cow breeding company in China.

Note (4): A dairy company in China.

Note (5): One of the leading dairy companies in China targeting the national market such as Mengniu, Yili and Sanyuan.

Note (6): A veterinary hospital and research center in China

Note (7): A governmental hospital in China

Note (8): An individual who is an Independent Third Party

Note (9): A trading company in China.

Note (10): An international food company focusing on producing fresh dairy products. Customer O has been an affiliated company of Customer G since 2014.

Note (11): ZhongDi Meijia.

Note (12): A local dairy processor in China.

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, revenue generated from the top five customers of our import trading business amounted to RMB162.9 million, RMB120.4 million, RMB229.1 million and RMB46.9 million, respectively, representing 63.7%, 95.3%, 55.4% and 95.1% our total import trading revenue during the respective periods. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, revenue generated from the largest customer of import trading business amounted to RMB76.2 million, RMB70.0 million, RMB73.6 million and RMB29.0 million, respectively, representing 29.8%, 55.4%, 17.8% and 58.8% of our total import trading revenue during the respective periods.

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, revenue generated from the top five customers of our dairy farming business amounted to RMB144.5 million, RMB163.4 million, RMB294.4 million and RMB180.6 million, respectively, representing 95.8%, 89.3%, 95.4% and 100.0% of our total dairy farming revenue during the respective periods. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, revenue generated from the largest customer of our dairy farming business amounted to RMB132.2 million, RMB111.2 million, RMB140.1 million and RMB92.1 million, respectively, representing 87.7%, 60.8%, 45.4% and 51.0% of the total dairy farming revenue during the respective periods. None of our Directors, their respective close associates or Shareholders who own five per cent or more of the total issued Shares had an interest in any of our Group's five largest customers during the Track Record Period.

Please see the section headed "Risk Factors — Risks Relating to Our Business — We rely heavily on a limited number of customers, such as Mengniu and Yili, for sales of our raw milk and our business, results of operations and financial condition could be materially and adversely affected in the event of breach or early termination of our raw milk purchase and sale agreements or if we do not enforce the minimum purchase obligations of Mengniu or Yili. Under the Mengniu Strategic Agreement, the Yili Strategic Agreement and the relevant raw milk purchase and sale agreements, we will breach the relevant raw milk purchase and sale agreements if we fail to deliver raw milk to such customers in accordance with the prescribed schedule, quantity or quality, and, in such case, we shall compensate such customers in accordance with the PRC laws." in this prospectus.

We have maintained long-term and stable relationships with our customers. For example, we began supplying raw milk to Mengniu and Yili, two leading national dairy companies, since 2005 and 2011 respectively, and we have recently entered into strategic agreements with each of them for a term of ten years. For more details, please see the subsection headed "— Long-term Strategic Cooperation Agreements with Mengniu and Yili". Our five largest customers for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 have, on average, maintained business relationships with us for more than two years.

Pricing

With respect to the pricing of our raw milk, please see the subsections headed "—Long-term Strategic Cooperation Agreements with Mengniu and Yili" and "—Raw Milk Sales Contracts". With respect to the pricing of our reproduced heifers/calves, we generally take into account of a series of factors in addition to the prevailing market price in China for dairy cows of the same breed and age, such as (i) the health condition of the reproduced cow, (ii) expenditures incurred to raise the reproduced cow, and (iii) our expected profit margin from the sale.

We conduct our import trading business under the agency services model and principal trading model. We charge our customers a commission under the agency services model, usually representing a certain percentage of the contract value. Under the principal trading model, our pricing decisions take into account of a series of relevant factors such as our procurement costs, ancillary expenditures to be incurred in relation to our performance, value of the bundled package of services offered by us, probability and magnitude of various risks borne by us vis-à-vis the customer, and our expected profit margin from the transaction.

For example, we price the imported cows that are sold to customers under the principal trading model by taking into account of factors such as (i) the expected procurement costs of the imported cows on a CIF basis, i.e., including insurance, freight and all other charges up to the destination port in China, (ii) ancillary expenditures to be incurred during our performance of the contract, such as expenditures for arranging PRC government veterinarian, customer representatives and our technical staff to travel to source country to inspect the candidate cows, banking transaction charges incurred to pay the overseas suppliers, PRC customs clearance expenditures, charges in relation to feeding the imported cows at our import quarantine farms, and transportation expenditures until the imported cows are delivered to the destinations designated by the customer, (iii) the synergistic value of our bundled package of services to the customer, (iv) the risks that we bear vis-à-vis the customer in relation to the imported cows from the port of loading in Australia or New Zealand until final delivery to the customer, and (v) the profit margin that we expect to derive from the transaction.

Raw Milk Sales Contracts

During the Track Record Period and until August and September 2014, when we entered into the Mengniu Strategic Agreement and Yili Strategic Agreement with Mengniu and Yili, respectively, each of our dairy farms usually sold its produced raw milk to customers through one-year contracts, which could be renewed upon expiration if agreed by both parties. The specific terms of the sales contracts were subject to negotiations between both parties, and therefore varied among customers and our dairy farms involved and changed from period to period. Except the length of the period and number of dairy farms covered, the major terms of our historical sales contracts were generally similar in nature with those applicable to our strategic cooperation with Mengniu and Yili, such as minimum supply level, pricing mechanism, transportation, acceptance and quality control. For more details about our strategic cooperation with Mengniu and Yili, please see the subsection headed "—Long-term Strategic Cooperation Agreements with Mengniu and Yili".

Sales Agreements for Imported Cows

Under the principal trading model of our import trading business, we enter into sales agreements with our customers to sell the imported cows. For sales of imported dairy cows, in addition to regulating the key steps involved in the transaction and instalment payment schedule for the customer's payment obligation, a typical sales agreement may also include the following key provisions. For more details about the key steps involved in the transaction and instalment payment schedule, please see the subsection headed "—Our Business Operations—Import Trading Business—Principal Trading—Dairy Cows".

- *Quality*. Each imported dairy cow must comply with a series of quality indicators, such as breed, pedigree record, milk production capabilities of her female parent, age upon loading at departure port, age upon delivery to customer, physical appearance and health records. Necessary documentation shall be provided to evidence compliance with the quality indicators to the extent applicable.

- *Pricing*. The customer shall pay a fixed bundled price for each dairy cow, covering all expenditures incurred and services rendered in relation to the dairy cow until delivery and acceptance. For more details about the price components, please see the subsection headed "—Pricing". The total amount payable by the customer shall be calculated on the basis of the actual number of dairy cows delivered to and accepted by the customer.

- *Risk allocation*. We bear all risks in connection with the imported dairy cows vis-à-vis the customer, including risks in relation to loading at the departure port in Australia or New Zealand, arriving at the destination port in China, unloading to the import quarantine farm, the 45-day period of import quarantine inspection, transporting from the import quarantine farm to the customer's dairy farm, and finally delivery to the customer's dairy farm and acceptance by the customer.

- *Warranty*. If the customer identifies within two months after delivery and acceptance that any dairy cow has any heritable reproductive defect, such as being a freemartin, we shall reimburse the customer the price paid for the defective cow, provided that we may examine the relevant cow to confirm the alleged defect. We will then seek reimbursement from our supplier with respect to such confirmed defect. During the Track Record Period, we had successfully obtained all reimbursements sought after from our suppliers.

SEASONALITY

There is no material seasonal factor affecting the performance of our import trading business. With respect to our dairy farming business, we usually sold our produced raw milk to customers through one-year contracts during the Track Record Period, which incorporated pricing mechanisms reflecting the prevailing market prices. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material fluctuations in the raw milk market prices that were directly linked to seasonal factors. The pricing mechanisms under our long-term strategic cooperation agreements with Mengniu and Yili are generally in line with our historical pricing mechanisms. As to the production side of our dairy farming business, extended cold or hot weather could potentially reduce our raw milk production volume because dairy cows generally prefer temperate weather than extremely cold or hot weather. Please see the section headed "Risk Factors — Risks Relating to Our Business — Natural disaster, acts of war or terrorism, extreme weather conditions or other factors beyond our control may materially and adversely affect our business, results of operations and financial condition" in this prospectus.

RAW MATERIALS, SUPPLIERS AND INVENTORY

Raw Materials and Suppliers

Our suppliers primarily include raw material suppliers, third-party contractors for construction and development of new or expanded dairy farms, suppliers of machinery and equipment for our dairy farming business, and overseas suppliers of cows and alfalfa hay for our import trading business. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, purchases from our Group's five largest suppliers amounted to RMB235.6 million, RMB376.8 million, RMB935.2 million and RMB161.0 million, respectively, representing approximately 68.9%, 56.4%, 71.9% and 44.4% of our total purchases in the respective periods. Purchases from our Group's single largest supplier amounted to RMB121.5 million, RMB160.7 million, RMB434.0 million and RMB108.3 million, respectively, representing approximately 35.5%, 24.0%, 33.4% and 29.9% of our total purchases for the same periods.

We have maintained long-term and stable relationships with our suppliers. Our five largest suppliers during each of the years ended December 31, 2012, 2013 and 2014 have, on average, maintained business relationships with us for more than three years. If we take into account of the years of business relationship between SinoFarm Group, who used to operate the import trading business before we commenced to operate our import trading business in 2010, and the relevant suppliers for our import trading business, the average length of our business relationships with the top five suppliers during each period of the Track Record Period would be more than six years. None of the Directors, their respective close associates or Shareholders who owned five per cent or more of the total issued share capital of our Company had any interest in any of our Group's five largest suppliers during the Track Record Period, except Urban Construction, a connected person of our Company upon Listing which provides construction services to us.

Raw materials consumed in our dairy farming business primarily include (i) feeds for dairy cows, mainly including corn silage, alfalfa hay and concentrates, (ii) frozen semen used to breed the dairy cows, and (iii) vaccines and veterinary drugs for our dairy cows. We source these raw materials primarily in the following manner:

- *Feeds*. A substantial portion of our corn silage is sourced from our crop farms in the vicinity of our dairy farms. We engage third-party growers to grow, process and sell corn silage to us at our Beijing Shunyi Crop Farm, Inner Mongolia Shangdu Crop Farm, Ningxia Helan Crop Farm, Hebei Wen'an Crop Farm and Tianjin Crop Farm. For the remaining portion of corn silage consumed by our dairy cows, we enter into purchase agreements with the local growers. We import a portion of alfalfa hay consumed by our dairy cows from the U.S. while we also purchase alfalfa hay of comparable quality from domestic growers and suppliers at a competitive price. In addition, we commenced growing alfalfa on a commercial scale at Ningxia Helan Crop Farm in 2014. For concentrates such as soybean meal, cotton seed meal, wheat bran and sheep grass, we primarily purchase from domestic third-party suppliers.

- *Frozen semen, vaccines and drugs.* We purchase frozen semen imported from the U.S., Canada and Germany to breed our dairy cows. We require the semen to be from sires selected on the basis of predicted transmitting ability of their superior genetic features. We also purchase imported sex-sorted frozen semen to increase the proportion of female calves born. We purchase vaccines and veterinary drugs for our dairy cows from licensed domestic sellers of veterinary drugs in China.

Our import trading business mainly purchases cows and alfalfa hay from overseas, most of which are professional suppliers in the animal husbandry industry.

Inventory

Our inventory primarily comprises feeds for dairy cows. We apply tailored inventory policies to specific categories of feeds involved. We purchase corn silage when the corn crop is harvested around September each year. We seal and store the purchased corn silage at our dairy farms, which will then be fed to our dairy cows over the course of the year until the next harvest. With respect to alfalfa hay, we usually maintain an inventory level sufficient for consumption for three to four months. As to concentrates such as soybean meal and cotton seed meal, we usually maintain an inventory level sufficient for consumption of about one month, and flexibly adjust our purchase amount and frequency depending on the current and expected market price level.

LOGISTICS

We contract with third-party logistics providers to transport and deliver our raw milk to the processing facilities of our customers. Under the logistics agreements that we have entered into with logistics providers, the raw milk must be transported to the appointed location in accordance with the contract terms. The logistics providers are liable for damages resulting from any accidents during transportation. We believe that by engaging professional logistics providers, we are able to manage the delivery of our raw milk more efficiently and further strengthen our quality and safety control. It also allows us to focus our resources on our core business operations, reduce our capital investment and minimize the risk of liability for transportation accidents, delivery delays or losses. All of our logistics providers are specialized raw milk transporters. Their ability to customize their transportation facilities and procedures in accordance with our quality standards helps to ensure the quality of our raw milk until delivery to and acceptance by our customers.

The imported cows for our import trading business are usually transported to China by specialized cargo vessel via sea, which are generally arranged by overseas suppliers. During the sea voyage, the imported cows are fed by specialists of the suppliers with feedings carried on the ship.

After the cows arrive in China, we engage third-party logistics providers to transport and deliver the imported cows to our import quarantine farms or customers, as applicable. We require such trucks to be sterilized and bedded with sands to ensure a comfortable and safe condition during transportation.

We believe that alternative qualified logistics providers are readily available in the market, and that we are able to substitute our current logistics providers with alternative logistics providers if they fail to meet our requirements. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disruption or delay in the transportation of our raw milk or imported goods.

RESEARCH AND DEVELOPMENT

We believe that research and development is critical in maintaining our competitive edge and advantages. In order to keep pace with the technological developments in the dairy industry and to continually enhance our competitive advantages, we place significant emphasis on research and development to enhance our independent innovation capability and our market competitiveness. In collaboration with World Wide Sires Co., Ltd. (環球種畜有限責任公司), Chinese Association of Agricultural Science Societies (中國農學會), China Agricultural University (中國農業大學) and other research institutes, we have conducted extensive research and development projects by establishing the National Dairy Industry R & D Center Test Base (國家奶牛產業技術研發中心試驗基地), Feeds & Additives Efficiency Evaluation Base of the MOA (農業部飼料和飼料添加劑有效性評價基地), Graduate Training and Technology Innovation Base of China Agricultural University (中國農業大學研究生培養與創新實踐基地), and World Wide (China) Dairy Management Training Center (環球(中國)奶業管理培訓中心). In addition, we cooperate with the Sino-Dutch Dairy Development Center (中荷奶業發展中心) in research and innovation by designating our Beijing Shunyi Experimental Base Farm, which is part of our Beijing Shunyi Farm, as the Dutch Dairy Expertise Center. We are also actively involved in the Sino-German Livestock Cooperation Project, an initiative led by BMEL (德意志聯邦共和國食品和農業部) and the MOA that aimed at introducing advanced livestock management technology from Germany to China.

As of the Latest Practicable Date, we had a team of five research and development personnel, the majority of which has more than 10 years of related work experience and has obtained relevant professional titles in their respective fields. The total expense for research and development was RMB0.3 million, RMB0.3 million, RMB0.1 million and RMB0.6 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

INTELLECTUAL PROPERTY

We believe that intellectual property rights, including our trademarks, proprietary know-how and domain names, are important to the future of our business. We rely primarily on a combination of trademarks and third party confidentiality arrangements to protect our intellectual property. Details of our material registered intellectual property rights, including trademarks and domain names, are set out in the "Statutory and General Information — B. Further Information of Our Business — 2. Intellectual Property Rights of our Group" in Appendix IV to this prospectus.

With respect to proprietary know-how which is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality arrangements to safeguard our interests. All of our research and development personnel are obligated to maintain confidentiality of our proprietary information. Additionally, under PRC laws and regulations, all of the patentable inventions, utility models and designs developed by our employees in connection with their employment with us are automatically assigned to us. We also require our business partners to maintain confidentiality of all sensitive information regarding aspects of our operations, technology or business plans.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our intellectual property. It is difficult to monitor unauthorized use of our technology and know-how. In addition, our competitors may independently develop technology and know-how similar to ours. Our precautions may not prevent misappropriation or infringement of our intellectual property. During the Track Record Period and as of the Latest Practicable Date, to the best of our knowledge, we were not subject to any material intellectual property claims which could have a material adverse effect on our business or operations.

COMPETITION

The dairy farming industry in China is highly fragmented. We compete with other large-scale dairy farms in China as well as an array of individual dairy farmers. According to Frost & Sullivan, the five largest dairy farming companies only accounted for 4.1% of the total herd size of China's dairy farming industry in 2014, approximately 15.0 million dairy cows. For more details, please see the section headed "Industry Overview — Dairy Farming — Competitive Landscape" in this prospectus. According to Frost & Sullivan, large-scale dairy farms with over 1,000 head of dairy cows generally have higher milk yield and produce raw milk of better quality than those of the smaller dairy farms. The proportion of large-scale dairy farms in China is expected by Frost & Sullivan to continue growing in the future. However, the large-scale dairy farming segment has a relatively high entry barrier, requiring substantial capital investment, management experience and government support. We believe that our operating scale, premium quality of our raw milk, strategically located network of dairy farms, long-term strategic cooperation with leading dairy companies including Mengniu and Yili, and strong research and development capabilities allow us to effectively compete with other dairy farms in China.

We conduct an import trading business primarily in cows, alfalfa hay, live poultry, breeding stock and other animal husbandry-related products such as frozen bull semen. We are one of the leading players of the dairy cow importing industry in China, importing approximately 18.1% of all dairy cows imported into China in 2014, which placed us as the third largest dairy cow importer in China in terms of the number of dairy cows imported according to Frost & Sullivan. According to Frost & Sullivan, the largest three dairy cow importers in China imported on a combined basis approximately 58.7% of all dairy cows imported into China in 2014. We believe that our long-term and stable business relationships with overseas dairy cow suppliers, self-owned import quarantine farms, and advanced feeding system at our import quarantine farms will continue to help us maintain our competitive advantages over the other dairy cow importers in China.

AWARDS AND RECOGNITION

During the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our PRC operations have received numerous awards and recognition in respect of quality of our products, popularity of our brand etc., including:

Awards/Recognition	Award Date	Awarding Institution/Authority
National Science and Technology Progress Award (Second Class) (國家科技進步二等獎)	2014	PRC State Council (中華人民共和國國務院)
National Flagship Enterprise for Industrialization of Agriculture (農業產業化國家重點龍頭企業)	2012 & 2014	MOA (中華人民共和國農業部)
China's Advanced Enterprise in Husbandry Industry (The Third Session) (第三屆中國畜牧行業先進企業)	2014	China Animal Agriculture Association (中國畜牧業協會)
Science and Technology Progress (Promotion) Award (First Class) (科學技術進步獎推廣類一等獎)	2013	PRC Ministry of Education (中華人民共和國教育部)
2012-2013 Advanced Enterprise (中國農學會農業產業化分會2012-2013年度先進單位)	2013	Agricultural Industrialization Branch of Chinese Association of Agricultural Science Societies (中國農學會農業產業化分會)
First Class Prize for Agricultural Science and Technology Award (中華農業科技獎一等獎)	2013	MOA (中華人民共和國農業部)

EMPLOYEES

Our Employees

As of the Latest Practicable Date, we had a total of 786 employees. Breakdown of our employees by function as of the Latest Practicable Date are set forth below.

Management	32
Technology	184
Sales & Procurement	14
Finance	18
Administration & Logistics	112
Production	426
Total	786

As of the Latest Practicable Date, approximately 153 employees were based in Beijing. The remaining employees are located at our dairy farms across China, with the largest portion, 262 employees as of the Latest Practicable Date, located at Helan, Ningxia, where our Ningxia Helan Farm is located.

We provide management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. During the Track Record Period, we did not experience any strikes or significant labor and management disputes that had a material adverse effect on our business.

We have made contributions for our employees to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds. During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the subsection headed "— Legal Compliance and Proceedings" below, we were in material compliance with all statutory social insurance and housing fund obligations applicable to us under PRC laws. We are not subject to any collective bargaining agreements with respect to our operations in China.

Occupational Health and Safety

We are subject to PRC laws and regulations regarding labor, safety and work-related incidents. During the Track Record Period, we complied with relevant PRC workplace safety regulatory requirements in all material respects. We also provide safety-related education to our employees on a regular basis to increase their awareness of work safety. As of the Latest Practicable Date, we have complied with the PRC workplace safety regulatory requirements in all material respects and have not had any incidents which have materially and adversely affected our operations.

ENVIRONMENTAL MATTERS

Effective environmental management is critical to the success of our business and to the achievement of our long-term sustainability goals. Our business operations do not generate hazardous waste or pollutants that have a significant adverse effect on the environment. The primary waste generated from our operations includes waste water and cow manure, which are treated in compliance with applicable environmental standards in our production facilities. We have implemented a set of waste treatment procedures at our production facilities. For details on our waste management, see the subsection headed "— Herd Management—Waste Management".

We are subject to environmental protection laws and regulations promulgated by the PRC government. Save as disclosed in the subsection headed "— Legal Compliance and Proceedings — Environmental Protection Compliance", our PRC legal advisers have advised us that our operations are currently conducted in accordance with the PRC environmental protection laws and regulations in all material aspects. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our annual cost of compliance with environmental protection rules and regulations was RMB176,996, RMB304,426, RMB803,825 and RMB848,023, respectively. We expect our annual cost of compliance with environmental protection rules and regulations for the year ending December 31, 2015 to be approximately RMB1,588,986.

As of the Latest Practicable Date, we had not been subject to any fines or penalties in relation to any breach of any such environmental laws or regulations which has materially adversely affected our production.

INSURANCE

We maintain and make required contributions toward statutory social security insurance policies for our employees pursuant to the PRC laws.

With respect to the dairy cows raised at our dairy farms, our insurance policies generally cover, among other things, death caused by certain diseases, accidents or natural disasters, infertility resulting from a previous difficult birth, and losses incurred as a result of government orders of mass slaughters of farm animals in the relevant region. The insurance premiums payable by us are subject to a series of factors such as age and lactation periods of the heifers and milkable cows. During the Track Record Period and up to the Latest Practicable Date, we had not made any significant claims under our insurance policies for the dairy cows raised at our dairy farms. Nor had we experienced any material difficulties in renewing such insurance policies.

With respect to the imported cows for our import trading business, our overseas suppliers usually obtain insurances covering the risks involved during the transportation from the departure port in overseas to the arrival port in China. When we engage third-party logistics providers in China to deliver the cows from our import quarantine farms to our customers, we usually require logistics providers to obtain insurances. Such insurances generally cover risks of death and certain material physical injuries occurring during the course of transportation.

Since it is not required by PRC law, and doing so would not be inconsistent with the usual industry practice in China, we currently do not maintain any third-party product liability insurance or maintain insurance coverage for our main production facilities, equipment and building. Please see the section headed "Risk Factors—Risks Relating to Our Business—Our insurance coverage and government compensation may not be sufficient to cover all of our potential losses" in this prospectus.

RISK MANAGEMENT

We have established systematic risk management measures to ensure sustainable development of our business operations. Our Risk Assessment Management Rules (《風險評估管理辦法》) set out our policies and procedures to identify, assess and mitigate the potential risks involved in our business operations. We have also set up a risk management office, consisting of our Chairman, Chief Executive Officer, managers of various departments at our headquarters and heads of our PRC subsidiaries responsible for day-to-day operations, which is primarily responsible for identifying and assessing potential risks and recommending to our management the proposed mitigation plans.

The key elements of our risk management primarily include:

- *Identifying potential risks*. Given the performance targets approved by our Board every year, we identify and categorize the potential risks that could impede the achievement of such performance targets. We believe that the potential risks faced by our Group can be broadly grouped into (i) environment risks, such as risks from the competitive environment, risks from changing consumer demand and risks from change of laws, (ii) procedure risks, such as risks from internal approval procedures, risks from product quality and financial risks, and (iii) information risks, such as risks from pricing decisions, risks from budgeting and control and risks from competitive strategy.

- *Risk assessment*. We assess and rank our risk exposure in terms of (i) the possibility that a particular risk may materialize, and (ii) the impact to our business, results of operations and financial condition in the event that a particular risk does materialize.

- *Mitigation plans*. Based on our assessment and ranking of different risks, we prepare the corresponding mitigation plans to control risks within an acceptable level. For example, to mitigate the risks of rising feeds cost, we require our raw material procurement department to constantly monitor and forecast the market prices and dynamics of supply and demand, and adjust our procurement plans based on the latest market information.

- *Measurement and report*. We have adopted a bottom-up approach to measurement and report, a key element of our risk management system. We periodically interview and communicate with our front-line employees to monitor and measure the implementation of our risk mitigation plans. The resulting information is then reported back to our management and Board as reference points to further refine our mitigation plans.

PROPERTIES

We occupy certain properties in the PRC in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our dairy farms, crop farms, import quarantine farms and offices.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as of December 31, 2014, none of our properties has a carrying amount of 15% or more of our consolidated total assets. Pursuant to Chapter 5 of the Listing Rules, this prospectus is not required to include valuations of our properties.

Owned Properties

As of the Latest Practicable Date, we have obtained the land use right certificates for four parcels of land with an aggregate site area of approximately 990 mu, which are used as parts of Ningxia Helan Farm (Phase II) and Beijing Shunyi Farm, respectively. Our PRC legal advisers have advised us that, subject to the disclosures below, we have obtained all material certificates, permits and government approvals required under the applicable PRC laws to lawfully possess and occupy all of our owned properties.

As of the Latest Practicable Date, we occupy one parcel of allocated land (劃撥地) with a site area of 107 mu in Ningxia Hui Autonomous Region for part of our Ningxia Helan Farm (Phase II) currently under development, without obtaining the relevant land use right certificate. This parcel of land was acquired by us together with other dairy farming-related assets in July 2013 from an Independent Third Party. We are currently developing Ningxia Helan Farm (Phase II), which occupies a total area of 1,066 mu. The particular non-compliant parcel represents approximately 10.0% of the total area of Ningxia Helan Farm (Phase II). We obtained a confirmation from the land and resources bureau of Helan County, which confirmed that (i) we are entitled to continue to occupy and use this parcel of land and (ii) they will not impose any compulsory measure or administrative penalty on us for the use of this parcel of land without land use right certificate, and (iii) they intend to contract or lease it to us in accordance with the applicable laws and regulations. Our PRC legal advisers have advised us that the land and resources bureau of Helan County is the competent authority to issue such confirmation. We are actively cooperating with the government authorities to obtain the lawful rights to occupy and use the land. As of the Latest Practicable Date, we had not experienced any disruption to our business operations as a result of the failure to obtain the land use right certificate. Our Directors are of the view that our business operations will not be materially affected.

Leased Properties

Leased Buildings

As of the Latest Practicable Date, we leased:

- five office units with a total gross floor area of approximately 850 square meters for usage as our headquarters in Beijing. The lessor for all the office units is SinoFarm Group, which will become a connected person of our Company upon Listing. For more details, please see the section headed "Connected Transactions — Fully Exempt Continuing Connected Transaction — Property Lease Agreements" in this prospectus; and

- certain buildings with a total gross floor area of approximately 7,600 square meters, together with a parcel of land of 118 mu in Liaoning Province upon which such buildings are located, for usage as part of the facilities of our Liaoning Kuandian Farm (Phase I). For more details, please see the subsection headed "— Leased Lands".

Our PRC legal advisers have advised us that, subject to the disclosures in the subsection headed "— Leased Lands", our lease agreements for all our leased buildings are valid and enforceable, and we are lawfully entitled to occupy and use the leased buildings in accordance with the terms of the lease agreements.

Leased Lands

As of the Latest Practicable Date, we leased 10 parcels of land with a total site area of approximately 23,048 mu, which have been used or are expected to be used as our dairy farms, crop farms and import quarantine farms. All our leases for land used as dairy farms are of a term more than ten years. Our PRC legal advisers have advised us that, subject to the disclosures below, we have obtained all material certificates, permits and government approvals required under the applicable PRC laws to lawfully lease, occupy and use such lands in accordance with the lease agreements and applicable PRC laws. Please see the section headed "Risk Factors — Risk Relating to Our Business — We have not obtained all required approvals for one parcel of leased land occupied by one of our operating dairy farms" in this prospectus.

We lease one parcel of land with a total site area of approximately 118 mu together with certain buildings located on such land in Liaoning Province from a local regiment of the People's Liberation Army in China for a term of ten years from January 2010 until December 2019, where our Liaoning Kuandian Farm (Phase I) is located. Our PRC legal advisers have advised us that in accordance with applicable PRC laws, the People's Liberation Army may lease its properties to a third party, provided that, if the lease is for a term of ten or more than ten years or the leased land is greater than a certain size, and the lease should be approved by the General Logistics Department (總後勤部) of the People's Liberation Army. Our PRC legal advisers have advised us that it is the lessor's obligation to obtain approval from the General Logistics Department with respect to our lease of the relevant property. As of the Latest Practicable Date, the lessor had not obtained the required approval from the General Logistics Department. Among our four operating dairy farms as of June 30, 2015, the land occupied by Liaoning Kuandian Farm (Phase I) represented approximately 2.2% of the total size of all land occupied by our dairy farms, and the number of dairy cows raised at Liaoning Kuandian Farm (Phase I) only represented approximately 2.0% of all our dairy cows raised at the four operating dairy farms. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, revenue generated from sale of raw milk and reproduced heifers/calves from Liaoning Kuandian Farm (Phase I) amounted to RMB12.3 million, RMB15.5 million, RMB16.1 million and RMB6.7 million, respectively, representing 3.0%, 5.0%, 2.2% and 2.9% of our total revenue for the respective periods. We currently intend to commence development of Liaoning Kuandian Farm (Phase II) by the second quarter of 2016, which has a designed capacity for raising 6,053 dairy cows and is located in the same town as Liaoning Kuandian Farm (Phase I). Our PRC legal advisers have advised us that we have obtained all relevant certificates, permits and government approvals to lawfully lease, occupy and use the land upon which Liaoning Kuandian Farm (Phase II) will be built. In the event that we need to terminate usage of the land currently occupied by Liaoning Kuandian Farm (Phase I), which only has a designed capacity of raising 1,000 dairy cows, we can easily move the relevant dairy cows and other facilities to Liaoning Kuandian Farm (Phase II) within approximately one day. In such case, we estimate that we will incur no more than RMB7.0 million loss in relation to the facilities and equipment that had been invested by us on Liaoning Kuandian Farm (Phase I) and no material loss of revenue and relocation costs. Alternatively, in case we need to terminate the usage of the land currently occupied by Liaoning Kuandian Farm (Phase I) before Liaoning Kuandian Farm (Phase II) obtains all the required approvals and starts commercial production, we may nevertheless move the relevant dairy cows and other facilities to our Ningxia Helan Farm (Phase I), which has sufficient capacity to accommodate all the dairy cows from Liaoning Kuandian Farm (Phase I). In such case, we believe that we will complete our relocation within approximately 2 days and the total loss of revenue, relocation costs and loss in relation to the facilities and equipment will be no more than RMB7.6 million. Our Ultimate Controlling Shareholders have provided an indemnification undertaking in favor of our Company, under which the Ultimate Controlling Shareholders agree to reimburse us for all losses arising from any early termination of the lease or other interference with our usage of the land on account of lack of approval from the General Logistics Department. As of the Latest Practicable Date, we had not experienced any disruption to our business operations as a result of the lack of approval from the General Logistics Department for the relevant lease. Nor had we received any termination notice of the relevant lease. Considering the above factors, our Directors are of the view that our operations will not be materially adversely affected.

Contracted Lands

Under the PRC laws, collectively-owned arable land, woodland and other land used for agricultural purpose may be contracted to third parties, or contractors, in accordance with the applicable laws, which require that, among other things, the contracted land shall continue to be used for agricultural purpose. For more details, please see the section headed "Regulations—Laws and Regulations Relating to Properties—Rural Land Contracting" in this prospectus. As of the Latest Practicable Date, we had contracted 12 parcels of land with a total site area of approximately 9,030 mu, mainly used for our operating and future dairy farms, crop farms and import quarantine farms; we had also acquired rights to operate 29 parcels of contracted land with a total site area of approximately 37,220 mu, as a transferee to whom the relevant contractors transferred theirs rights to operate such parcels of land. Our PRC legal advisers have advised us that we have obtained all material certificates, permits and government approvals required under the applicable PRC laws to lawfully contract and operate such lands in accordance with the terms of the contracting agreements and the agreements transferring right to operate contracted land, as applicable. Our PRC legal advisers have informed us that the relevant contracting parties are properly authorized to lease the contracted lands to us because the rural collective economic organizations, as lessors, have either obtained the consent of at least two thirds of the representatives in such organizations or they have obtained authorization from the original contractors for the relevant contracted lands, and have obtained the relevant approvals from, or filed registrations with, the competent government authorities regarding the land use agreements. In addition, Our PRC legal advisers have advised us that our land use shall constitute agricultural use because our dairy farms and import quarantine farms are used for cow cultivation and cattle quarantine, which is in line with the definition of "agricultural land used for facilities" under the *Circular of Ministry of Land Resources and Ministry of Agriculture on the Strengthened Support of the Healthy Development of Agriculture* (Guo Tu Zi Fa [2014] No. 127) (《國土資源部、農業部關於進一步支持設施農業健康發展的通知》(國土資發[2014]127號)). Furthermore, our PRC Legal Advisers have advised us that, save for the land parcel of approximately 118mu where our Liaoning Kuandian Farm (Phase I) is located which has been disclosed in the section headed "Property-related Non-compliances" in this prospectus, all the lands occupied by us is in compliance with the purposes of use defined in the relevant laws and regulations.

PERMITS AND LICENSES

Our Directors, as advised by our PRC legal advisers, confirm that, as of the Latest Practicable Date, save as disclosed in the subsection headed "— Legal Compliance and Proceedings", we had obtained all material licenses, approvals and permits from relevant PRC authorities for our operations in China. Our material permits and licenses in China primarily include license for production and operation of breeding livestock and poultry (種畜禽生產經營許可證), certificate for animal epidemic disease prevention (動物防疫條件合格證), approval for environmental impact assessment report (環評報告批覆) and the inspection approval for completed environmental protection facilities (環保設施竣工驗收). For more information about the laws and regulations that we are subject to for the operation of our business in the PRC, please see the section headed "Regulations" in this prospectus.

Some of our material permits and licenses have a limited period of validity. We monitor the validity status of our permits and licenses, and make timely applications for the renewal of relevant permits and licenses prior to the expiration date. We had not experienced any material difficulty in obtaining or renewing the required permits and licenses for our business operations during the Track Record Period and up to the Latest Practicable Date. Nor do we currently expect any material impediment in renewing our material permits and licenses as they expire in future.

LEGAL COMPLIANCE AND PROCEEDINGS

Anti-corruption Internal Policies

We have adopted internal policies in relation to third party entertainment activities. According to our Measures for Administration of Entertainment Activities《招待管理辦法》, for any third party entertainment activities (including catering and accommodation etc. expenses) to be conducted by ZhongDi Beijing, prior approval shall be obtained from the department head, leaders-in-charge and the president. For those third party entertainment activities to be conducted by other subsidiaries, prior approval shall be obtained from the general manager of the relevant subsidiary. In particular, for those accommodation expenses which shall be borne by ZhongDi Beijing, prior approval from the president shall be obtained and prior approval from the general manager of the relevant subsidiary shall be obtained if such expenses are to be borne by the relevant subsidiaries. As of the Latest Practicable Date, no entertainment events had ever been approved.

Our internal audit office also conducts internal audits periodically to ensure the internal compliance of aforementioned policies. Furthermore, we have also adopted the Anti-fraud and Reporting Regulations《反舞弊及舉報管理規定》and set up reporting hotlines to ensure any misconduct of our employees will be reported to the management. As of the Latest Practicable Date, we had not received any report in relation to corruption and bribery instances. We were not aware of, and had not received any notices of investigation from government authorities in relation to any corruption-related misbehavior of its employees. Our Directors confirm that we are in compliance with the relevant anti-corruption laws and regulations in all material respects.

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. We are currently not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceedings, which, in our opinion, is likely to have a material adverse effect on our business, financial conditions or results of operations.

Our Directors, as advised by our PRC legal advisers, confirm that, as of the Latest Practicable Date, we had complied with relevant PRC laws and regulations in all material respects, except certain non-compliance incidents disclosed below.

PRC Housing Security Fund Contributions

We are required to make housing fund contributions as a part of the benefit of employees of our PRC subsidiaries in accordance with the PRC laws. Due to different practices of the relevant housing security fund authorities and the individual preferences of the employees involved, three of our PRC subsidiaries did not made housing fund contributions for certain employees during or for certain period of the Track Record Period. We estimate that the housing fund contributions outstanding with respect to the relevant employees amounted to approximately RMB0.5 million as of the Latest Practicable Date. Our Directors are of the view that no provision is necessary due to the immaterial amount involved.

Our PRC legal advisers have advised us that in accordance with relevant PRC laws, we may be required by the relevant housing security fund authorities to pay the accrued housing fund contributions within a prescribed period, failure to comply with which could result in a fine between RMB10,000 to RMB50,000 for each non-compliant subsidiary and even specific enforcement by the competent court. In addition, any relevant employee may claim against us with respect to the accrued housing fund contribution and we may then be required to make the accrued contributions for the relevant employee. As of the Latest Practicable Date, we had not received any notice, claim or requirement from any housing fund authorities, competent PRC court or any relevant employee that requires us to make any of the accrued housing fund contributions. We had also paid the housing security fund contributions for all our eligible employees as of the Latest Practicable Date.

Furthermore, our Ultimate Controlling Shareholders have agreed to provide us an indemnification undertaking, which promises to fully reimburse us for any penalty and loss resulting from the historical failure to pay the housing security fund contributions in accordance with the applicable PRC laws during the Track Record Period. Considering all above factors, our Directors are of the view that our operations will not be materially adversely affected by our historical failure to pay the accrued housing security fund contributions.

Environmental Protection Compliance

Under the applicable PRC laws, each of our dairy farms is required to obtain (i) the approval for environmental impact assessment report (環評報告批覆) before commencement of construction, and (ii) the inspection approval for completed environmental protection facilities (環保竣工驗收意見書) before commencement of operation.

Our Liaoning Kuandian Farm (Phase I) and Inner Mongolia Shangdu Farm (Phase I), which commenced commercial milk production in November 2003 and September 2003, respectively, had failed to obtain the inspection approval for completed environmental protection facilities before commencing operations. We have received written confirmations from the local environmental authorities for each of Liaoning Kuandian Farm (Phase I) and Inner Mongolia Shangdu Farm (Phase I). Both confirmations confirmed that, among other things, (i) we had already constructed the required environmental protection facilities for the relevant dairy farms, (ii) there had been no environmental incident in relation to the two dairy farms, (iii) the authorities had not received any complaint alleging any pollution resulting from our operations at the two dairy farms, and (iv) as a result, the authorities would not order us to cease operations at the two dairy farms or impose any administrative penalty or fine against us. Our PRC legal advisers have advised us that the local environmental authorities were the competent government authorities to issue such written confirmations.

We believe that we have materially complied with all environmental regulations and are currently in compliance in all material respects with applicable national, provincial and municipal environmental laws and regulations. Please see the section headed "Risk Factors—Risks Relating to Our Business—We require various approvals, licenses and permits to operate our business and the loss of or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect our business and results of operations" in this prospectus.

Property-related Non-compliances

With respect to certain properties occupied by us in relation to our business operations, there have been certain non-compliance incidents. For more details, please see the subsection headed "—Properties".

Internal Control

Our Directors are responsible for monitoring our internal control system and for reviewing its effectiveness. In accordance with the applicable PRC and Hong Kong laws and regulations, we have implemented necessary internal control procedures that we deem sufficient for an effective internal control system. Particularly, in view of the above issues in respect of our various non-compliance incidents during the Track Record Period, we have implemented the following internal control measures to reduce our exposure to risk of any future non-compliance:

- We have enhanced the supervision of our subsidiaries on employees' matters. Our human resources department at our headquarters is responsible for periodically reviewing the employees' registration forms and ensuring the compliance with all laws and regulations with respect to employment. Our Directors believe that our strict regulation will prevent the occurrence of such non-compliance in the future.

- We have formulated the environment protection management rules (《環境保護管理辦法》) which sets out our detailed requirements with respect to environmental protection steps and procedures from initiating planning for a new dairy farm, crop farm or import quarantine farm, site selection, construction of infrastructure, commencement of production until daily operations. Our Directors believe that our current policies and systems are sufficient to ensure the compliance with environmental protection laws and regulations of different places.

- We will continue to engage external professional advisers if necessary and work with our internal audit and legal teams to conduct regular review to ensure that all registrations, licenses, permits, filings and approvals are valid and that the renewals of such documents are made in a timely manner. We have also appointed Anglo Chinese Corporate Finance, Limited as our external compliance adviser with effect from the date of the Listing to advise on on-going compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, our Directors had not identified any material internal control weaknesses or failures. In light of the nature of, and reasons for, our non-compliance incidents, and on the basis of the rectification measures taken, our Directors believe, and the Sole Sponsor has no reason to doubt, that our enhanced internal control measures are adequate and effective to address the incidents of non-compliance as set out above, and they are not aware of any facts or circumstances that might affect the suitability of our Directors and our suitability for listing.

We have entered into certain transactions with certain persons who will become our connected persons upon Listing under the Listing Rules, the details of which are set out below. The transactions disclosed in this section will continue after Listing and hence, upon Listing, will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

We have entered into transactions with the following entities which will become connected persons of our Company upon Listing:

SinoFarm Group

SinoFarm Group is beneficially owned by Mr. Zhang Jianshe, Mr. Liu Dai and Mr. Zhang Kaizhan, all of whom are our Directors, as to 51%, 35% and 14%, respectively, and is therefore a close associate of Mr. Zhang Jianshe and Mr. Liu Dai. Accordingly, SinoFarm Group will become a core connected person of our Company upon Listing.

Urban Construction

Urban Construction is beneficially owned by Mr. Zhang Dashe (張大社), the elder brother of Mr. Zhang Jianshe, as to 51% and is therefore an associate of Mr. Zhang Jianshe. Accordingly, Urban Construction will become a connected person of our Company upon Listing. The other beneficial owners of Urban Construction are Ms. Liu Lenan (劉樂楠) (the adult daughter of Mr. Liu Dai) and Mr. Ji Xinshe (姬新社) (the brother-in-law of Mr. Zhang Kaizhan). Each of the registered owners of Urban Construction as of the Latest Practicable Date was an Independent Third Party.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Set out below is a summary of the continuing connected transaction of our Group, which is, under Rule 14A.76 of the Listing Rules, exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Property Lease Agreements

On January 1, 2011, ZhongDi Beijing, a wholly-owned subsidiary of our Company, entered into a property lease agreement with SinoFarm Group, which was supplemented by a supplemental agreement dated September 30, 2013 (the "**Property Lease Agreements**"). Pursuant to the Property Lease Agreements, SinoFarm Group agreed to lease to ZhongDi Beijing certain properties owned by it. The following table sets forth the principal terms of the Property Lease Agreements:

Parties:	SinoFarm Group (as lessor); and ZhongDi Beijing (as lessee)
Term:	January 1, 2011 to December 31, 2015 (both dates inclusive)
Properties to be leased:	Rooms 1001, 1002, 1003, 1005 and 1006, Block A, Time Fortune Compound, No. A6, Shuguang Xili, Chaoyang District, Beijing, the PRC (中國北京市朝陽區曙光西里甲6號時間國際A座1001、1002、1003、1005及1006室)[(1)]
Gross floor area:	850.74 square meters[(1)]

Annual rental:	RMB1,552,600, determined with reference to a daily rental of RMB5.00 per square meter[(1)]
Use of properties:	Office premises

(1) Pursuant to the property lease agreement dated January 1, 2011 and entered into between ZhongDi Beijing and SinoFarm Group, SinoFarm Group agreed to lease to ZhongDi Beijing certain properties, being Rooms 1002, 1003, 1005 and 1006 situated at Block A, Time Fortune Compound, No. A6, Shuguang Xili, Chaoyang District, Beijing, at an annual rental of RMB1,063,639. Such annual rental was determined with reference to a daily rental of RMB4.00 per square meter.

On September 30, 2013, ZhongDi Beijing entered into a supplemental agreement with SinoFarm Group, pursuant to which SinoFarm Group agreed to lease, in addition to the properties referenced above, Room 1001 situated at the same building to ZhongDi Beijing at a daily rental of RMB5.00 per square meter. As such, with effect from October 1, 2013, the gross floor area under the Property Lease Agreements was increased to 850.74 square meters, and the annual rental thereunder was increased to RMB1,552,600.

Reasons for and benefits of the transaction

ZhongDi Beijing has historically leased the abovementioned properties from SinoFarm Group. As such, any relocation of our office premises in case of cessation of such leases will incur unnecessary costs and cause unnecessary disruptions to our operations.

The annual rentals under the Property Lease Agreements were determined after arms' length negotiation between the parties with reference to the prevailing market rates in respect of the same or similar properties in the locality, daily rental of which being approximately RMB4.00 to RMB5.00 per square meter. The Directors are of the view that the Property Lease Agreements were entered into on normal commercial terms and that the terms thereof are fair, reasonable and in the interest of our Company and our Shareholders as a whole.

Historical transaction amounts

The total rental paid by ZhongDi Beijing to SinoFarm Group for each of the three years ended December 31, 2014 and the six months ended June 30, 2015 were RMB1,763,000, RMB1,686,000, RMB2,053,000 and RMB776,000, respectively.

Implications under the Listing Rules

As each of the applicable percentage ratios (other than the profits ratio) in respect of the annual rentals payable under the Property Lease Agreements is less than 0.1%, the transactions contemplated thereunder are exempt from the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In the event that ZhongDi Beijing will continue to lease any properties from SinoFarm Group or its associates upon expiry of the Property Lease Agreements, our Company will determine the applicable percentage ratios and comply with the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if and to the extent that such requirements apply.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Set out below is a summary of the continuing connected transactions of our Group, which are, under the Listing Rules, subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Construction Services Agreements

During the Track Record Period, we entered into a number of construction services agreements (collectively, the "**Construction Services Agreements**" and each, a "**Construction Services Agreement**") with Urban Construction in respect of eight construction projects in our dairy farms and import quarantine farms. Pursuant to each of the Construction Services Agreements, Urban Construction provides our Group with construction and related services, including but not limited to construction of cowshed, office units and silage pit, sewage treatment, waste treatment and cablecasting. The transactions contemplated under the Construction Services Agreements will continue after Listing and therefore constitute continuing connected transactions for our Group under the Listing Rules.

Reasons for and benefits of the transactions

Urban Construction was established in the PRC on April 28, 1994. In April 2000, it was converted into a limited liability company controlled by individuals and obtained its business license which covers a scope of work that includes contracted construction works, among other construction related businesses. As of the Latest Practicable Date, the registered capital of Urban Construction was RMB30 million. Other than providing construction services to us, Urban Construction has represented to us that they have participated in the construction of numerous residential and industrial buildings. Urban Construction first started to provide construction services to our Group in 2008. During the Track Record Period, Urban Construction provided construction services for substantially all of our dairy farms and import quarantine farms.

Based on the established long-term cooperation relationship between Urban Construction and our Group, Urban Construction has a track record of providing reliable, efficient and satisfactory construction services to our Group, which has enabled us to complete the development of our dairy farms and import quarantine farms within a significantly shorter timeframe than our competitors. As compared to many other construction contractors who are Independent Third Parties, Urban Construction has more extensive experience in the construction of animal husbandry related projects with the Group and it generally has better and more efficient communication with our Group and more thorough understanding of our requirements in this regard. Furthermore, there had not been any material disputes between our Group and Urban Construction with regard to settlement, construction progress or quality of the construction work. In assessing the quality of the works and services delivered by Urban Construction, our Directors, including our independent non-executive Directors, are of the view that Urban Construction had consistently delivered, on a timely basis, works and services that meet the quality standards satisfactory to our Group. Our Directors confirm that as of the Latest Practicable Date, the operating dairy farms constructed by Urban Construction were Beijing Shunyi Farm and Ningxia Helan Farm (Phase I), both of which have not been subject to any material incidents in respect of the quality of their structures. In addition, as advised by our PRC legal advisers, as of the Latest Practicable Date, each of Beijing Shunyi Farm and Ningxia Helan Farm (Phase I) has satisfied the environmental facilities protection inspections approval process. With the overall terms and services offered by Urban Construction to our Group taking into account, our Directors (including our independent non-executive Directors) are of the view that the construction and related services provided by Urban Construction to our Group during the Track Record Period were in our ordinary and usual course of business, were conducted on normal commercial terms or better to our Group and are in the interests of our Shareholders as a whole.

Scope of Work

Each Construction Services Agreement has set out the works to be delivered by Urban Construction which will include, among others, the construction of the relevant dairy farms or import quarantine farms, the milking station, roads and sewerage treatment. Under the Construction Services Agreements, we may send onsite-engineer(s) to inspect the progress and quality of the works and manage the budget of the project. Urban Construction will be required to deliver a progress report to our on-site engineer every 25 days to report on the completed works who will then inspect the work within a one-week period.

Unless specifically stated in the Construction Services Agreements, none of the works contracted to Urban Construction may be further sub-contracted to other parties. In all of the Construction Services Agreements, only steel structure works and water-proofing works had been agreed by the parties to be further sub-contracted.

Pricing terms and settlement of the Construction Services Agreements

In line with the general market practice and industry norm, the pre-agreed construction fees payable by members of our Group were specified in the relevant Construction Services Agreement, subject to adjustment taking into account factors such as regional construction pricing guidelines, actual amount of construction services incurred and labor costs. As part of the construction services provided to us, Urban Construction had also procured substantially all of the construction materials for us during the Track Record Period and such purchase amounts were, and will continue to be, included in the total construction fees paid and payable by us to Urban Construction. Urban Construction had been transparent to us about its own procurement process, informing us regularly of the costs and progress in procuring supplies of raw materials, engaging sub-contractors and other matters relevant to the construction of our dairy farms/import quarantine farms. We had also closely overseen the entire work flow in relation to the procurement of all construction materials, including but not limited to selection of suppliers, quality control and price negotiation. In particular, we regularly evaluate the proposed adjustments and actual amounts charged by Urban Construction and assess whether such proposed adjustments and amounts charged are reasonable and in accordance with the pre-agreed construction fees and pricing guidelines applicable. In respect of some of the construction projects of which Urban Construction was the construction contractor, including the construction of our Ningxia Helan Farm (Phases I and II), we have engaged independent evaluation agencies to evaluate and oversee the settlement arrangements between Urban Construction and our Group and, in particular, compliance with the terms of relevant Construction Services Agreements.

Selection and review mechanism

We had issued tender invitations to a number of potential bidders (including Urban Construction) in respect of the construction of certain of our dairy farms during the Track Record Period. Each time we formed an assessment committee comprising five to seven members, including our key employees responsible for administration, finance, internal audit and engineering and, where necessary, external technical specialists and economic experts. Taking into account relevant national and regional guidelines on pricing and contract terms, the assessment committee had set up an assessment mechanism based on the scoring to be given by the members of the committee to each of the bidders in relation to various aspects, including the offer price of the construction services to be provided, the expected timeframe of completion of the construction project and the credentials of the potential bidders. The average scores of the bidders were used by the assessment committee as an important indicator for the selection of construction contractor. Upon the review of the tender documents submitted by Urban Construction and other bidders by our assessment committee, Urban Construction was selected as our construction contractor for all dairy farms for which it participated in our tender invitation.

Historical transaction amounts

The total construction fees incurred in relation to the construction services provided by Urban Construction to our Group for each of the three years ended December 31, 2014 and the six months ended June 30, 2015 were RMB33.0 million, RMB160.7 million, RMB249.9 million and RMB108.3 million, respectively. The substantial increases in historical transaction amounts in 2013 and 2014 were principally attributable to the provision of construction services by Urban Construction to our Ningxia Helan Farm (Phase I), the gross construction area of which amounts to approximately 146,694 square meters.

Annual caps

The following table sets forth certain details of the six existing uncompleted construction projects in our dairy farms/import quarantine farms and the estimated amounts of construction fees to be incurred by us to Urban Construction pursuant to the pricing terms of the relevant Construction Services Agreements as disclosed above. The estimated amounts of construction fees to be incurred by us are expected to be settled in full by the end of 2016.

			Estimated amount of construction fees to be incurred by our Group to Urban Construction for the year ending December 31,	
No.	**Name of dairy farm/import quarantine farm**	**Stage of development**	**2015** *(RMB'000)*	**2016** *(RMB'000)*
1.	Hebei Tangshan Import Quarantine Farm	Refurbishment of the import quarantine farm is in progress.	6,207	6,207
2.	Tianjin Import Quarantine Farm/Tianjin Farm	Construction of the main infrastructure of the Tianjin Import Quarantine Farm has completed.(1)	15,020	35,046
3.	Ningxia Helan Farm (Phase II)	Construction of the main infrastructure is in progress.	64,803	27,773
4.	Shanxi Tianzhen Farm	Construction of the main infrastructure is in progress.	80,991	26,997
5.	Inner Mongolia Shangdu Farm (Phase II)	Construction of the main infrastructure is in progress.	58,887	10,392
6.	Hebei Wen'an Farm	Construction of the main infrastructure is in progress.	63,643	63,643
TOTAL			**289,551**	**170,058**

(1) We are in the process of converting the Tianjin Import Quarantine Farm into the Tianjin Farm.

The construction fees will be settled in accordance with the development process of our dairy farms or import quarantine farms. We expect to complete the construction of the main infrastructure of our Ningxia Helan Farm (Phase II), Shanxi Tianzhen Farm and Inner Mongolia Shangdu Farm (Phase II) in 2015 and most of the construction fees incurred for these three dairy farms will be recognized by end of 2015. Accordingly, the proposed annual cap in 2016 represents a significant decrease as compared to that in 2015. For more details of the development of our dairy farms, please see the section headed "Business—Expansion Plan—Dairy Farms under Current Expansion Plans" in this prospectus.

As of the Latest Practicable Date, no concrete plan for the construction of any new dairy farms or import quarantine farms has been confirmed, thus, it is currently expected that no construction fee will be payable by our Group to Urban Construction during the year ending December 31, 2017. In the event our Group shall construct any new dairy farms or import quarantine farms in the future, subject to the fulfilment of the selection and review mechanism as set out above and the satisfaction of any applicable reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules, our Group may continue to engage Urban Construction to provide the relating construction services. However, we will seek to diversify our service providers by engaging other independent construction companies to construct our new dairy farms or import quarantine farms in the future.

Having considered the list of bidders who previously participated in the bidding process for the construction of certain of our dairy farms during the Track Record Period, we expect that in case Urban Construction does not submit tender bids to provide construction services for our future dairy farms or import quarantine farms, there will be other comparable construction companies available for the provision of such construction services to our Group.

Implication under the Listing Rules

As one or more of the applicable percentage ratios (other than the profits ratio) of the proposed annual caps in respect of the construction and related services under the Construction Services Agreements exceed 5% on an annual basis, the construction and related services under the Construction Services Agreements and the proposed annual caps for each of the two years ending December 31, 2016 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

The transactions described under the subsection headed "— Non-Exempt Continuing Connected Transactions" above constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

As described above, we expect the non-exempt continuing connected transactions to be carried out on a continuing basis and to extend over a period of time. Our Directors therefore consider that strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon our Group.

According, in respect of such continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver exempting us from strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules, subject to the conditions that (i) the aggregate values of the continuing connected transaction for each financial year not exceeding the relevant annual cap set forth above; and (ii) we will fully comply with the requirements under Chapter 14A of the Listing Rules for transactions conducted after December 31, 2016.

In the event that we enter into any new connected transactions/continuing connected transactions after Listing or any of the annual caps referenced above needs to be revised, we will comply with the relevant requirements under the Listing Rules if and to the extent that such requirements apply, including any reporting, annual review by our independent non-executive Directors and auditors, announcement and independent shareholders' approval requirements.

DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions described in this section, which have been and shall be entered into in the ordinary and usual course business of our Company, are on normal commercial terms or better to our Group and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Our Directors (including our independent non-executive Directors) are of the view that the proposed annual caps for the continuing connected transaction described under the subsection headed "— Non-Exempt Continuing Connected Transactions" are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Mr. Zhang Jianshe and Mr. Liu Dai, our Directors with conflicted interest in the transactions contemplated under the Property Lease Agreements and Mr. Zhang Jianshe, who also has conflicted interest in the transactions contemplated under the Construction Services Agreements, shall be required to abstain from voting on relevant Board resolutions in relation to such continuing connected transactions.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that the continuing connected transaction as described in the subsection headed "— Non-Exempt Continuing Connected Transactions" has been entered into: (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better to our Group; and (iii) in accordance with the Construction Services Agreements governing them on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole. The Sole Sponsor is also of the view that the proposed annual caps for such non-exempt continuing connected transaction are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

OVERVIEW

The following table sets forth certain information regarding our Directors and senior management.

Directors

Name	Age	Position	Time of joining our Group	Date of appointment	Responsibilities
ZHANG Jianshe (張建設).	55	Chairman, executive Director and Chief Executive Officer	October 2002	April 24, 2014	being responsible for the overall management of strategic planning of our Company and overseeing its implementation
ZHANG Kaizhan (張開展).	51	executive Director	May 2006	July 14, 2014	assisting the Chairman in the overall management of strategic planning of our Company; overseeing the human resources related matters and operation of the import trading business of our Company
LIU Dai (劉岱)	63	non-executive Director	January 2003	July 14, 2014	providing strategic advice on corporate development and making recommendations on major operational and managerial decisions of our Company
DU Yuchen (杜雨辰)	39	non-executive Director	March 2015	March 1, 2015	providing strategic advice on corporate development and making recommendations on major operational and managerial decisions of our Company
LI Jian (李儉)	53	non-executive Director	September 2014	September 11, 2014	providing strategic advice on corporate development and making recommendations on major operational and managerial decisions of our Company
YU Tianhua (于天華)	39	non-executive Director	February 2015	February 13, 2015	providing strategic advice on corporate development and making recommendations on major operational and managerial decisions of our Company
LI Shengli (李勝利).	49	independent non-executive Director	September 2012	July 14, 2014	providing independent advice on the operation and management of our Company

Name	Age	Position	Time of joining our Group	Date of appointment	Responsibilities
ZAN Linsen (昝林森).	52	independent non-executive Director	August 2012	July 14, 2014	providing independent advice on the operation and management of our Company
Joseph CHOW . . .	52	independent non-executive Director	July 2014	July 14, 2014	providing independent advice on the operation and management of our Company

Senior Management

Name	Age	Position	Time of joining our Group	Date of appointment	Responsibilities
SONG Naishe[(1)] (宋乃社).	50	deputy general manager	April 2007	September 28, 2014	being responsible for the management of the operation of our dairy farms
LIAN Enchen[(1)] (廉恩臣).	45	joint company secretary deputy general manager	January 2012	September 19, 2014 September 28, 2014	being responsible for company secretarial matters and legal affairs of our Company
HE Shan[(1)] (何珊)	34	chief financial officer	January 2010	November 7, 2015	overseeing the overall financial and accounting related matters of our Company

(1) The business address of each of Mr. Song Naishe, Mr. Lian Enchen and Ms. He Shan is 10th Floor, Block A, Time Fortune Compound, No. A6, Shuguang Xili, Chaoyang District, Beijing, the PRC.

DIRECTORS

Our Board currently consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. Pursuant to the Articles of Association and relevant requirements under the Listing Rules, our Directors are elected and appointed by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment.

The functions and duties conferred on the Board include, but are not limited to:

- convening Shareholders' meetings and reporting its work to Shareholders' meetings;
- implementing the resolutions passed at Shareholders' meetings;
- determining our Company's business plans and investment plans;
- formulating our Company's annual or quarterly budget and final and interim accounts;

- formulating our Company's proposals for the increase or reduction of share capital, the issuance of bonds or other securities and listing plans; and
- exercising other powers, functions and duties as conferred by the Articles of Association.

Biographical details of each of our Directors are set out as follows:

Executive Directors

ZHANG Jianshe (張建設)

Mr. Zhang Jianshe, aged 55, is our Chairman, executive Director and Chief Executive Officer. Mr. Zhang Jianshe was appointed as an executive Director in April 2014 and is primarily responsible for the overall management of our Company's strategic planning and supervision of its implementation. He has subsequently assumed various roles in our subsidiaries since he took up the position as a deputy manager of ZhongDi Kuandian in October 2002. Mr. Zhang Jianshe is currently a director of all our subsidiaries.

Prior to joining our Group, Mr. Zhang Jianshe had served as a staff of the Department of Management on Rural Cooperative Economy of the MOA (中華人民共和國農業部農村合作經濟經營管理總站) from July 1984 to December 1988. He had also served as a department director of China Agricultural Supplies Trading Company Limited (中國農業物資供銷總公司) from January 1989 to May 1996 and the general manager of Beijing Construction and Agriculture Wealth Supplies Trading Company (北京建農順物資商貿公司) from May 1996 to December 1999. He had then been committed to the pursuit of development of his personal business from January 2000 to October 2002 through which he accumulated both financial and industrial foundation for founding our Gorup.

Mr. Zhang Jianshe graduated from Northwest Agriculture College (currently known as Northwest Agriculture and Forestry University (西北農林科技大學)) located in Shaanxi Province with a bachelor degree of science in management of agricultural economics in July 1984. He has been the vice president of China Animal Agriculture Association (中國畜牧業協會) since December 2011. He is a senior economist in agricultural economics credentialed by the MOA.

Mr. Zhang Jianshe has not held any directorships in any listed companies in Hong Kong or overseas in the past three years. Mr. Zhang Jianshe does not have any family relationship with any Directors or members of the senior management of our Company.

ZHANG Kaizhan (張開展)

Mr. Zhang Kaizhan, aged 51, was appointed as an executive Director in July 2014 and is primarily responsible for assisting the Chairman in the overall management of strategic planning of our Company and overseeing human resources related matters and operation of the import trading business of our Company. He joined our Group in May 2006 as the deputy general manager of ZhongDi Beijing and has been its general manager since September 2012. He had also served as a director of ZhongDi Beijing from October 2011 to August 2014.

Prior to joining our Group, Mr. Zhang Kaizhan had been engaged with China Stud Livestock Import and Export Company Limited (中國種畜進出口有限公司) from July 1988 to May 2006, working at various times as a staff, a deputy department manager, a department manager and the deputy general manager. He had also served as the deputy general manager of SinoFarm Group from November 2006 to December 2009.

Mr. Zhang Kaizhan graduated from Northwest Agriculture University (currently known as Northwest Agriculture and Forestry University (西北農林科技大學)) located in Shaanxi Province with a bachelor degree in animal husbandry in July 1988. He has been an executive member of China Dairy Association (中國奶業協會) since November 2010 and an executive member of China Animal Agriculture Association (中國畜牧業協會) since December 2011. He is a senior husbandry engineer credentialed by the MOA.

Mr. Zhang Kaizhan has not held any directorships in any listed companies in Hong Kong or overseas in the past three years. Mr. Zhang Kaizhan does not have any family relationship with any Directors or members of the senior management of our Company.

Non-executive Directors

LIU Dai (劉岱)

Mr. Liu Dai, aged 63, was appointed as a non-executive Director in July 2014 and is primarily responsible for providing strategic advice on corporate development and making recommendations on major operational and managerial decisions of our Company. He had assumed various roles in our subsidiaries since joining our Group in January 2003, including those set out below:

Name of subsidiary	Position	Tenure
ZhongDi Shangdu	executive director director	January 2003 to November 2005 November 2005 to November 2007
ZhongDi Beijing	executive director and manager director	June 2004 to August 2007 April 2010 to August 2014
ZhongDi Technology	manager	December 2003 to September 2012
ZhongDi Kuandian	director	September 2005 to November 2007

Prior to joining our Group, Mr. Liu Dai had been engaged with Northern China Shuanghui Food Company Limited (華北雙匯食品有限公司) and had been the deputy director of the Economic and Trading Committee of Ulanqab, Inner Mongolia (內蒙古烏蘭察布盟經濟貿易委員會) until December 2002. Mr. Liu Dai has been the general manager of SinoFarm Group since October 2002.

He is an intermediate-level engineer credentialed by the Personnel Department of Inner Mongolia Autonomous Region of the PRC in August 2000.

Mr. Liu Dai has not held any directorships in any listed companies in Hong Kong or overseas in the past three years.

DU Yuchen (杜雨辰)

Mr. Du Yuchen, aged 39, was appointed as a non-executive Director in March 2015 and is primarily responsible for providing strategic advice on corporate development and making recommendations on major operational and managerial decisions of our Company. Prior to joining our Group, Mr. Du Yuchen had been engaged with Beijing Capital Assets Management Co., Ltd. (北京首創資產管理有限公司), an asset management company, from April 2001 to November 2008, working at various times as a project manager, deputy general manager and general manager of the investment management department. He has also been a director of Nanchang Rotary Cultivator Co., Ltd. (南昌旋耕機有限公司), a company principally engaged in the manufacturing of rotary cultivators and combined cultivators, since March 2007. Mr. Du Yuchen has also been engaged with Beijing Agricultural Investment Co., Ltd. (北京市農業投資有限公司), a company principally engaged in the investment activities in the agricultural industry, since December 2008, working at various times as the head of fund preparatory committee, supervisor and deputy general manager. He has been the executive vice president and general manager of Beijing Agriculture Investment Fund (Limited Partnership) (北京農業產業投資基金(有限合夥)) since September 2009. Mr. Du Yuchen has also assumed various positions in several entities principally engaged in investment activities, including the legal representative and chairman of the board of Zhuhai Agriculture Industrial Investment Fund Management Corporation (珠海農業產業投資基金管理公司) since January 2014, the legal representative and chairman of the board of Beijing Zhonghe Agriculture Investment Fund Management Co., Ltd. (北京中合農投投資基金管理公司) since May 2014 and the legal representative and chairman of the board of Beijing Nong Jin Fu Investment Center (Limited Partnership) (北京農金服投資中心(有限合夥)) since September 2014.

Mr. Du Yuchen graduated from Jilin University (吉林大學) located in Changchun, Jilin Province with a master degree in technology economics in March 2001 and Cheung Kong Graduate School of Business with an executive master degree in business administration in July 2013.

Mr. Du Yuchen has not held any directorships in any listed companies in Hong Kong or overseas in the past three years.

LI Jian (李儉)

Mr. Li Jian, aged 53, joined our Group as a non-executive Director in September 2014 and is primarily responsible for providing strategic advice on corporate development and making recommendations on major operational and managerial decisions of our Company.

Prior to joining our Group, Mr. Li Jian has been the deputy general manager of Kaixin Investment Management (Beijing) Co., Ltd. (開信創業投資管理(北京)有限公司), a private equity investment company, since April 2010. He is currently the managing director of CITIC Capital Investment Fund (中信資本創業投資基金), a company which is also principally engaged in private equity investment.

Mr. Li Jian graduated from Massachusetts Institute of Technology with a bachelor degree of science in electrical engineering and a master degree of science in electrical engineering and computer science.

Mr. Li Jian has not held any directorships in any listed companies in Hong Kong or overseas in the past three years.

YU Tianhua (于天華)

Ms. Yu Tianhua, aged 39, was appointed as a non-executive Director in February 2015 and is primarily responsible for providing strategic advice on corporate development and making recommendations on major operational and managerial decisions of our Company. Prior to joining our

Group, Ms. Yu Tianhua has been engaged with Yangzhou Yalian Steel Pipe Co., Ltd. (揚州亞聯鋼管有限公司) since January 2009 and is currently its vice president and representative of its Beijing Branch. She had also been engaged with the Balloch Group (貝祥投資集團) (now known as Canaccord Genuity Asia) until September 2008.

Ms. Yu Tianhua graduated from the University of British Columbia located in Vancouver, Canada with a bachelor degree in commerce in May 2001.

Ms. Yu Tianhua has not held any directorships in any listed companies in Hong Kong or overseas in the past three years.

Independent Non-executive Directors

LI Shengli (李勝利)

Prof. Li Shengli, aged 49, was appointed as an independent non-executive Director in July 2014 and is primarily responsible for providing independent advice on the operation and management of our Company. Prof. Li Shengli joined our Group in September 2012 and had since then served as an independent director of ZhongDi Beijing until August 2014.

Prior to joining our Group, Prof. Li Shengli has been, since September 1996, engaged with the College of Animal Science and Technology in China Agricultural University (中國農業大學), working at various times as an assistant professor, a professor, a doctor tutor and the vice-dean of animal nutrition and feed science department of college of animal science and technology.

Prof. Li Shengli graduated from Shihezi Agricultural College (石河子農學院) (currently known as Shihezi University (石河子大學)) located in Xinjiang Uyghur Autonomous Region with a bachelor degree in animal husbandry and veterinary science in July 1987 and China Agricultural University located in Beijing with a doctorate degree in animal nutrition science in July 1996. Over the years, Prof. Li Shengli has received various awards and accolades acknowledging his accomplishments. For example, he was awarded the Second Prize and the Third Prize of the Beijing Science and Technology Award (北京市科學技術獎) in 2000 and 2011, respectively. He was also awarded the Second Prize of National Science and Technology Progress Award (國家科學技術進步獎) in 2012, the First Prize of Science and Technology Progress Award granted by the Ministry of Education of the PRC (教育部科技進步獎) in 2013 and the First Prize of China Agricultural Science and Technology Progress Award (中華農業科技進步一等獎) granted by the MOA in 2013, respectively. Prof. Li Shengli has assumed various positions in many intra-industry associations, such as an executive member of China Dairy Association (中國奶業協會) since January 2004, the executive member of the Cattle Division of China Animal Agriculture Association (中國畜牧業協會牛業分會) since July 2007, an executive member of China Society of Forestry, Animal Husbandry and Fishery Economics (中國林牧漁業經濟學會) since October 2005, a member of the Eighth Committee of the Ministry of Agriculture and Technology (第八屆科技農業部委員會) since January 2008 and the president of the Cattle Breeding Division of Chinese Association of Animal Science and Veterinary Medicine (中國畜牧獸醫學會養牛分會) since January 2009.

Prof. Li Shengli has been an independent director of Xinjiang Western Animal Husbandry Co., Ltd. (新疆西部牧業股份有限公司), a company listed on China Venture Exchange (stock code: 300106), since July 2009 and an independent non-executive director of China Modern Dairy Holdings Ltd., a company listed on the Stock Exchange (stock code: 1117), since October 2010.

Save as disclosed above, Prof. Li Shengli has not held any directorships in other listed companies in Hong Kong or overseas in the past three years.

ZAN Linsen (昝林森)

Dr. Zan Linsen, aged 52, was appointed as an independent non-executive Director in July 2014 and is primarily responsible for providing independent advice on the operation and management of our Company. Dr. Zan Linsen joined our Group in September 2012 and had since then served as an independent director of ZhongDi Beijing until August 2014.

Prior to joining our Group, Dr. Zan Linsen has been, since 1986, engaged with Northwest Agriculture and Forestry University (formerly known as Northwest Agriculture University (西北農業大學)), working at various times as an assistant researcher, a deputy researcher, a researcher and a professor. He is currently a professor at the College of Animal Science and Technology of Northwest Agriculture and Forestry University.

Dr. Zan Linsen graduated from Northwest Agriculture University (西北農業大學) located in Shaanxi Province with a bachelor degree in agriculture in July 1986, a master degree in agricultural science in December 1992 and a doctorate degree in agricultural science in July 1997. Over the years, Dr. Zan Linsen has received various awards and accolades acknowledging his accomplishments. For example, he was granted with the special governmental allowance by the State Council in February 2007 in recognition of his contribution to national educational business and was awarded the prize of National Outstanding Scientists (全國優秀科技工作者) by China Association for Science and Technology (中國科學技術協會) in February 2012 and the prize of National Outstanding Research Talents (全國農業科研傑出人才) by the MOA in October 2012. Dr. Zan Linsen was also awarded the prize of Advanced Worker of Animal Husbandry Industry in China (中國畜牧行業先進工作者) by China Animal Agriculture Association in May 2014. He has also been a member of Cattle, Horse and Camel Professional Committee of the Second State Animal Genetic Resources Committee (第二屆國家家畜禽遺傳資源委員會牛馬駝專業委員會) since March 2012 and a member of the expert consultants' team of the Breeding Committee of China Dairy Association since June 2013.

Dr. Zan Linsen has not held any directorships in any listed companies in Hong Kong or overseas in the past three years.

Joseph CHOW

Mr. Joseph Chow, aged 52, was appointed as an independent non-executive Director in July 2014 and is primarily responsible for providing independent advice on the operation and management of our Company.

Prior to joining our Group, Mr. Joseph Chow has accumulated ample experience and knowledge in formulating and monitoring investment strategies through his roles as chief financial officer of various companies and his senior managerial roles in various financial institutions' investment related functions. He has been a director of China Lodging Group Limited, a multi-brand hotel company listed on NASDAQ (stock code: HTHT), since 2010, a chief financial officer of Synutra International, Inc, an infant milk formula company listed on NASDAQ (stock code: SYUT) since 2009 and an independent non-executive director of Intime Retail (Group) Company Limited, a company listed on the Stock Exchange (stock code: 1833), since February 2007. He has also been the chairman of the audit committee of Intime Retail (Group) Company Limited since June 8, 2009. Prior to that, he had successively served as a managing general partner of CJC Partners, a consulting firm, a managing director of Moelis & Company, a global investment bank, a managing director of Goldman Sachs & Co., the chief financial officer of China Netcom (Holdings) Company Limited, a vice president of Citi Capital (now part of Citigroup) and a director of the strategic planning division of Bombardier Capital, a financial services company. Before that, Mr. Joseph Chow had also worked in GE Capital. Mr. Joseph Chow graduated from the University of Maryland, College Park with a master degree of business administration in May 1993.

Save as disclosed above, Mr. Joseph Chow has not held any directorships in other listed companies in Hong Kong or overseas in the past three years.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. Biographical details of each member of our senior management are set out as follows:

SONG Naishe (宋乃社)

Mr. Song Naishe, aged 50, was appointed as the deputy general manager of our Company in September 2014 and is primarily responsible for the management of the operation of our dairy farms. He has assumed various roles in our subsidiaries since joining our Group in August 2007, including those set out below:

Name of subsidiary	Position	Tenure
ZhongDi Beijing	supervisor deputy general manager	August 2007 to April 2010 January 2010 to present
ZhongDi Shangdu	supervisor	November 2007 to September 2008
ZhongDi Kuandian	supervisor	November 2007 to September 2008
ZhongDi Research	manager	December 2012 to present

Prior to joining our Group, Mr. Song Naishe had been engaged with Shuangqiao Farm of Beijing Sanyuan Group (北京三元集團雙橋農場) from September 1988 to June 1997, working at various times as a technician and a dairy farm director. He had also been a department manager of China Stud Livestock Import and Export Company Limited (中國種畜進出口有限公司) from June 1997 to June 2003. Mr. Song Naishe was also engaged by the SinoFarm Group from June 2003 to August 2007, working at various times as a department director and the deputy general manager.

Mr. Song Naishe graduated from Northwest Agriculture University (currently known as Northwest Agriculture and Forestry University (西北農林科技大學)) located in Shaanxi Province with a bachelor degree in animal husbandry science in July 1988. He is a senior animal husbandry engineer credentialed by the MOA.

Mr. Song Naishe has not held any directorships in any listed companies in Hong Kong or overseas in the past three years.

LIAN Enchen (廉恩臣)

Mr. Lian Enchen, aged 45, was appointed as the deputy general manager and the joint company secretary of our Company in September 2014 and is primarily responsible for company secretarial matters and legal affairs of our Company. Mr. Lian Enchen joined our Group in January 2012 and has served as deputy general manager and the secretary of the board of ZhongDi Beijing since August 2012.

Prior to joining our Group, Mr. Lian Enchen had been engaged with Shandong Deheng Law Firm (山東德衡律師事務所) from June 1999 to July 2008, working at various times as an associate, the managing partner of the Beijing branch and a partner. He also had served as an associate in Beijing Huamao & Guigu Law Firm (北京市華貿矽谷律師事務所) from July 2008 to March 2010 and a partner of Beijing Fidelity Law Group (formerly known as Beijing Hanzhe Law Firm (北京瀚哲律師事務所)) from April 2010 to December 2011.

Mr. Lian Enchen graduated from University of International Business and Economics (對外經濟貿易大學) located in Beijing with a bachelor degree in economics in June 1993 and a master degree in international law in June 2000. He is admitted to practice law in the PRC.

Mr. Lian Enchen has not held any directorships in any listed companies in Hong Kong or overseas in the past three years.

HE Shan (何珊)

Ms. He Shan, aged 34, was appointed as the chief financial officer of our Company in November 2015 and is primarily responsible for overseeing the overall financial and accounting related matters of our Group. Ms. He Shan joined our Group in January 2010 as the chief accountant responsible for accounting and audit, preparation of financial statements, tax filings and assisting in the preparation of loan facilities. She had worked as the deputy manager of the financial department of ZhongDi Beijing since March 2010 and the manager of the financial department since July 2013 responsible for financial audit, bank financing, financial analysis, budgeting, communication with external accountants and preparation of financial statements. Ms. He Shan had worked as the manager of the finance management center of ZhongDi Beijing responsible for overall management of daily financials, budgeting, financial personnel, debt financing of ZhongDi Beijing and its subsidiaries.

Prior to joining our Group, Ms. He Shan had been engaged with SinoFarm Group from August 2005 to December 2009, working at various times as a staff of the import and export department, a staff of the trade management department and a treasurer and accountant of the financial department.

Ms. He Shan graduated from Central University of Finance and Economics (中央財經大學) with a bachelor degree in finance in July 2004. Ms. He Shan was awarded the certificate of accounting professional by Beijing Finance Bureau (北京市財政局) in June 2008.

Ms. He Shan has not held any directorships in any listed companies in Hong Kong or overseas in the past three years.

GENERAL

Save as disclosed in this prospectus, each of our Directors and members of senior management has confirmed that: (i) he or she has not held any other directorships in any other listed companies in Hong Kong or overseas during the three years immediately preceding the date of this prospectus; (ii) there is no other information in respect of our Directors or members of senior management to be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and (iii) there is no other matter that needs to be brought to the attention of the Shareholders.

JOINT COMPANY SECRETARIES

LIAN Enchen (廉恩臣)

We have appointed Mr. Lian Enchen as one of the joint company secretaries of our Company on September 19, 2014. Please see the subsection headed "— Senior Management" above for his biographical details.

NG Sin Yee, Clare (吳倩儀)

Ms. Ng Sin Yee, Clare, aged 55, was appointed as the other joint company secretary of our Company on September 19, 2014. Ms. Ng Sin Yee, Clare is a fellow of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She is also a holder of the Practitioner's Endorsement from Hong Kong Institute of Chartered Secretaries. Ms. Ng Sin Yee, Clare is currently a director of the Corporate Services Department of Tricor Services Limited. Before joining the Tricor Group, Ms. Ng Sin Yee, Clare worked in the Company Secretarial Department of Secretaries Limited, a professional service company wholly owned by Deloitte Touche Tohmatsu. Ms. Ng Sin Yee, Clare has more than 25 years of experience in the company secretarial field and has been providing corporate services to both multi-national companies and listed companies in Hong Kong.

BOARD COMMITTEES

We have established the following committees in our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with terms of reference established by our Board.

Audit Committee

We have established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of our audit committee are to assist our Board by reviewing and supervising the financial reporting process and internal control system of our Group, overseeing the audit process, providing advice and comments to our Board and performing other duties and responsibilities as may be assigned by our Board.

Our audit committee currently consists of three members, including two independent non-executive Directors being Mr. Joseph Chow and Prof. Li Shengli, and a non-executive Director being Ms. Yu Tianhua. The chairman of the audit committee of our Company is Mr. Joseph Chow.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to establish, review and make recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management, and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and members of senior management and to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

The remuneration committee currently consists of three members, including a non-executive Director being Mr. Du Yuchen and two independent non-executive Directors being Prof. Li Shengli and Dr. Zan Linsen. The chairman of the remuneration committee of our Company is Prof. Li Shengli.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes, to identify, select or make recommendations to our Board on the selection of individuals nominated for directorships, to assess the independence of our independent non-executive Directors and make recommendations to the Board on relevant matters relating to the appointment, reappointment and removal of our Directors and succession planning of our Company for our Directors.

The nomination committee currently consists of three members, including our Chairman and executive Director and Chief Executive Officer being Mr. Zhang Jianshe and two independent non-executive Directors being Dr. Zan Linsen and Mr. Joseph Chow. The chairman of the nomination committee of our Company is Mr. Zhang Jianshe.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong. This normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong. Since our principal business and operations are located, managed and conducted in the PRC through our operating subsidiaries in the PRC, we do not, and for the foreseeable future will not, have two executive Directors ordinarily residing in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant to us, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules. For more details, please see the section headed "Waivers from Strict Compliance with the Listing Rules — Management Presence in Hong Kong" in this prospectus.

COMPLIANCE ADVISER

We have appointed Anglo Chinese Corporate Finance, Limited (英高財務顧問有限公司) as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities developments or results of operation of our Group deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an enquiry of us regarding unusual price movements and trading volume or other issues under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date.

CORPORATE GOVERNANCE

Pursuant to code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The role of Chairman and Chief Executive Officer of our Company are both performed by Mr. Zhang Jianshe. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same individual would enable our Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. Furthermore, in view of Mr. Zhang Jianshe's extensive industrial experience and significant role in the historical development of our Group, the Board believes that it is beneficial to the business prospects of our Group that Mr. Zhang Jianshe continues to act as both our Chairman and Chief Executive Officer after Listing, and the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive Directors and independent non-executive Directors.

Save as disclosed above, as of the Latest Practicable Date, the Directors consider that our Company has fully complied with the applicable code provisions as set out in Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Company in the form of, among others, salaries, bonuses and other benefits in kind, including the contribution to the pension scheme on their behalf. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

As our Company was incorporated on April 24, 2014 and has not commenced any business or operation apart from the Reorganization, save for Mr. Zhang Jianshe who was appointed as the sole Director of our Company at the time of its incorporation, we had not appointed any Director or Chief Executive Officer during the Track Record Period. There was no arrangement under which a Director or the Chief Executive Officer waived or agreed to waive any remuneration during the Track Record Period.

The aggregate amount of remuneration, including salaries, bonuses, other benefits in kind, contributions to pension schemes, which was paid to our Directors for each of the three years ended December 31, 2014 and the six months ended June 30, 2015 were approximately RMB1,028,000, RMB1,452,000, RMB2,009,000 and RMB1,355,000, respectively.

The aggregate amount of remuneration, including salaries, bonuses, other benefits in kind, contributions to pension schemes, which was paid to our Group's five highest paid individuals, including Directors, for each of the three years ended December 31, 2014 and the six months ended June 30, 2015 were approximately RMB1,825,000, RMB2,730,000, RMB3,127,000 and RMB1,800,000, respectively.

Under the arrangements currently in force, we estimate the aggregate amount of remuneration payable to our Directors for the year ending December 31, 2015 to be approximately RMB3,629,860.

During the Track Record Period, no remuneration was paid by our Group to the Directors as an inducement to join or upon joining our Group or as compensation for loss of office. None of the Directors has waived any remuneration during the Track Record Period.

Saved as disclosed above, no other payments have been made or are payable in respect of each of the three years ended December 31, 2014 and the six months ended June 30, 2015.

For additional information with respect to the remuneration of our Directors and senior management during the Track Record Period as well as the information on the five highest paid individuals, please refer to Note 16 to Section A of the Accountants' Report set out in Appendix I to this prospectus.

Each of our executive Directors has entered into a service contract with our Group and our Group has also entered into letters of appointment with each of our non-executive Directors and independent non-executive Directors. Further details of the terms of the above service contracts and letters of appointment are set out in "Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders" in Appendix IV to this prospectus.

POST-IPO SHARE OPTION SCHEME

Our Company has conditionally adopted the Post-IPO Share Option Scheme. A summary of the principal terms of the Post-IPO Share Option Scheme is set out in the paragraph headed "Statutory and General Information — D. Other Information — 1. Post-IPO Share Option Scheme" in Appendix IV to this prospectus.

SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company as of the Latest Practicable Date and immediately after completion of the Global Offering:

As of the Latest Practicable Date

	US$
Authorized share capital:	
5,000,000,000 Shares of US$0.00001 each, comprising:	50,000
(i) 3,500,000,000 Ordinary Shares of US$0.00001 each;	35,000
(ii) 1,000,000,000 Series A Preferred Shares of US$0.00001 each; and	10,000
(iii) 500,000,000 Series B Preferred Shares of US$0.00001 each.	5,000
Issued share capital:	
1,781,480,000 Shares of US$0.00001 each, comprising:	17,814.80
(i) 1,107,800,000 Ordinary Shares of US$0.00001 each (representing approximately 62.2% of our issued share capital as of the Latest Practicable Date);	11,078.00
(ii) 568,420,000 Series A Preferred Shares of US$0.00001 each (representing approximately 31.9% of our issued share capital as of the Latest Practicable Date); and	5,684.20
(iii) 105,260,000 Series B Preferred Shares of US$0.00001 each (representing approximately 5.9% of our issued share capital as of the Latest Practicable Date)	1,052.60

Immediately After Completion of the Global Offering

	US$
Authorized share capital:	
5,000,000,000 Ordinary Shares of US$0.00001 each	50,000
Shares to be issued pursuant to the Global Offering:	
391,056,000 Ordinary Shares of US$0.00001 each	3,910.56
Total issued share capital upon completion of the Global Offering[1]:	
2,172,536,000 Ordinary Shares of US$0.00001 each (assuming all Preferred Shares will be converted into Ordinary Shares on a one-for-one basis on or immediately prior to completion of the Global Offering)	21,725.36

(1) The total issued share capital of our Company immediately after completion of the Global Offering will be 2,172,536,000 Ordinary Shares, with 673,680,000 Ordinary Shares being converted from Preferred Shares into Ordinary Shares on or immediately prior to the Listing.

ASSUMPTION

The above table assumes that the Global Offering has become unconditional. It assumes that the Over-allotment Option and the options which may be granted pursuant to the Post-IPO Share Option Scheme are not exercised and takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares are Ordinary Shares in the share capital of our Company and rank pari passu in all respects with all Ordinary Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering; and

(ii) the nominal amount of our share capital repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders.

This mandate to issue Shares will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders passed at a general meeting.

For further details of this general mandate to issue Shares, please see the section headed "Statutory and General Information — A. Further Information about Our Group — 4. Resolutions in Writing of All Our Shareholders passed on October 28, 2015" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following completion of the Global Offering.

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about Our Group — 6. Repurchase of Shares by Our Company" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders passed at a general meeting.

For further details of this general mandate to repurchase Shares, please see the section headed "Statutory and General Information — A. Further Information about Our Group — 4. Resolutions in Writing of All Our Shareholders passed on October 28, 2015" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association. For details, please see the section headed "Summary of the Constitution of our Company and Cayman Companies Law" set out in Appendix III to this prospectus.

POST-IPO SHARE OPTION SCHEME

We have conditionally adopted the Post-IPO Share Option Scheme. Please see the section headed "Statutory and General Information — D. Other Information — 1. Post-IPO Share Option Scheme" in Appendix IV to this prospectus for details.

OVERVIEW

Our Ultimate Controlling Shareholders, namely Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai, have become acquainted with each other during the early stage of our Group's development. In February 2003, Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai reached the Concert Parties Arrangement, pursuant to which Mr. Zhang Jianshe agreed to take the lead in the decision-making, operation and management of our Group, while Mr. Zhang Kaizhan and Mr. Liu Dai agreed to support Mr. Zhang Jianshe in this regard by acting in concert in relation to the exercise of their voting rights at the meetings of the shareholders and the board of directors of the then members of our Group.

To record the Concert Parties Arrangement, our Ultimate Controlling Shareholders executed a letter of confirmation and undertakings on April 15, 2015, pursuant to which our Ultimate Controlling Shareholders have further undertaken that during the period when they remain interested in, directly or indirectly, the Shares, they will continue to act in accordance with the Concert Parties Arrangement.

Between April 2010 and July 2014, we raised equity financing from various investors and the Pre-IPO Investors. Immediately following completion of our last round of equity financing by the Series B Investor in August 2014, the Controlling Shareholders held approximately 31.39% of the then issued share capital of our Company (which would translate to a shareholding of approximately 25.74% immediately upon completion of the Global Offering, assuming the Over-allotment Option and the options which may be granted pursuant to the Post-IPO Share Option Scheme are not exercised). To ensure that the Controlling Shareholders would continue to be controlling shareholders following completion of the Global Offering and hold more than 30% of our enlarged issued share capital, in February 2015, Mr. Zhang Jianshe, through his wholly-owned company, YeGu Investment, acquired the entire issued share capital of Green Farmlands Group, which held approximately 17.73% of our issued share capital as of the Latest Practicable Date. Following completion of this acquisition and as of the Latest Practicable Date, Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai, through their respective holding company (namely YeGu Investment (which in turn held the entire issued share capital of Green Farmlands Group), SiYuan Investment and Tai Shing), indirectly held 666,568,000 Shares, 61,460,000 Shares and 147,040,000 Shares, representing approximately 37.42%, 3.45% and 8.25% of our issued share capital, respectively, on a standalone basis and when aggregated, more than 30% (being the level for constituting our controlling shareholders under the Listing Rules) of our issued share capital. For more details of the acquisition, please see the section headed "History, Development and Reorganization — Pre-IPO Investments — Information about the Pre-IPO Investors" in this prospectus.

Immediately upon completion of the Global Offering (assuming the Over-allotment Option and the options which may be granted pursuant to the Post-IPO Share Option Scheme are not exercised), Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai, through their respective holding companies as aforementioned, will hold 666,568,000 Shares, 61,460,000 Shares and 147,040,000 Shares, representing approximately 30.68%, 2.83% and 6.77% of our enlarged issued share capital, respectively, on a standalone basis and when aggregated, 40.28% of our enlarged issued share capital. Accordingly, Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai, together with their respective holding companies (namely YeGu Investment and its wholly-owned subsidiary, Green Farmlands Group, SiYuan Investment and Tai Shing) will remain as our Controlling Shareholders after Listing.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of the Controlling Shareholders and their respective associates after Listing.

Management Independence

The Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. For more details, please see the section headed "Directors and Senior Management" in this prospectus. Mr. Zhang Jianshe, our Chairman, executive Director and Chief Executive Officer, Mr. Zhang Kaizhan, our executive Director and Mr. Liu Dai, our non-executive Director, as parties acting-in-concert, are also our Ultimate Controlling Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal in which he or she or any of his or her associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe that our independent non-executive Directors can bring independent judgment to the decision-making process of the Board.

The daily operation of our Group is carried out by an independent experienced management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a standalone basis. Although each of our Ultimate Controlling Shareholders is the director of their respective holding companies as aforementioned, since such companies were either incorporated as part of the Reorganization for investment holding purpose or acquired to offset the dilution of shareholdings in our Company as a result of the Global Offering, each of our Ultimate Controlling Shareholders will be able, and has undertaken, to devote most of his time and attention to the management of our Group. Save as disclosed above, there is no management overlap between our Group and our Controlling Shareholders.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operation independently of our Controlling Shareholders and their respective associates and will continue to do so after Listing.

Intellectual property rights and licenses required for operation

We are not reliant on trademarks owned by our Controlling Shareholders or their respective associates. In addition, we hold and enjoy the benefit of all relevant licenses and permits material to the operation of our business.

Operational facilities

As of the Latest Practicable Date, we leased and will, after Listing, continue to lease certain properties from SinoFarm Group, an associate of Mr. Zhang Jianshe and Mr. Liu Dai (two of our Ultimate Controlling Shareholders), with a total gross floor area of approximately 850.74 square meters as office premises. As our Group has been using such properties historically, our Directors are of the view that compared to relocating to alternative properties, it is in the interest of our Group in terms of cost, time and operational stability to continue such lease arrangement. Meanwhile, we believe that even if SinoFarm Group ceases to lease the properties to us, we would be able to find suitable alternatives from lessors who are Independent Third Parties in the locality without undue delay or inconvenience incurred to the operation of our business. Accordingly, our Directors are of the view that such leasing arrangement does not have any material negative impact on our operational independence from our Controlling Shareholders. For more details, please see the section headed "Connected Transactions — Fully Exempt Continuing Connected Transaction" in this prospectus. Save as disclosed above, all the properties and facilities necessary to our business operations are independent from our Controlling Shareholders and their respective associates.

Employees

As of the Latest Practicable Date, substantially all of our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programs, advertisements in newspapers, recruiting firms and internal referrals.

Connected transactions with our Controlling Shareholders

Save for the continuing connected transactions set out in the section headed "Connected Transactions" in this prospectus, our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholders or their respective associates upon or shortly after completion of the Global Offering.

Based on the above, our Directors are satisfied that we had been operating independently of our Controlling Shareholders and their respective associates during the Track Record Period and will continue to maintain such operational independence.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Company, independent from our Controlling Shareholders. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. In addition, we have been and are capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective associates.

During the Track Record Period and up to the Latest Practicable Date, Mr. Zhang Jianshe together with his associates, had provided a number of guarantees in respect of our bank borrowings, among which the guarantee provided by Mr. Zhang Jianshe in respect of the bank borrowings amounting to RMB90.0 million was subsisting as of September 30, 2015. For more details of the guarantees provided by Mr. Zhang Jianshe and his associates during the Track Record Period, please refer to Note 27 to Section A of the Accountants' Report in Appendix I to this prospectus. The abovementioned guarantees provided by Mr. Zhang Jianshe will be released upon the Listing through repayment of the relevant bank loans or consents from the banks.

Save as disclosed above, except receivables and payables arising under the continuing connected transactions as disclosed in the section headed "Connected Transactions" in this prospectus, as of the Latest Practicable Date, there were no other loans, advances or balances due to and from our Controlling Shareholders and their respective associates which have not been fully settled, nor were there any pledges and guarantees provided by any of our Controlling Shareholders and their respective associates on our Group's borrowings which have not been fully released or discharged.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective associates.

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

As of the Latest Practicable Date, apart from the business of our Group, none of our Controlling Shareholders or our Directors was engaged or had interest in any business which, directly or indirectly, competes or may compete with the business of our Group and which would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

To ensure that competition does not develop between us and other business activities and/or interests of our Controlling Shareholders, each of our Controlling Shareholders (collectively, the "**Covenantors**" and each, a "**Covenantor**") has entered into a deed of non-competition undertakings (the "**Deed of Non-competition**") in favor of our Company on November 12, 2015, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with the Company that at any time during the Relevant Period (as defined below), the Covenantor shall not, and shall procure that its/his associates (other than members of our Group) shall not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities in the PRC and Hong Kong which is the same as, similar to or in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the "**Restricted Business**").

The above restrictions do not prohibit any of the Covenantors and its or his associates (excluding members of our Group) from:

(a) holding any securities of any company which conducts or is engaged in any Restricted Business through their interests in our Group; or

(b) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any Restricted Business where such investment or interest does not exceed 5% of the issued shares of such entity provided that (1) such investment or interest does not grant the Convenators or their respective associates any right to control the composition of the board of directors or managers of such entity, (2) none of the Covenantors or their respective associates control the board of directors or managers of such entity, and (3) such investment or interest does not grant the Covenantors or their respective associates any right to participate directly or indirectly in such entity.

Each of the Covenantors has also undertaken to refer, or to procure the referral of, any investment or commercial opportunities relating to any Restricted Business (collectively, "**New Business Opportunities**" and each, a "**New Business Opportunity**") to us (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) in the following manner:

- As soon as it/he becoming aware of any New Business Opportunity, give written notice (the "**Offer Notice**") to us identifying the target company (if relevant) and the nature of the New Business Opportunity, detailing all information available to it/him for us to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition costs and the contact details of the third parties offering, proposing or presenting the New Business Opportunity to it/him).

- Our Company shall, as soon as practicable and in any case within 25 Business Days from the receipt of the Offer Notice (the "**Offer Notice Period**") notify the relevant Covenantor in writing of any decision taken to pursue or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the third party who has offered, proposed or presented the New Business Opportunity and the relevant Covenantor shall use its/his best endeavors to assist us in obtaining such New Business Opportunity on the same or more favorable terms.

- Our Company is required to seek approval from our independent non-executive Directors who do not have a material interest in the matter for consideration as to whether to pursue or decline the New Business Opportunity, and that the appointment of an independent financial adviser to advise on the terms of the transaction in the subject matter of the New Business Opportunity may be required.

- The relevant Covenantor may, at its/his absolute discretion, consider extending the Offer Notice Period as appropriate.

- The relevant Covenantor shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:

  (i) it/he has received a written notice from us declining the New Business Opportunity; or

  (ii) it/he has not received any written notice from us of our decision to pursue or decline the New Business Opportunity within 25 Business Days from our receipt of the Offer Notice, or if it/he has extended the Offer Notice Period, within such other period as agreed by it, in which case our Company shall be deemed to have declined the New Business Opportunity.

- If there is a change in the nature or proposal of the New Business Opportunity pursued by the relevant Covenantor, it/he shall refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue the New Business Opportunity as revised.

When considering whether or not to pursue any New Business Opportunities, our independent non-executive Directors will form their views based on a range of factors, including but not limited to, the estimated profitability, investment value and permits and approval requirements. The Covenantors, for themselves and on behalf of their associates (except any members of our Group), have also acknowledged that our Company may be required by the relevant laws, regulations and rules and regulatory bodies to disclose, from time to time, information on the New Business Opportunities, including but not limited to disclosure in public announcements or annual reports of our Company our decisions to pursue or decline the New Business Opportunities, and have agreed to disclose to the extent necessary to comply with any such requirements.

Under the Deed of Non-competition, each of the Covenantors has further irrevocably and unconditionally undertaken jointly and severally, with us the following:

(i) the Covenantors shall provide, and shall procure their associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantors' and their associates' (other than members of our Group) compliance with the Deed of Non-competition, and to enable our independent non-executive Directors to enforce the Deed of Non-competition;

(ii) without prejudicing the generality of paragraph (i) above, the Covenantors shall provide to us with an annual declaration for inclusion in our annual report, in respect of their compliance with the terms of the Deed of Non-competition;

(iii) the Covenantors have agreed and authorized us to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through our annual reports or by way of public announcements; and

(iv) each of the Covenantors agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of any failure to comply with the terms of the Deed of Non-competition by the Covenantors or any of their respective associates.

Our Company will disclose the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition either in the annual report of our Company or by way of announcement to the public.

For the purposes of the above, the "Relevant Period" means the period commencing from the Listing Date and shall expire on the earlier of (i) the date when the Covenantors and, as the case may be, any of their associates, cease to hold, or otherwise be interested in, beneficially in aggregate whether directly or indirectly, 30% or more of the issued share capital of our Company (or such other percentage of shareholdings as stipulated in the Listing Rules to constitute a controlling shareholder); or (ii) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares).

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- our independent non-executive Directors will review, on an annual basis, the compliance with non-competition undertakings by our Controlling Shareholders under the Deed of Non-competition;

- our Controlling Shareholders shall provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;

- our Company will disclose decisions and related basis on matters reviewed by our independent non-executive Directors (including all rejections by our Company of New Business Opportunities that have been referred from our Controlling Shareholders) relating to compliance with and enforcement of the non-competition undertakings by our Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company or by way of public announcement; and

- our Controlling Shareholders to make annual statements on compliance with the Deed of Non-competition in our annual report, which is consistent with the principles of making disclosure in the corporate governance report of the annual report under the Listing Rules.

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the options which may be granted pursuant to the Post-IPO Share Option Scheme are not exercised), the following persons will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Shares held immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised)		Shares held immediately following completion of the Global Offering (assuming the Over-allotment Option is fully exercised)	
		Number	*Approximate percentage*	*Number*	*Approximate percentage*
Zhang Jianshe[(1)]	Interest in controlled corporation/Interest of concert parties	875,068,000	40.28%	875,068,000	39.22%
Li Jingtao (李景濤)[(2)]	Interest of spouse	875,068,000	40.28%	875,068,000	39.22%
YeGu Investment[(1)]	Beneficial owner/Interest of concert parties	875,068,000	40.28%	875,068,000	39.22%
Zhang Kaizhan[(1)]	Interest in controlled corporation/Interest of concert parties	875,068,000	40.28%	875,068,000	39.22%
Zhang Fanghong (張芳紅)[(2)]	Interest of spouse	875,068,000	40.28%	875,068,000	39.22%
SiYuan Investment[(1)]	Beneficial owner/Interest of concert parties	875,068,000	40.28%	875,068,000	39.22%
Liu Dai[(1)]	Interest in controlled corporation/Interest of concert parties	875,068,000	40.28%	875,068,000	39.22%
Yang Shulan (楊淑蘭)[(2)]	Interest of spouse	875,068,000	40.28%	875,068,000	39.22%
Tai Shing[(1)]	Beneficial owner/Interest of concert parties	875,068,000	40.28%	875,068,000	39.22%
Green Farmlands Group[(1)]	Beneficial owner/Interest of concert parties	875,068,000	40.28%	875,068,000	39.22%
Shanghai Jingmu[(3)]	Interest in controlled corporation	277,760,000	12.79%	277,760,000	12.45%
Goldstone Agri-Investment Funds Management Center (Limited Partnership) (北京金石農業投資基金管理中心(有限合伙))[(3)]	Interest in controlled corporation	277,760,000	12.79%	277,760,000	12.45%
Agriculture Investment Fund[(3)]	Interest in controlled corporation	277,760,000	12.79%	277,760,000	12.45%
Beijing Jianye Fengde Investment Consulting Co., Ltd. (北京建業豐德投資諮詢有限公司)[(3)]	Interest in controlled corporation	277,760,000	12.79%	277,760,000	12.45%
Agriculture Investment[(3)]	Beneficial owner	172,500,000	7.94%	172,500,000	7.73%

(1) As of the Latest Practicable Date, Mr. Zhang Jianshe was the sole shareholder of YeGu Investment which directly held 350,778,000 Shares and indirectly held, through its wholly-owned subsidiary Green Farmlands Group,

315,790,000 Shares. Accordingly, Mr. Zhang Jianshe is deemed to be interested in the 666,568,000 Shares held, directly and indirectly by YeGu Investment. In addition, as of the Latest Practicable Date, Mr. Zhang Kaizhan and Mr. Liu Dai, through their respective holding company (namely SiYuan Investment and Tai Shing), indirectly held 61,460,000 Shares and 147,040,000 Shares, respectively.

Pursuant to the Concert Parties Arrangement, which was recorded and supplemented by the letter of confirmation and undertakings dated April 15, 2015, Mr. Zhang Jianshe agreed to take the lead in the decision-making, operation and management of our Group, while Mr. Zhang Kaizhan and Mr. Liu Dai agreed to support Mr. Zhang Jianshe in this regard by acting in concert in relation to the exercise of their voting rights at the meetings of the shareholders and the board of directors of the then members of our Group. In addition, Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai have further undertaken that during the period when they remain interested in, directly or indirectly, the Shares, they will continue to act in accordance with the Concert Parties Arrangement.

As such, Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai, together with their respective holding companies (being YeGu Investment and its wholly-owned subsidiary Green Farmlands Group, SiYuan Investment and Tai Shing), are all deemed to be interested in the total Shares directly and indirectly held by YeGu Investment, Green Farmlands Group, SiYuan Investment and Tai Shing (being 875,068,000 Shares in total).

(2) Ms. Li Jingtao is the spouse of Mr. Zhang Jianshe and is therefore deemed to be interested in the same number of Shares in which Mr. Zhang Jianshe is interested under the SFO. Ms. Zhang Fanghong is the spouse of Mr. Zhang Kaizhan and is therefore deemed to be interested in the same number of Shares in which Mr. Zhang Kaizhan is interested under the SFO. Ms. Yang Shulan is the spouse of Mr. Liu Dai and is therefore deemed to be interested in the same number of Shares in which Mr. Liu Dai is interested under the SFO.

(3) Shanghai Jingmu is the sole shareholder of both Agriculture Investment and Jingm Investment Company Limited and is therefore deemed to be interested in their Shares (being 277,760,000 Shares in total). Agriculture Investment Fund is the limited partner of Shanghai Jingmu holding approximately 75.05% of its registered capital, while Goldstone Agri-Investment Funds Management Center (Limited Partnership) is the general partner of Shanghai Jingmu holding approximately 0.11% of its registered capital. Accordingly, each of Agriculture Investment Fund and Goldstone Agri-Investment Funds Management Center (Limited Partnership) is deemed to be interested in the 277,760,000 Shares held by Agriculture Investment and Jingm Investment Company Limited. Furthermore, Beijing Jianye Fengde Investment Consulting Co., Ltd., the general partner of Goldstone Agri-Investment Funds Management Center (Limited Partnership), is also deemed to be interested in such 277,760,000 Shares referenced above.

Save as disclosed above and in the section headed "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders" in Appendix IV to this prospectus, our Directors are not aware of any person who will, immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be issued upon the exercise of the options which may be granted pursuant to the Post-IPO Share Option Scheme, have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set forth in the Accountant's Report in Appendix I to this prospectus, which has been prepared in accordance with IFRS. The following discussion and analysis contain forward-looking statements concerning events that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a dairy farming company producing premium raw milk in China and we ranked 11th in terms of herd size of dairy cows and 18th in terms of raw milk sales volume out of over 1,000 dairy farming companies in China in 2014 according to Frost & Sullivan. We engage in business operations mainly including raising dairy cows, breeding dairy cows, raw milk production and sale, as well as importing and selling dairy cows of quality breeds, participating in multiple stages of the dairy farming industry value chain.

We have established a network of dairy farms strategically located in regions suitable for dairy farming in China. As of June 30, 2015, we owned and operated four modernized dairy farms located in Beijing and the Inner Mongolia Autonomous Region in northern China, Liaoning Province in northeastern China, and the Ningxia Hui Autonomous Region in northwestern China, respectively. As of December 31, 2014 and June 30, 2015, we had a total herd of 28,482 and 37,160 Holstein cows at our dairy farms (including our four operating dairy farms as well as Shanxi Tianzhen Farm, Hebei Wen'an Farm and Inner Mongolia Shangdu Farm (Phase II) which were under development as of June 30, 2015), respectively. To ensure the quality and stable supply of feeds at efficient cost, we had also leased or contracted land of approximately 37,000 mu in total as of June 30, 2015 to grow feeds at our five crop farms surrounding or close to our dairy farms.

Our strategically located network of dairy farms and efficient milk production management allow us to target the national market by providing premium raw milk to dairy companies for processing into high-end liquid milk, primarily including UHT milk, fresh milk and yogurt. For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our average annual milk yield per milking cow was approximately 10.0 tonnes, 9.8 tonnes, 10.8 tonnes and 11.5 tonnes per head, respectively; our average annual milk yield per milkable cow was approximately 8.8 tonnes, 8.3 tonnes, 9.6 tonnes and 10.1 tonnes per head, respectively. For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the average selling price of our raw milk was approximately RMB4,509, RMB4,800, RMB4,785 per tonne and RMB4,398 per tonne, respectively. According to Frost & Sullivan, the average annual milk yield per milkable cow in 2014 was approximately 5.5 tonnes in China, and the national average selling price of raw milk in the first half of 2015 was approximately RMB3,438 per tonne in China. For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we sold 32,083 tonnes, 30,637 tonnes, 63,099 tonnes and 41,057 tonnes of raw milk, respectively.

We also engage in the import trading business primarily in cows, alfalfa hay and other animal husbandry-related products in China. According to Frost & Sullivan, we were the third largest importer of dairy cows in China by volume in 2014, with a market share of 18.1%. Our import trading business supports the expansion of our network of dairy farms, by importing quality dairy cows from overseas in a timely manner as foundation cows for our expanded or newly developed dairy farms.

As of June 30, 2015, we were developing (i) the second phases of two of our four operating dairy farms and (ii) two new dairy farms. In addition, we were in the process of converting our Tianjin Import Quarantine Farm into a new dairy farm, the Tianjin Farm. We intend to commence developing the second phase of our operating Liaoning Kuandian Farm by the second quarter of 2016. Upon completion of our current expansion, our network of dairy farms is expected to cover seven provinces or provincial-level cities in China, including Beijing, Tianjin, Shanxi Province, Hebei Province and the Inner Mongolia Autonomous Region in northern China, Liaoning Province in northeastern China, and the Ningxia Hui Autonomous Region in northwestern China. Upon completion of such developments, the land occupied by our dairy farms is expected to reach a total size of approximately 12,220 mu, with an aggregate designed capacity to raise approximately 71,413 dairy cows.

We have established a scalable operating model for our dairy farms that can be replicated efficiently at our expanded or newly developed dairy farms. We have specialized teams dedicated to each aspect of our expansion process, such as design, construction and management of dairy farms. Leveraging the ability of our import trading business to import large number of quality dairy cows in a timely manner, our scalable operating model enables us to fast-track the development process and thus bring forward the commence of commercial milk production at our expanded or newly developed dairy farms. We generally take less than 18 months to develop a dairy farm with a designed capacity for raising 5,000 or more dairy cows, starting from the construction of farm infrastructure to commencing commercial milk production. According to Frost & Sullivan, it usually takes an average of two years to develop a new dairy farm of over 1,000 dairy cows in China.

We believe our long-term strategic cooperation with Mengniu and Yili provides a foundation for the success of our expanding dairy farming business. In August and September 2014, we entered into long-term strategic cooperation agreement for a term of ten years with each of Mengniu and Yili, respectively. Our cooperation with Mengniu and Yili has allowed us to secure purchase commitments for raw milk that meets certain prescribed quality standards we produce at our four operating dairy farms and five of the dairy farms (including second phases of certain operating dairy farms) covered under our current expansion plans for the next ten years. We believe that the strategic locations and network of our dairy farms well position us to provide a long-term and stable supply of premium raw milk to leading national dairy companies such as Mengniu and Yili.

We have experienced rapid growth over the Track Record Period. Our revenue from continuing operations amounted to RMB406.9 million, RMB309.1 million, RMB721.6 million and RMB229.8 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. Our profit from continuing operations amounted to RMB71.2 million, RMB81.5 million, RMB152.3 million and RMB42.5 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. Our revenue from the dairy farming business amounted to RMB150.8 million, RMB182.8 million, RMB308.4 million and RMB180.6 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively, and our gross profit before biological fair value adjustments generated from our dairy farming business amounted to RMB68.5 million, RMB74.6 million, RMB130.5 million and RMB82.2 million for the same periods.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

We believe that the following are the most significant factors affecting our results of operations and financial condition.

Herd Size of Our Dairy Farming Business

Our results of operations have been significantly affected by the herd size of our dairy farming business. In particular, the increase in the number of our milkabe cows has pushed up our annual raw milk output and, consequesntly, our revenue from dairy farming business during the Track Record Period. The table below sets forth the total number and breakdown of the herd size of our dairy farming business on the dates indicated.

	Number of Dairy Cows			
	Milkable Cows	Heifers and calves	Reproduced heifers/calves held for sale	Total
			(head)	
As of December 31,				
2012	3,813	1,809	1,800	7,422
2013	5,143	6,429	131	11,703
2014	8,671	19,311	500	28,482
As of June 30,				
2015	10,374	26,286	500	37,160

The herd size of our dairy farming business has been primarily affected by the following factors:

- *Purchases from overseas*. Through our import trading business, we purchase dairy cows from overseas as foundation cows for our dairy farms. For the years ended December 31, 2012, 2013 and 2014, we purchased 500, 3,914 and 14,666 dairy cows to expand our herd size, respectively. We purchased nil dairy cows for the six months ended June 30, 2015.

- *New births of female calves*. Female calves born by our milkable cows at our dairy farms increase our herd size. We aim to increase and ultimately achieve self-sustainability of our dairy herd by breeding sufficient number of reserve cows as replacement for the culled cows and foundation cows for our future newly developed dairy farms.

- *Sale of reproduced heifers/calves*. Our herd size could decrease by sale of dairy cows reproduced at our dairy farms to take advantage of particularly attractive price points in the domestic market. For more details, please see the subsection headed "—Reproduced Heifers/Calves Sold to Customers".

- *Culling*. Our culling practices permanently remove from our dairy herd cows with low milk production, reproduction problems, diseases, udder problems or other problems. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we culled 641, 813, 1,153 and 865 milkable cows, respectively.

In July 2013, we acquired the land use rights, dairy cows and other dairy farming-related assets of a dairy farm located close to our Ningxia Helan Farm (Phase I), which was owned by an Independent Third Party. We made the acquisition primarily to better manage the features of the location of our Ningxia Helan Farm, by reducing the risk of contagion from farm animals nearby. The acquired dairy herd comprised of 716 Holstein dairy cows. Going forward, we expect to continue purchase dairy cows from overseas suppliers through our import trading business to the extent that we engage in any external purchases of dairy cows for our dairy farms.

We expect that our raw milk output and our revenue from dairy farming business will continue to be positively affected by our expanding herd size. As of June 30, 2015, we were developing (i) the second phases of two of our four operating dairy farms, namely the Inner Mongolia Shangdu Farm (Phase II) and the Ningxia Helan Farm (Phase II) and (ii) two new dairy farms, namely the Shanxi Tianzhen Farm and the Hebei Wen'an Farm. In addition, we were in the process of converting our Tianjin Import Quarantine Farm into a new dairy farm, the Tianjin Farm. We intend to commence developing the second phase of our operating Liaoning Kuandian Farm by the second quarter of 2016. Upon completion of all our current expansion plans, we will own and operate seven dairy farms in total, with an aggregate designed capacity for raising approximately 71,413 dairy cows, representing an increase by 205.2% from the current aggregate capacity for raising 23,400 dairy cows at our operating dairy farms. For more details, please see the section headed "Business—Our Production Facilities—Expansion Plan" in this prospectus.

Average Milk Yield

Our results of operations are also affected by the average milk yield per milkable cow. High milk yield represents efficiency in raw milk production and increases our raw milk output for a given herd of milkable cows. Average milk yield is affected by a number of factors, primarily including:

- *Milk production cycle*. Within the same lactation cycle, the milk yield is generally the highest during the period between the sixth and eighth weeks after calving, after which the yield level gradually tapers off. A dairy cow's milk yield is typically low during its first lactation cycle relative to when it reaches its peak level during the third lactation cycle. For a given herd of milkable cows, the convergence of dry periods, when we stop milking a pregnant cow approximately 60 days ahead of the projected date of calving, will also impact the milk yield of the herd as a whole. For more details, please see the section headed "Industry Overview—Dairy Farming—Milk production cycle" in this prospectus.

- *Hereditary features*. Hereditary features such as breed and genetic charcteristics of our dairy cows determine the potential for milk yield. All our dairy cows are of Holstein breeding, which ranks first among the dairy breeds in the world in terms of average milk yield per head according to Frost & Sullivan.

- *Feed and herd management*. Feed and herd management determine whether the hereditary potential of any given cow could be attained. A dairy cow with high potential for milk production will not produce milk at a high level unless she receives proper feed and nutrition. Proper herd management, such as adherence to routine milking and feeding schedules, also contributes to a high level of milk production.

- *Health conditions of dairy cows*. Milk yield is also influenced by the health conditions of our dairy cows. For example, mastitis, an inflammation of the udder, could significantly reduce milk production.

For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our average annual milk yield per milking cow was approximately 10.0 tonnes, 9.8 tonnes, 10.8 tonnes and 11.5 tonnes per head, respectively, and our average annual milk yield per milkable cow was approximately 8.8 tonnes, 8.3 tonnes, 9.6 tonnes and 10.1 tonnes per head, respectively. According to Frost & Sullivan, the average annual milk yield per milkable cow in 2014 was approximately 5.5 tonnes in China.

	Average annual milk yield per milking cow	Average annual milk yield per milkable cow
	(tonne)	(tonne)
For the year ended December 31,		
2012	10.0	8.8
2013	9.8	8.3
2014	10.8	9.6
For the six months ended June 30,		
2015	11.5	10.1

Our average annual milk yield per milking cow fell slightly from 2012 to 2013, primarily reflecting the impact of heat stress on the milk production at our Beijing Shunyi Farm in the summer of 2013, which recorded unusually high temperatures over an extended period time in Beijing, partially offset by the increase in milk yield at our Liaoning Kuandian Farm (Phase I) and Inner Mongolia Shangdu Farm (Phase I) as a result of our improved feed management. Our average annual milk yield per milkable cow demonstrated a steeper drop from 2012 to 2013, primarily reflecting the additional downward pressure from a high percentage of dry cows in the herd due to the relatively concentrated dry periods of dairy cows at Beijing Shunyi Farm in the second half of 2013.

The average annual milk yield for both milking cows and milkable cows increased from 2013 to 2014, primarily reflecting (i) the increase in milk yield at our Beijing Shunyi Farm, as a result of a variety of measures aimed to improve our feed management, such as installation of advanced equipment to improve our efficiency at feeding our dairy cows total mixed ration and seeking external technical advices from leading industry players such as Cargill, and (ii) the ramping-up of milk yield in 2014 achieved by the majority of milking cows at our Ningxia Helan Farm (Phase I) since its commencement of commercial milk production in December 2013.

Average Selling Price of Our Raw Milk

Our average selling price of raw milk has been significantly higher than the industry average in China during the Track Record Period. It has been one of the major drivers behind our growth in revenue and profitability of dairy farming business. For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the average selling price of our raw milk was approximately RMB4,509, RMB4,800, RMB4,785 and RMB4,398 per tonne, respectively. According to Frost & Sullivan, the national average selling price of raw milk in China in the six months ended June 30, 2015 was approximately RMB3,438 per tonne.

In line with the industry practice in China, our raw milk sales and purchase agreements with our customers provide for the pricing mechanisms for the raw milk sold, which generally incorporate a base price and top-up amounts depending whether and the degree to which our delivered raw milk surpasses pre-determined set of quality indicators, such as protein content and fat content. As a result, premium raw milk that our dairy farms produce generally commands a selling price higher than the industry average during the same period. We also agree with our customers in the raw milk purchase and sale agreements that the resulting prices calculated in accordance with the pricing mechanisms shall be in line with the prevailing market prices. According to Frost & Sullivan, the market prices of raw milk in China have been consistently rising until March 2014, which primarily reflect the strong market demand and rising cost of feeds and labor. After that, due to the large imports of milk powder (which is a substitute for raw milk in some dairy products) into the PRC in 2014, the market price of raw milk has been subject to downward pressure since March 2014. Even so, the average market price of raw milk in China reached RMB4,042 per tonne in 2014, up 11.9% from 2013, representing a CAGR of 10.7% from 2009 to 2014.

We expect that the average selling price of our raw milk will continue to be supported by favorable market dynamics in the foreseeable future. In August and September 2014, we entered into long-term strategic cooperation agreements with Mengniu and Yili, respectively, which we believe will provide further support to the price trends of our raw milk. For more details, please see the section headed "Business — Long-term Strategic Cooperation Agreements with Mengniu and Yili" in this prospectus.

The following sensitivity analysis illustrates the impact of hypothetical changes in the average raw milk price on our net profit during the Track Record Period. The following sensitivity analysis assumes that only one variable changes, holding everything else constant. The analysis is intended for reference only and the actual results may differ from the amounts indicated here. You should note in particular that this analysis is not intended to be exhaustive and is limited to the impact of changes in the average raw milk price.

For the year ended December 31, 2012						
% Change in average raw milk price	**5%**	**3%**	**1%**	**(1%)**	**(3%)**	**(5%)**
Corresponding changes in net profit from continuing operations before biological fair value adjustments (RMB'000)	7,233	4,340	1,447	(1,447)	(3,340)	(7,233)
% Change in net profit from continuing operations before biological fair value adjustments	10.8%	6.5%	2.2%	(2.2%)	(6.5%)	(10.8%)
For the year ended December 31, 2013						
% Change in average raw milk price	**5%**	**3%**	**1%**	**(1%)**	**(3%)**	**(5%)**
Corresponding changes in net profit from continuing operations before biological fair value adjustments (RMB'000)	7,353	4,412	1,471	(1,471)	(4,412)	(7,353)
% Change in net profit from continuing operations before biological fair value adjustments	10.0%	6.0%	2.0%	(2.0%)	(6.0%)	(10.0%)
For the year ended December 31, 2014						
% Change in average raw milk price	**5%**	**3%**	**1%**	**(1%)**	**(3%)**	**(5%)**
Corresponding changes in net profit from continuing operations before biological fair value adjustments (RMB'000)	15,097	9,058	3,019	(3,019)	(9,058)	(15,097)
% Change in net profit from continuing operations before biological fair value adjustments	14.6%	8.8%	2.9%	(2.9%)	(8.8%)	(14.6%)

For the six months ended June 30, 2014 (unaudited)						
% Change in average raw milk price	**5%**	**3%**	**1%**	**(1%)**	**(3%)**	**(5%)**
Corresponding changes in net profit from continuing operations before biological fair value adjustments (RMB'000)	7,674	4,605	1,535	(1,535)	(4,605)	(7,674)
% Change in net profit from continuing operations before biological fair value adjustments	13.1%	7.8%	2.6%	(2.6%)	(7.8%)	(13.1%)
For the six months ended June 30, 2015						
% Change in average raw milk price	**5%**	**3%**	**1%**	**(1%)**	**(3%)**	**(5%)**
Corresponding changes in net profit from continuing operations before biological fair value adjustments (RMB'000)	9,028	5,417	1,806	(1,806)	(5,417)	(9,028)
% Change in net profit from continuing operations before biological fair value adjustments	21.3%	12.8%	4.3%	(4.3%)	(12.8%)	(21.3%)

Feed Costs

Feeds are the largest component of the cost of sales for our raw milk, representing approximately 83.5%, 78.1%, 80.1% and 83.8% of the cost of sales for raw milk before biological fair value adjustment in three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. We adopt the modern feeding method of feeding total mixed rations to our dairy cows. The major components of our total mixed rations include roughages such as corn silage and alfalfa hay, concentrates, mineral supplements, vitamin and other supplements. We endeavor to achieve the most profitable milk production by feeding our dairy cows with balanced total mixed rations that are cost efficient. For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our average feed costs of raw milk sold, calculated as the total feed costs accounted under our cost of sales for raw milk before biological fair value adjustment divided by the total volume of raw milk sold during each reporting period, amounted to approximately RMB2,045, RMB2,100, RMB2,181 and RMB2,008 per tonne of raw milk, respectively. The trend of our average feed costs during the Track Record Period was largely in line with the overall market trend. The rising average feed costs also reflect the improving quality of feeds that leads to higher quality of raw milk. For example, the average protein content of our raw milk produced in 2014 was 3.3% and according to our customers' records, such average reached 3.6% for our Ningxia Helan Farm (Phase I) in second half of 2014.

According to Frost & Sullivan, corn silage is a high-quality palatable roughage for dairy cows that can be easily stored and handled, contributing more than 20% of dry matters in the total mixed ration for milking cows. Taking into account of moisture content, corn silage may represent approximately half of the total weight of a milking cow's daily ration. An average dairy cow typically consumes approximately 5.1 tonnes of corn silage each year. The average market price of corn silage in China has showed a significant increase from RMB236.1 per tonne in 2009 to RMB400.0 per tonne in 2014, representing a CAGR of 11.1%. According to Frost & Sullivan, the demand for corn silage in China is expected to grow and reach 45.0 million tonnes in 2018, representing a CAGR of 6.3% from 35.2 million tonnes in 2014. Alfalfa is another key feed component, critical for increasing the milk yield of a milkable cow as well as the protein level of the raw milk produced. According to Frost & Sullivan, an average dairy cow typically consumes approximately 0.7 tonnes of alfalfa each year. Given the limited supply of domestically grown alfalfa, large-scale dairy farms in China often rely on alfalfa hay imported from the U.S. The prices for both domestic and imported alfalfa have shown an overall upward trend from 2009 to 2014. The demand for alfalfa in China is expected to grow and reach 2.4 million tonnes in 2018, representing a CAGR of 12.4% from approximately 1.5 million tonnes in 2014, according to Frost & Sullivan. For more details, please see the section headed "Industry Overview—Feeding Materials" in this prospectus.

We have established crop farms in the vicinity of our dairy farms to grow corn and alfalfa, providing us with greater control over our cost structure and helping to ensure the quality and stable supply of roughages. As of June 30, 2015, we had approximately 23,200 mu and 13,900 mu of crop farms growing corns and alfalfa, respectively, as feeds for our dairy cows. For more details about our crop farms, please see the section headed "Business—Our Production Facilities—Our Crop Farms" in this prospectus.

The following sensitivity analysis illustrates the impact of hypothetical changes in the feed costs as a component of the cost of sales for our dairy farming business on our net profit during the Track Record Period. The following sensitivity analysis assumes that only one variable changes, holding everything else constant. The analysis is intended for reference only and the actual results may differ from the amounts indicated here. You should note in particular that this analysis is not intended to be exhaustive and is limited to the impact of changes in the feed costs as a component of the cost of sales for our dairy farming business.

For the year ended December 31, 2012						
% Change in feed costs	**5%**	**3%**	**1%**	**(1%)**	**(3%)**	**(5%)**
Corresponding changes in profit from continuing operations before biological fair value adjustments (RMB'000)	(3,281)	(1,969)	(656)	656	1,969	3,281
% Change in profit from continuing operations before biological fair value adjustments	(4.9%)	(2.9%)	(1.0%)	1.0%	2.9%	4.9%
For the year ended December 31, 2013						
% Change in feed costs	**5%**	**3%**	**1%**	**(1%)**	**(3%)**	**(5%)**
Corresponding changes in profit from continuing operations before biological fair value adjustments (RMB'000)	(3,217)	(1,930)	(643)	643	1,930	3,217
% Change in profit from continuing operations before biological fair value adjustments	(4.4%)	(2.6%)	(0.9%)	0.9%	2.6%	4.4%
For the year ended December 31, 2014						
% Change in feed costs	**5%**	**3%**	**1%**	**(1%)**	**(3%)**	**(5%)**
Corresponding changes in profit from continuing operations before biological fair value adjustments (RMB'000)	(6,882)	(4,129)	(1,376)	1,376	4,129	6,882
% Change in profit from continuing operations before biological fair value adjustments	(6.7%)	(4.0%)	(1.3%)	1.3%	4.0%	6.7%

For the six months ended June 30, 2014						
% Change in feed costs	**5%**	**3%**	**1%**	**(1%)**	**(3%)**	**(5%)**
Corresponding changes in profit from continuing operations before biological fair value adjustments (RMB'000)	(3,144)	(1,887)	(629)	629	1,887	3,144
% Change in profit from continuing operations before biological fair value adjustments	(5.4%)	(3.2%)	(1.1%)	1.1%	3.2%	5.4%
For the six months ended June 30, 2015						
% Change in feed costs	**5%**	**3%**	**1%**	**(1%)**	**(3%)**	**(5%)**
Corresponding changes in profit from continuing operations before biological fair value adjustments (RMB'000)	(4,123)	(2,474)	(825)	825	2,474	4,123
% Change in profit from continuing operations before biological fair value adjustments	(9.7%)	(5.8%)	(1.9%)	1.9%	5.8%	9.7%

Reproduced Heifers/Calves Sold to Customers

To take advantage of the particularly attractive price in the domestic dairy cows market, our dairy farming business also sells some of the dairy cows, mainly heifers, that are born on our dairy farms. When determining the number of the reproduced heifers/calves to be sold in a given period, we take into account a variety of factors such as (i) our dairy farms' demand for reserve cows to replace culled dairy cows and to expand our existing herd size, (ii) existing and forecast capacity to raise dairy cows at our dairy farms, (iii) prevailing and forecast market price for dairy cows, (iv) present value of expected returns from future raw milk production over the reproduced heifers/calves' lifetimes, (v) time and resources required to continue raising the reproduced heifers/calves, and (vi) expected availability of additional calves to be born at our dairy farms.

For the three years ended December 31, 2012, 2013 and 2014 , we sold approximately 270, 1,800 and 325 reproduced heifers/calves, generating a revenue of RMB6.2 million, RMB35.7 million and RMB6.5 million, respectively; the average selling price of such reproduced heifers/calves was RMB22,800, RMB19,823 and RMB19,963 per head, respectively.

We sold 1,800 reproduced heifers/calves in 2013, more than six times the number sold in 2012. The significant increase primarily reflected our decision to take advantage of the price difference in 2013 between the imported dairy cows and our reproduced heifers/calves. The average selling price for imported dairy cows under our new contracts entered into 2013 was only RMB17,523 per head, while average selling price of our reproduced heifers/calves was RMB19,823 per head.

We only sold 325 reproduced heifers/calves in 2014, which represents a significant decrease from 2013, primarily reflecting the increasing internal demand of our dairy farms to keep the reproduced heifers/calves as reserve cows as our dairy herd continued to expand.

We did not sell any reproduced heifers/calves in the first half of 2015, primarily reflecting the increasing internal demand of our dairy farms to keep the reproduced heifers/calves as reserve cows as our dairy herd continued to expand.

As we continue to expand the scale of operations for our dairy farming business, we expect to balance sales of reproduced heifers/calves with the increasing internal demand of our dairy farms to keep the reproduced heifers/calves for the expansion of our dairy herd.

Performance of Our Import Trading Business

Our import trading business has contributed, and may continue to contribute, a substantial portion of our Group's revenue. For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, revenue from our import trading business amounted to approximately RMB256.1 million, RMB126.3 million, RMB413.1 million and RMB49.3 million, respectively, representing approximately 62.9%, 40.9%, 57.3% and 21.4% of our Group's total revenue for the respective periods.

We conduct our import trading business under two distinct business models, principal trading and agency services. The significant majority of our revenue from import trading business during the Track Record Period has been generated under our principal trading model, which contributed revenues of approximately RMB248.3 million, RMB120.9 million, RMB408.3 million and RMB49.0 million for the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively, representing approximately 97.0%, 95.8%, 98.8% and 99.4% of our revenue from import trading business for the respective periods.

Our principal trading activities primarily relate to the import and sales of cows and alfalfa hay. The performance of our principal trading activities is subject to a variety of factors, primarily including:

- *Number of cows delivered*. We recognize revenue from import and sales of cows when the cows are delivered to our customers. For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we delivered 10,196, 5,675, 21,841 and 1,635 cows under our principal trading model.

- *Average selling price of our imported cows*. For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the average selling price of our imported cows delivered in each reporting period was approximately RMB22,356, RMB20,199, RMB18,385 and RMB24,950 per head, respectively, generally in line with the market trends. Based on the import trading contracts of cows that have been signed by our customers so far, the average selling price of our imported cows is expected to be much lower in the second half of 2015 than that in the first half of 2015, which is primarily because the demand for dairy cows has decreased as the raw milk prices in China have decreased since March 2014. The fluctuations in the average selling prices of our imported cows will significantly impact the revenue and margin of our import trading business.

- *Average cost of sales of our imported cows.* All of the cows that we imported into China during the Track Record Period were from Australia and New Zealand. Cost of sales of our imported cows primarily include, among other things, procurement costs, feeding costs, staff costs, depreciation charges and utilities and consumables in relation to the cows raised at our import quarantine farms before being delivered to our import trading customers. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our average cost of sales of our imported cows was approximately RMB21,083, RMB17,709, RMB15,952 and RMB21,928 per head, respectively. The availability of quality cows at commercially acceptable prices in the relevant source countries will continue to significantly affect the performance of our import trading business.

The performance of our trading business is prone to significant volatility due to the timing of contract inception and final delivery. Since a typical principal trading transaction of imported cows usually takes approximately seven months from start until the final delivery of the imported cows to our customers, the number of cows delivered, average selling price and average procurement price in each reporting period may be impacted by the market conditions of the current as well as previous reporting period. Our trading activities, especially our principal trading activities in imported cows, are also characterized by a relatively small number of relatively large shipments of imported goods. For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our revenue from principal trading in imported cows was generated from, respectively, 4, 3, 7 and 1 shipments of imported cows from Australia or New Zealand. This further increased volatility of our trading business during the Track Record Period. We expect that our trading business will continue to be influenced by the above factors.

Revenue from our principal trading of dairy cows decreased from RMB177.9 million in the first half of 2014 to RMB40.8 million in the first half of 2015, primarily due to a decrease in the number of dairy cows delivered from 10,606 heads in the first half of 2014 to 1,635 heads in the first half of 2015, partially offset by an increase in the average selling price per head of dairy cows delivered from RMB16,777 in the first half of 2014 to RMB24,950 in the first half of 2015. The number of dairy cows delivered decreased significantly from the first half of 2014 to the first half of 2015 primarily because the demand for dairy cows decreased as the raw milk prices in China decreased beginning in March 2014. The significant increase in the average selling price of dairy cows in the first half of 2015 was primarily because the import trading contracts with our customers for the 1,635 cows delivered in February 2015 were entered into in mid-2014, when the average selling price of dairy cows in China was relatively high.

Biological Assets and Agricultural Produce

We engage in a series of agricultural activities, primarily including (i) feeding, breeding and milking of dairy cows for our dairy farming business, (ii) growing and harvesting mainly alfalfa as feeds for our dairy farming business, and (iii) feeding imported cows at import quarantine farms for our import trading business.

Our biological assets primarily comprise cows and alfalfa roots. Cows can be further categorized into (i) heifers and calves, (ii) milkable cows, and (iii) cows held for sale. Cows held for sale include (i) cows imported under our import trading business that are raised at our import quarantine farms during the import quarantine period, and (ii) reproduced heifers/calves that we have decided to sell to third-party customers to take advantage of particularly attractive price points in the domestic dairy cows market or to dairy farms of our Group. The agricultural produce harvested from our biological assets primarily comprises (i) raw milk, and (ii) harvested alfalfa.

During the Track Record Period, we also operated a hog production business that was subsequently disposed of in August 2014. Such business engaged in agricultural activities including feeding, breeding and raising of hogs. Its biological assets primarily comprised of (i) commodity hogs, primarily held for further growth for hog production, and (ii) breeder hogs, prime hogs of excellent qualities that are selected as breeding stock for the hog farm. The agricultural produce primarily included commodity hogs when they were sold and ceased to be our biological assets. For more details, please see the subsection headed "— Description of Certain Income Statement Items — Discontinued Operations".

In accordance with IFRS, we apply International Accounting Standard 41 Agriculture, or IAS 41, to account for, among other things, our biological assets and agricultural produce.

Our financial condition is impacted by the measurements of our biological assets and agricultural produce primarily in the following manners:

- *Biological assets*. Under IAS 41, we measure biological assets on initial recognition and at the end of each reporting period at fair values less costs to sell. The fair values of our biological assets were determined by independent professional valuers, relying on a number of assumptions such as future market trends and projected operating performances of certain biological assets. For a reconciliation of changes in the carrying amount of our biological assets between the beginning and the ending of each reporting period during the Track Record Period, please see Note 21 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus.

- *Agricultural produce*. Our financial condition is also affected by the measurement of agricultural produce at the point of harvest, which is required under IAS 41 to be measured at its fair value less costs to sell at the point of harvest. "Harvest" is defined by IAS 41 as "the detachment of produce from a biological asset or the cessation of a biological asset's life processes". The value resulting from the initial measurement of agricultural produce subsequently becomes cost of the relevant agricultural produce, which will then be presented as part of our cost of sales when it is sold. For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the initial measurement of the raw milk produced by our dairy cows at fair value less costs to sell at the point of harvest amounted to approximately RMB141.2 million, RMB143.6 million, RMB296.0 million and RMB174.6 million, respectively. The fair value of the unsold raw milk that is dehydrated into unprocessed milk powder is assessed by reference to the local market selling prices of raw milk to smaller milk processors which approximates to our cost of production of raw milk. When the unsold raw milk is dehydrated into unprocessed milk powder, the fair value of the unsold raw milk recognized and the dehydration cost are transferred to cost of inventories. No fair value gain or loss was recognized on the initial recognition of the unsold raw milk that was dehydrated into unprocessed milk powder for the year ended December 31, 2014 and the six months ended June 30, 2015.

Our results of operations are affected by gains (and losses, if applicable) in relation to our biological assets and agricultural produce primarily in the following manners:

- *Changes in fair value of biological assets less costs to sell*. With respect to our biological assets, IAS 41 requires us to report gains and losses arising from changes in fair value less costs to sell to be included in our profit or loss for the reporting period in which such gains and losses arise. The fair value of our biological assets typically increases due to growth in the quantity or improvement in quality of biological assets, creation of additional biological assets through procreation, and higher prices for biological assets. For example, the fair value of a heifer generally increases as it gives birth to a calf, begins to produce raw milk and becomes a milkable cow. The fair value of our biological assets typically decreases due to decrease in the quantity or deterioration in quality of biological assets, sickness of biological assets, and lower prices for biological assets. For example, the fair value of our biological assets generally decreases as a milkable cow is culled and sold due to its falling milk yield. For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we recorded gains arising from changes in fair value less costs to sell of our biological assets in the amount of approximately RMB19.3 million, RMB31.9 million, RMB111.0 million and RMB5.0 million, respectively.

- *Initial gains or losses on agricultural produce*. Harvested agricultural produce is recognized as inventories at fair value less costs to sell at the point of harvest, which refers to the point in time of milking for raw milk and cutting and collecting for alfalfa. Any gain or loss arising on initial recognition of agricultural produce, representing the difference between the fair value less costs to sell of such agricultural produce on the one hand, and the feeding, planting and other related costs incurred up to the harvest on the other hand, will be included in our profit or loss for the reporting period in which such gain or loss arises. When the relevant agricultural produce becomes sold (such as our raw milk and cows held for sale) or internally consumed (such as harvested alfalfa), the same gain or loss, as part of the carrying amount for inventories sold, will be transferred to cost of sales. We record such gain or loss as biological fair value adjustment to our cost of sales for the relevant period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our financial statements in conformity with IFRS, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates.

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies, and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our consolidated financial statements. We believe that the following accounting policies involve a high degree of judgment and complexity in their application and require us to make significant accounting estimates. The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this prospectus.

Measuring Fair Value of Biological Assets

In accordance with the requirements of IAS 41, biological assets on initial recognition and at the end of each reporting period are measured at fair values less costs to sell. The fair value measurement is facilitated by grouping our biological assets according to their significant attributes. Our biological assets primarily comprise cows and alfalfa roots. We divide our cows into four groups, including (i) calves, or dairy cows under the age of six months, (ii) heifers or dairy cows aged not less than six months until giving birth for the first time, (iii) milkable cows or dairy cows after giving birth for the first time, and (iv) cows held for sale, primarily including (*x*) cows imported under our import trading business until such cows are delivered to customers, and (*y*) reproduced heifers/calves born at our dairy farms that we intend to sell to third parties and therefore have classified as cows held for sale.

The fair values less costs to sell of our biological assets were determined by independent professional valuers, employing primarily the following valuation techniques:

- *Heifers and calves (including reproduced heifers/calves held for sale)*. The fair values of heifers and calves at age-group less than 14 months are determined by subtracting the estimated feeding costs required to raise the cows from their respective age at the end of each reporting period to 14 months plus the margins that would normally be required by a raiser. Conversely, the fair values of heifers at age-group older than 14 months are determined by adding the estimated feeding costs required to raise the heifers from 14 months old to their respective age at the end of each reporting period plus the margins that would normally be required by a raiser.

- *Milkable cows*. Since the market-determined prices of milkable cows are not available, the fair value of milkable cows is determined using the net present value approach, which is based on the discounted future cash flows to be generated by such milkable cows. The forecast future cash flows are developed by the independent professional valuers.

- *Cows held for sale (excluding reproduced heifers/calves held for sale)*. The fair value less costs to sell of cows held for sale is determined on the estimated local market price subtracting the feeding costs.

- *Alfalfa roots*. The fair value of alfalfa roots is determined on the basis of the expenditures of each year of planting adjusted for the expected remaining lives. The life expectancy for our alfalfa plants used in fair value measurement is currently five years.

For more details about measurement of fair value of our biological assets, please see the subsection headed "—Certain Statement of Financial Position Items—Biological Assets" and Note 21 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus.

Subsequent Expenditures Relating to Biological Assets

Such subsequent expenditures may primarily include feeding and other related costs, such as staff costs, depreciation charges and utilities and consumables, in relation to our dairy cows. With respect to our alfalfa plants, subsequent expenditures may primarily include planting, weeding, irrigation and other related costs, such as staff costs, depreciation charges, recognition of lease prepayments and utilities and consumables.

We present the subsequent expenditures in relation to our biological assets primarily in the following manners:

- *Cows*. Subsequent expenditures in relation to our calves and heifers are capitalized, until they begin to produce raw milk and are transferred to the group of milkable cows. Such expenditures in relation to milking cows during lactation periods are transferred to inventories upon harvest of raw milk and subsequently to cost of sales upon sales of the raw milk, while expenditures during dry periods are transferred to the carrying amounts for calves born. Subsequent expenditures relating to cows held for sale are capitalized until they are sold.

- *Alfalfa*. Subsequent expenditures related to growing our alfalfa are capitalized and transferred to inventories upon harvest.

Government Grants

We received, and expect to continue receiving, government grants relating to biological assets accounted for at fair value less costs to sell under IAS 41, such as grants in relation to our dairy cows that were awarded under government schemes designed to promote the local dairy farming industry. We recognize unconditional grants in profit or loss when, and only when, such government grants become receivable. If such government grants are conditional, we recognize the grants in profit or loss when, and only when, the conditions attached to such grants have been met.

Other government grants are not recognized until there is reasonable assurance that our Group will comply with the conditions attached to such grants and the grants will be received.

We also received, and expect to continue receiving, government grants relating to construction and purchase of property, plant and equipment used in our dairy farming business, such as grants in relation to construction and development of our dairy farm infrastructure or purchase of advanced machinery used in our dairy farming business. Since such government grants are primarily conditioned on the construction, purchase, or otherwise acquisition of the relevant non-current assets by our Group, the received grants are recognized as deferred income in our consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related non-current assets.

With respect to government grants that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to our Group's operations with no future related costs, such grants are recognized in profit or loss in the period in which they become receivable.

For government grants recognized in profit or loss for each reporting period during the Track Record Period, please see Note 9 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus. For government grants recognized as deferred income in our consolidated statement of financial position, please see Note 29 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus.

DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

Revenue

During the Track Record Period, we derived our revenue from two operating segments: (i) an import trading business primarily in cows, alfalfa hay, and other animal husbandry-related products, and (ii) a dairy farming business, under which we primarily produce and sell raw milk and reproduced heifers/calves. In addition to selling to external customers, our import trading business also imports and sells to our dairy farming business dairy cows and other related products used in our dairy farming operations, such as alfalfa hay, frozen bull semen and dairy farm machinery. The table below sets forth the breakdown of our consolidated revenue by operating segments during the periods indicated.

	Segment Revenue	Less: Inter-segment Sales	Net Revenue	% of Total Net Revenue
		(RMB'000, except percentages)		
Year ended December 31, 2012				
Import trading business	307,178	(51,123)	256,055	62.9%
Dairy farming business	150,824	—	150,824	37.1%
Total	458,002	(51,123)	406,879	100.0%
Year ended December 31, 2013				
Import trading business	259,229	(132,920)	126,309	40.9%
Dairy farming business	182,751	—	182,751	59.1%
Total	441,980	(132,920)	309,060	100.0%
Year ended December 31, 2014				
Import trading business	801,357	(388,228)	413,129	57.3%
Dairy farming business	308,426	—	308,426	42.7%
Total	1,109,783	(388,228)	721,555	100.0%
Six Months ended June 30, 2014 (unaudited)				
Import trading business	277,385	(98,091)	179,294	53.9%
Dairy farming business	153,488	—	153,488	46.1%
Total	430,873	(98,091)	332,782	100.0%
Six Months ended June 30, 2015				
Import trading business	239,864	(190,581)	49,283	21.4%
Dairy farming business	180,566	—	180,566	78.6%
Total	420,430	(190,581)	229,849	100.0%

Import Trading Business

Our import trading business includes principal trading as well as agency services. Principal trading occurs when we import the relevant product as principal and then sells to our customer, enjoying the premium, if any, of the sale price over the import price and related costs as our return. Our imports and sales of cows are primarily conducted under the principal trading model. We also conduct principal trading activities in alfalfa hay. We provide agency services when we are merely executing our customer's order as an agent, by bringing a customer's order to the potential overseas suppliers in order to find a supplier willing to enter into the transaction, and executing the transaction on behalf of the customer until the imported product is delivered to the customer. Under agency services model, we charge the customer a commission, which is accounted for as our revenue. Our agency services primarily relate to live poultry, breeding stock, feeds and other animal husbandry-related products such as frozen bull semen. During the Track Record Period, the significant majority of our import trading business was conducted under principal trading model. We currently expect this pattern to continue into foreseeable future.

The table below sets forth the breakdown of the revenue from our import trading business during the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	(RMB'000, except percentages)									
							(unaudited)			
Breakdown of Revenue from Import Trading Business										
Principal trading										
Cows	227,939	89.0%	114,630	90.8%	401,545	97.2%	177,938	99.2%	40,793	82.8%
Alfalfa hay	20,382	8.0%	6,315	5.0%	6,709	1.6%	586	0.3%	8,178	16.6%
Subtotal	248,321	97.0%	120,945	95.8%	406,420	98.8%	178,524	99.6%	48,971	99.4%
Agency services	7,734	3.0%	5,364	4.2%	4,875	1.2%	770	0.4%	312	0.6%
Total	256,055	100.0%	126,309	100.0%	413,129	100.0%	179,294	100.0%	49,283	100.0%

The revenue contribution from our agency services model had been consistently falling during the Track Record Period. Going forward, we do not intend to actively expand the trading activities under our agency services model.

Dairy Farming Business

Net revenue from our dairy farming business is generated from (i) the production and sales of raw milk to our industrial customers, which primarily process our raw milk into downstream dairy products such as fresh milk and yogurt, and (ii) sales of reproduced heifers/calves that are born on our dairy farms, to take advantage of particularly attractive price points in the domestic dairy cows market.

Raw Milk

The table below sets forth the sales volume, revenue generated and average selling price per tonne for our raw milk during the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Sales volume (tonnes)	32,083	30,637	63,099	31,254	41,057
Revenue (RMB'000)	144,668	147,069	301,938	153,488	180,566
Average selling price (RMB per tonne)	4,509	4,800	4,785	4,911	4,398

The raw milk sales volume dropped slightly by approximately 4.5% from 32,083 tonnes in 2012 to 30,637 tonnes in 2013, primarily reflecting (i) the impact from the relatively concentrated window of time in the second half of 2013, during which most of our milkable cows at Beijing Shunyi Farm were dried off after a relatively synchronized lactation period, and (ii) the impact of heat stress on the milk production at our Beijing Shunyi Farm in the summer of 2013, which recorded unusually high temperatures over an extended period time in Beijing. The negative impacts from the milk production at Beijing Shunyi Farm were partially offset by (i) commencement of milking production at Ningxia Helan Farm (Phase I) in December 2013, and (ii) the increase in milk yield at our Liaoning Kuandian Farm (Phase I) and Inner Mongolia Shangdu Farm (Phase I) as a result of our improved feed management.

The sales volume of our raw milk rose by approximately 106.0% from 30,637 tonnes in 2013 to 63,099 tonnes in 2014, primarily reflecting (i) the increase in milk yield at our Beijing Shunyi Farm, as a result of a variety of measures aimed to improve our feed management, such as installation of advanced equipment to improve the efficiency of feeding our dairy cows total mixed ration and seeking external technical advices from leading industry players such as Cargill, and (ii) the commencement of milking production at Ningxia Helan Farm (Phase I) in December 2013.

The sales volume of our raw milk rose by approximately 31.4% from 31,254 tonnes in the first half of 2014 to 41,057 tonnes in the first half of 2015, primarily due to (i) the significant increase of milking production at Ningxia Helan Farm (Phase I) as we continued to expand our herd size, and (ii) an increase in the average annual milk yield of our milking cows from 11.1 tonnes in the first half of 2014 to 11.5 tonnes in the first half of 2015.

The average selling price of our raw milk rose by 6.5% from RMB4,509 per tonne in 2012 to RMB4,800 per tonne in 2013, which reflects the strong demand for premium raw milk and the increase of market price for raw milk in China over the same period. The average selling price of our raw milk dropped slightly by 0.3% to RMB4,785 per tonne in 2014. According to Frost & Sullivan, the market price of raw milk in China has been subject to downward pressure since March 2014. However, the effect of such decrease in the market price of the raw milk was offset by the significant increase of the sales volume at our Ningxia Helan Farm (Phase I) since the second quarter of 2014, and as a result, the revenue from our dairy farming business increased substantially in 2014.

Reproduced Heifers/Calves

The table below sets forth the number of reproduced heifers/calves sold, revenue generated and average selling price per head for the reproduced heifers/calves sold during the periods indicated. For a discussion of the historical fluctuations in our number of reproduced heifers/calves sold and average selling price per head during the Track Record Period, please see the subsection headed "—Key Factors Affecting Our Results of Operations and Financial Condition—Reproduced Heifers/Calves Sold to Customers".

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Reproduced heifers/calves sold (head)	270	1,800	325	—	—
Revenue generated (RMB'000)	6,156	35,682	6,488	—	—
Average selling price per head (RMB)	22,800	19,823	19,963	—	—

Cost of Sales and Gross Profit

The table below sets forth the breakdown of our cost of sales by nature during the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* **(unaudited)**	*(RMB'000)*
Cost of Sales — continuing operations					
Feeds & other related costs for raw milk production	78,600	82,386	171,936	79,151	98,401
Purchase, feeds & other related costs for cows held for sale	218,731	126,267	354,454	170,176	35,853
Purchase costs	188,106	84,557	301,485	140,184	29,924
Feed costs	10,045	29,020	21,460	8,374	2,205
Other related costs	20,580	12,690	31,509	21,618	3,724
Costs related to trading of alfalfa hay	19,520	6,253	6,357	405	7,854
Subtotal before biological fair value adjustment	316,851	214,906	532,746	249,732	142,108
Gains arising from changes in fair value less costs to sell of biological assets	15,364	24,045	53,580	7,762	4,940
Gains arising on initial recognition of agricultural produce upon harvest	62,591	61,164	124,088	71,796	76,209
Total	394,806	300,115	710,414	329,290	223,257

Feeding and other related costs for raw milk production primarily include, among other things, feeding costs, staff costs, depreciation charges and utilities and consumables, in relation to our milkable cows during lactation periods.

Our feeding and other related costs for raw milk production in 2013 rose slightly to RMB82.4 million from RMB78.6 million in 2012, primarily due to our rising average feed costs of raw milk sold from RMB2,045 per tonne in 2012 to RMB2,100 per tonne in 2013, which was generally in line with the continuing rise in the overall price level of feeds in 2013, partially offset by a slight drop in the raw milk sales volume in 2013 by approximately 4.5% from 2012.

Our feeding and other related costs for raw milk production in 2014 more than doubled from those in 2013, primarily due to the increase in the sales volume of our raw milk in 2014 by approximately 106.0% from 2013.

Our feeding and other related costs for raw milk production increased by 24.3% from RMB79.2 million in the first half of 2014 to RMB98.4 million in the first half of 2015, primarily due to a 31.4% increase in the sale volume of our raw milk in the first half of 2015 compared to the first half of 2014.

Purchase, feeding and other related costs for cows held for sale primarily include, among other things, purchase costs, feeding costs, staff costs, depreciation charges and utilities and consumables, in relation to (i) the cows raised at our import quarantine farms before being delivered to our import trading customers, and (ii) the reproduced heifers/calves born at our dairy farms that we intend to sell to third parties or to dairy farms of the Group, which are therefore classified as cows held for sale. Costs related to trading in alfalfa hay primarily include purchase costs for the alfalfa hay that we import and sell to our import trading customers.

The table below sets forth the breakdown of our cost of sales by operating segments during the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	Before biological fair value adjustment	After biological fair value adjustment	Before biological fair value adjustment	After biological fair value adjustment	Before biological fair value adjustment	After biological fair value adjustment	Before biological fair value adjustment	After biological fair value adjustment	Before biological fair value adjustment	After biological fair value adjustment
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)	*(RMB'000)* (unaudited)	*(RMB'000)*	*(RMB'000)*
Cost of Sales										
Import trading business	234,485	247,459	106,753	120,883	354,771	407,902	170,581	178,343	43,707	48,647
Dairy farming business										
Raw milk.	78,600	141,191	82,386	143,550	171,936	296,024	79,151	150,947	98,401	174,610
Reproduced heifers/calves .	3,766	6,156	25,767	35,682	6,039	6,488	—	—	—	—
Subtotal	82,366	147,347	108,153	179,232	177,975	302,512	79,151	150,947	98,401	174,610
Total	316,851	394,806	214,906	300,115	532,746	710,414	249,732	329,290	142,108	223,257

The table below sets forth the breakdown of our gross profit by operating segments during the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	Before biological fair value adjustment	After biological fair value adjustment	Before biological fair value adjustment	After biological fair value adjustment	Before biological fair value adjustment	After biological fair value adjustment	Before biological fair value adjustment	After biological fair value adjustment	Before biological fair value adjustment	After biological fair value adjustment
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)	*(RMB'000)* (unaudited)	*(RMB'000)*	*(RMB'000)*
Gross profit										
Import trading business	21,570	8,596	19,556	5,426	58,358	5,227	8,713	951	5,576	636
Dairy farming business										
Raw milk.	66,068	3,477	64,683	3,519	130,002	5,914	74,337	2,541	82,165	5,956
Reproduced heifers/calves .	2,390	—	9,915	—	449	—	—	—	—	—
Subtotal	68,458	3,477	74,598	3,519	130,451	5,914	74,337	2,541	82,165	5,956
Total	90,028	12,073	94,154	8,945	188,809	11,141	83,050	3,492	87,741	6,592

For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, gross profit before biological fair value adjustments that had been generated from our dairy farming business represented approximately 76.0%, 79.2%, 69.1% and 93.6% of our total gross profit before biological fair value adjustments for the relevant period, respectively.

Biological fair value adjustments to our cost of sales comprises of (i) gains arising from changes in fair value less costs to sell of biological assets, which refer to gains arising from sales of our cows held for sale, and (ii) gains arising on initial recognition of agricultural produce at fair value less costs to sell upon harvest which refer to gains arising on recognition of raw milk as agricultural produce upon milking.

The table below sets forth our gross margin of our operating segments during the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	Before biological fair value adjustment	After biological fair value adjustment	Before biological fair value adjustment	After biological fair value adjustment	Before biological fair value adjustment	After biological fair value adjustment	Before biological fair value adjustment	After biological fair value adjustment	Before biological fair value adjustment	After biological fair value adjustment
	(%)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)* (unaudited)	*(%)* (unaudited)	*(%)*	*(%)*
Gross margin										
Import trading business	8.4	3.4	15.5	4.3	14.1	1.3	4.9	0.5	11.3	1.3
Dairy farming business										
Raw milk	45.7	2.4	44.0	2.4	43.1	2.0	48.4	1.7	45.5	3.3
Reproduced heifers/calves	38.8	—	27.8	—	6.9	—	—	—	—	—
Subtotal	45.4	2.3	40.8	1.9	42.3	1.9	48.4	1.7	45.4	3.3
Total	22.1	3.0	30.5	2.9	26.2	1.5	25.0	1.0	38.2	2.9

For each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our gross margin before biological fair value adjustments generated from reproduced heifers/calves were 38.4%, 27.8%, 6.9% and nil, respectively. During the Track Record Period, we took advantage of the market windows and sold some of our reproduced heifers/calves to third parties. Our gross margin before biological fair value adjustments from the sales of the reproduced heifers/calves decreased from 38.4% in 2012 to 27.8% in 2013 and further decreased to 6.9% in 2014 primarily because the average market price of the heifers/calves continued to decrease while the book value of our reproduced heifers/calves remained stable during the same period. We did not sell any of our reproduced heifers/calves to third parties in the first half of 2015 because we retained such reproduced heifers/calves for our own use as we commenced the commercial production of our Inner Mongolia Shangdu Farm (Phase II). The market price was approximately RMB19,000 per head in the beginning of 2012 and remained relatively stable during the year of 2012. At the end of 2012, the market price started to decline until the end of 2013 and then recovered in 2014. The market price remained stable at approximately RMB18,000 per head in the first half of 2015. The fluctuations in the market prices of heifers/calves may significantly impact our gross margin from sales of reproduced heifers/calves, but do not materially impact our gross margin from import trading business because we enjoy relatively stable premium of the sales price over the import price.

Gains Arising from Changes in Fair Value less Costs to Sell of Biological Assets

With respect to our biological assets, IAS 41 requires us to report gains and losses arising from changes in fair value less costs to sell to be included in our profit or loss for the reporting period in which such gains and losses arise.

We measure our biological assets on initial recognition and at the end of each reporting period at fair value less costs to sell. The fair values less costs to sell of our biological assets were determined by independent professional values. For details about the valuation techniques employed, please see the subsection headed "— Certain Statement of Financial Position Items — Biological Assets". At the end of each reporting period, the difference, if any, between the fair values less costs to sell and the carrying amounts of the relevant biological assets will be recognized as gains or losses, as applicable, arising from changes in fair value less costs to sell.

The carrying amounts for our heifers and calves could primarily (i) increase as we import additional dairy cows for our dairy farming business, (ii) increase as subsequent expenditures in relation to the heifers and calves are capitalized, (iii) decrease as they begin to produce raw milk and are transferred to the group of milkable cows, and (iv) decrease as the culled dairy cows are disposed of to third parties.

The carrying amounts for our milkable cows could primarily (i) increase as our heifers and calves begin to produce raw milk and are transferred to the group of milkable cows, (ii) decrease as dairy cows born at our dairy farms are sold to third-party dairy farms, to take advantage of particularly attractive price points in the domestic dairy cows market and (iii) decrease as the culled milkable cows are disposed of to third parties. In July 2013, we acquired certain land use rights and other dairy farming-related assets from an independent third party. The acquired package of assets included 716 dairy cows, and the portion of the consideration allocated to the acquired dairy cows also increased the carrying amounts for our milkable cows.

The carrying amounts for our cows held for sale could primarily (i) increase as we import cows to be sold to our import trading customers, (ii) increase as subsequent expenditures in relation to the cows held for sale are capitalized while they are raised at our import quarantine farms, (iii) increase as the reproduced heifers/calves born at our dairy farms are classified as cows held for sale, and (iv) decrease as cows held for sale are sold to our third-party customers.

For a reconciliation of changes in the carrying amount of our biological assets between the beginning and the ending of each reporting period during the Track Record Period, please see Note 21 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus.

The table below sets forth the breakdown of gains/(losses) arising from changes in fair value less costs to sell of our biological assets by different groups during the periods indicated.

	Heifers and calves	**Milkable cows**	**Cows held for sale**	**Alfalfa roots**	**Total**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Year ended December 31,					
2012	9,758	(16,130)	25,673	—	19,301
2013	(2,365)	1,996	32,237	—	31,868
2014	80,986	(28,621)	59,438	(844)	110,959
Six months ended June 30,					
2014 (unaudited)	13,923	(5,428)	14,940	(65)	23,550
2015	20,205	(16,132)	935	—	5,008

Gains Arising on Initial Recognition of Agricultural Produce at Fair Value less Costs to Sell upon Harvest

Any gain or loss arising on initial recognition of agricultural produce is required to be included in our profit or loss for the reporting period in which such gain or loss arises. When the relevant agricultural produce becomes sold (such as our raw milk) or internally consumed (such as harvested alfalfa), the same gain or loss, as part of the carrying amount for inventories sold, will be transferred to cost of sales. We record such gain or loss as biological fair value adjustment to our cost of sales for the relevant period.

Other Income

Our other income includes government grants, bank interest income and other income. The government grants we received during the Track Record Period included (i) government grants relating to income, (ii) government grants relating to biological assets and (iii) government grants relating to other assets. Government grants relating to income were unconditional government subsidies awarded to give immediate financial support to our operations, which were recognized when there was reasonable assurance that we would comply with the conditions attaching to them and the grants would be received. To qualify for such grants, we must submit our business plans for certain agricultural projects, such as innovative dairy cow breeding experiments, to the competent government authority and obtain their approvals. These grants were project based and the government authority had discretion to approve or reject our applications based on the merits of our business plans. Government grants relating to biological assets were awarded under the local government schemes designed to promote the local dairy farming industry and were recognized in profit or loss only when such grants became receivable. To qualify for such grants, we must engage in the dairy farming business and submit our dairy cow importing plans or alfalfa growing plans to the local governments and obtain their approvals. The local governments granted such subsidies to us based on the number of dairy cows we planned to import and the scale of alfalfa we planned to grow. Government grants relating to other assets were awarded by local governments to support the construction and development of our dairy farm infrastructure or the purchase of advanced machinery used in our dairy farming business. Such grants were conditional on the construction, purchase, or acquisition of the relevant non-current assets by us, and were recognized upon receipt as deferred income in our consolidated statement of financial position and released to profit or loss on a systematic and rational basis over the useful lives of the related non-current assets. To qualify for such grants, we must engage in dairy farming business and submit our dairy farm construction plans or equipment purchase plans to the local governments and obtain their approvals. The local governments granted such subsidies to us based on the capital expenditures we planned to spend on the dairy farm infrastructure or the equipment.

During the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we recognized government grants amounting to RMB6.8 million, RMB11.8 million, RMB16.3 million and RMB8.0 million, respectively. The government grants in the respective periods included (i) government grants relating to income of RMB5.4 million, RMB9.3 million, RMB2.4 million and RMB2.0 million, (ii) government grants relating to biological assets of nil, RMB1.0 million, RMB10.7 million and RMB5.5 million, and (iii) government grants relating to other assets of RMB1.4 million, RMB1.4 million, RMB3.2 million and RMB0.5 million. Our net profit before fair value adjustments and excluding government grants were RMB60.4 million, RMB62.0 million, RMB87.0 million and RMB34.4 million, respectively, during the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015.

For a breakdown of our other income during the Track Record Period, please see Note 9 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus; for more details about the government grants recognized as deferred income upon receipt, please see Note 29 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus.

Distribution Costs

Distribution costs primarily consist of (i) salaries and benefits for staff directly involved in selling activities and various administrative expenditures attributable to our selling activities, and (ii) transportation expenditures incurred in delivering our raw milk to the customers. For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we recorded transportation expenses in relation to delivery of our raw milk in the amount of approximately RMB3.5 million, RMB3.5 million, RMB5.9 million and RMB6.0 million, respectively.

Administration Expenses

Our administration expenses primarily consist of salary and welfare expenses of management and administrative staff. For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our administration expenses amounted to RMB16.8 million, RMB22.0 million, RMB39.3 million and RMB21.3 million, respectively. Our administration expenses generally rose during the Track Record Period, primarily reflecting our growing number of management and administrative staff, generally in line with our expanding scale of operations.

Finance Costs

Our finance costs primarily include (i) interest expenses on borrowings and (ii) guarantee fees paid to a third-party guarantee company who provides guarantee as security for our debentures with a principal amount of RMB20 million issued in January 2011 and fully repaid in January 2014, less interest capitalized in qualifying property, plant and equipment. For a breakdown of our finance costs during the Track Record Period, please see Note 13 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus.

Income Tax Expenses

The Cayman Islands currently does not levy taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our Company.

No provision has been made for Hong Kong profits as we did not earn any income that is subject to Hong Kong profits tax in 2012, 2013 and 2014 and the six months ended June 30, 2015. There is no withholding tax on the dividends distributed from our Hong Kong subsidiary.

Our subsidiaries in the PRC are generally subject to PRC Enterprise Income Tax rate of 25% for each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015. However, according to the *Enterprise Income Tax Law of the PRC* (the "**EIT Law**"), income arising from agricultural activities under the PRC laws is exempted from PRC Enterprise Income Tax. Our PRC legal advisers have advised us that our import trading business falls under agricultural activities under PRC law because the cows imported by us are required to be quarantined for 45 days before they reach our domestic customers and as a result, such activities are defined as "cultivation of livestock and poultry" within the category of agricultural projects under PRC law. Therefore, the income generated from our import trading business is exempted from PRC Enterprise Income Tax. Our PRC legal advisers are of the view that there is no risk of such tax exemptions being withdrawn by the tax authorities because such exemptions were filed with, and we have received the written approvals from, the competent tax authorities. Under the PRC tax laws and regulations, there is no statutory limit on the length of period when we can enjoy such tax exemption, as long as our relevant PRC subsidiaries complete filings with the relevant competent tax authorities as required. For our income tax expense during the Track Record Period, please see Note 14 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus.

Discontinued Operations

ZhongDi Meijia had been engaged in the hog production operations in Beijing during the Track Record Period. The hogs, constituting biological assets under IAS 41, are grouped into (i) commodity hogs, primarily held for further growth for hog production, and (ii) breeder hogs, prime hogs that are selected as breeding stock for the hog farm. For more details about the commodity hogs and breeder hogs as biological assets, please see Note 21 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus.

In line with our strategy to focus on our dairy farming business and import trading business, we resolved in June 2014 to dispose of the 100% equity interests in ZhongDi Meijia to Urban Construction. Urban Construction is an associate of Mr. Zhang Jianshe and therefore a connected person. The consideration of the disposal was RMB13.6 million. It was determined with reference to the net asset value of ZhongDi Meijia as of June 30, 2014 under PRC GAAP. The disposal was subsequently completed in August 2014. For more details, please see Note 15 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus.

REVIEW OF HISTORICAL OPERATING RESULTS

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the periods indicated. This information should be read together with our consolidated financial information included in the Accountants' Report in Appendix I to this prospectus.

		Year ended 31 December									Six months ended 30 June					
		2012			2013			2014			2014			2015		
	NOTES	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
											(unaudited)	(unaudited)	(unaudited)			
Continuing operations																
Revenue		406,879	—	406,879	309,060	—	309,060	721,555	—	721,555	332,782	—	332,782	229,849	—	229,849
Cost of sales		(316,851)	(77,955)	(394,806)	(214,906)	(85,209)	(300,115)	(532,746)	(177,668)	(710,414)	(249,732)	(79,558)	(329,290)	(142,108)	(81,149)	(223,257)
Gross profit		90,028	(77,955)	12,073	94,154	(85,209)	8,945	188,809	(177,668)	11,141	83,050	(79,558)	3,492	87,741	(81,149)	6,592
Gains arising from changes in fair value less costs to sell of biological assets		—	19,301	19,301	—	31,868	31,868	—	110,959	110,959	—	23,550	23,550	—	5,008	5,008
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest		—	62,591	62,591	—	61,164	61,164	—	115,699	115,699	—	67,332	67,332	—	76,209	76,209
Other income		8,839	—	8,839	14,556	—	14,556	20,112	—	20,112	14,062	—	14,062	9,284	—	9.284
Other gains and losses		(455)	—	(455)	524	—	524	(2,787)	—	(2,787)	(386)	—	(386)	(1,509)	—	(1,509)
Distribution costs		(6,748)	—	(6,748)	(6,905)	—	(6,905)	(11,952)	—	(11,952)	(5,050)	—	(5,050)	(9,133)	—	(9,133)
Administration expenses		(16,835)	—	(16,835)	(21,964)	—	(21,964)	(39,328)	—	(39,328)	(18,082)	—	(18,082)	(21,327)	—	(21,327)
Other expenses		(143)	—	(143)	(172)	—	(172)	(9,752)	—	(9,752)	(1,359)	—	(1,359)	(8,369)	—	(8,369)
Profit before change in fair value of convertible preferred shares, finance costs and tax from continuing operations		74,686	3,937	78,623	80,193	7,823	88,016	145,102	48,990	194,092	72,235	11,324	83,559	56,687	68	56,755
Change in fair value of convertible preferred shares		—	—	—	—	—	—	(13,474)	—	(13,474)	—	—	—	—	—	—
Finance costs		(7,456)	—	(7,456)	(6,485)	—	(6,485)	(28,307)	—	(28,307)	(13,524)	—	(13,524)	(14,241)	—	(14,241)
Profit before tax from continuing operations		67,230	3,937	71,167	73,708	7,823	81,531	103,321	48,990	152,311	58,711	11,324	70,035	42,446	68	42,514
Income tax expenses		—	—	—	—	—	—	(15)	—	(15)	(15)	—	(15)	—	—	—
Profit for the year/period from continuing operations		67,230	3,937	71,167	73,708	7,823	81,531	103,306	48,990	152,296	58,696	11,324	70,020	42,446	68	42,514

		Year ended 31 December									Six months ended 30 June					
		2012			2013			2014			2014			2015		
	NOTES	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000	RMB'000	RMB'000
Discontinued operation																
Profit (loss) for the year/period from discontinued operation	15	148	(672)	(524)	(511)	(226)	(737)	(1,836)	(2,112)	(3,948)	(1,836)	(2,112)	(3,948)	—	—	—
Profit for the year/period		67,378	3,265	70,643	73,197	7,597	80,794	101,470	46,878	148,348	56,860	9,212	66,072	42,446	68	42,514
Profit and total comprehensive income for the year/period attributable to owners of the Company		67,378	3,265	70,643	73,197	7,597	80,794	101,470	46,878	148,348	56,860	9,212	66,072	42,446	68	42,514
Earnings per share	18															
From continuing and discontinued operations																
- Basic (RMB cents per share)				8.4			7.3			10.5			6.0			2.4
- Diluted (RMB cents per share)				N/A			N/A			10.5			6.0			2.4
From continuing operations																
- Basic (RMB cents per share)				8.5			7.4			10.8			6.3			2.4
- Diluted (RMB cents per share)				N/A			N/A			10.8			6.3			2.4

Six Months ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Revenue

Our revenue decreased by 30.9% from RMB332.8 million in the first half of 2014 to RMB229.8 million in the first half of 2015, reflecting a decrease by 72.5% in revenue from our import trading business, partially offset by an increase by 17.6% in revenue from our dairy farming business.

Import trading business

Revenue from our import trading business decreased by 72.5% from RMB179.3 million in the first half of 2014 to RMB49.3 million in the first half of 2015, primarily reflecting the following factors:

Dairy cows. Revenue from our principal trading of dairy cows decreased from RMB177.9 million in the first half of 2014 to RMB40.8 million in the first half of 2015, primarily due to a decrease in the number of dairy cows delivered from 10,606 heads in the first half of 2014 to 1,635 heads in the first half of 2015, partially offset by an increase in the average selling price per head of dairy cows delivered from RMB16,777 in the first half of 2014 to RMB24,950 in the first half of 2015. The number of dairy cows delivered decreased significantly from the first half of 2014 to the first half of 2015 primarily because the demand for dairy cows decreased as the raw milk prices in China decreased beginning in March 2014. The significant increase in the average selling price of dairy cows in the first half of 2015 was primarily because the import trading contracts with our customers for the 1,635 cows delivered in February 2015 were entered into in mid-2014, when the average selling price of dairy cows in China was relatively high.

Alfalfa hay. Revenue from our principal trading of alfalfa hay increased from RMB0.6 million in the first half of 2014 to RMB8.2 million in the first half of 2015, primarily because the arrival time of the imported alfalfa hay was delayed from the end of 2014 to the first half of 2015 due to a port strike on the west coast of the United States in the end of 2014.

Agency services. Revenue from our agency services decreased from RMB0.8 million in the first half of 2014 to RMB0.3 million in the first half of 2015, primarily due to the falling volume of customer orders that we received in the first half of 2015.

Dairy farming business

Revenue from our dairy farming business increased by 17.6% from RMB153.5 million in the first half of 2014 to RMB180.6 million in the first half of 2015 due to an increase in revenue from sales of raw milk.

The increase in revenue from sales of raw milk was primarily attributable to an increase in the sales volume of our raw milk by 31.4% from 31,254 tonnes in the first half of 2014 to 41,057 tonnes in the first half of 2015, partially offset by a decrease in the average selling price for our raw milk from RMB4,911 per tonne in the first half of 2014 to RMB4,398 per tonne in the first half of 2015. The increase in sales volume of our raw milk in the first half of 2015 primarily reflected (i) an increase of milking production at Ningxia Helan Farm (Phase I) as we expanded the herd size, and (ii) an increase in the average annual milk yield of our milking cows from 11.1 tonnes in the first half of 2014 to 11.5 tonnes in the first half of 2015. The decrease in the average selling price was due to the downward pressure of the raw milk market price in China since March 2014 caused by various factors including the increase of the volume of imported milk powder in the Chinese market.

We did not have any revenue from sales of our reproduced heifers/calves in the first half of 2014 and the first half of 2015 as we did not sell any reproduced heifers/calves in the respective periods due to the increasing internal demand of our dairy farms to keep the reproduced heifers/calves as reserve cows as our dairy herd continued to expand.

Cost of Sales

Our cost of sales before biological fair value adjustments decreased by 43.1% from RMB249.7 million in the first half of 2014 to RMB142.1 million in the first half of 2015 primarily due to a decrease by 74.4% in cost of sales in relation to our import trading business, partially offset by an increase by 24.3% in cost of sales in relation to our dairy farming business.

Cost of sales before biological fair value adjustments in relation to our import trading business decreased from RMB170.6 million in the first half of 2014 to RMB43.7 million in the first half of 2015, generally in line with the decrease in revenue from our import trading business. Cost of sales before biological fair value adjustments in relation to our dairy farming business increased from RMB79.2 million in the first half of 2014 to RMB98.4 million in the first half of 2015, generally in line with the increase in the volume of raw milk sold in the first half of 2015 as we expanded our business.

Gross Profit

As a result of the foregoing, our gross profit before biological fair value adjustments increased by 5.6% from RMB83.1 million in the first half of 2014 to RMB87.7 million in the first half of 2015, primarily reflecting an increase in the gross profit before biological fair value adjustments from our dairy farming business by 10.5% from RMB74.3 million in the first half of 2014 to RMB82.2 million in the first half of 2015, partially offset by a decrease in the gross profit before biological fair value adjustments from our import trading business from RMB8.7 million in the first half of 2014 to RMB5.6 million in the first half of 2015. The increase in gross profit from our dairy farming business was primarily due to our expanding scale of raw milk production, while the decrease in gross profit from our import trading business was primarily due to a decrease in the number of dairy cows delivered from 10,606 heads in the first half of 2014 to 1,635 heads in the first half of 2015.

Our gross margin before biological fair value adjustments increased from 25.0% in the first half of 2014 to 38.2% in the first half of 2015, primarily reflecting (i) an increase in the proportion of revenue generated from our dairy farming business from 46.1% of our total revenue in the first half of 2014 to 78.6% of our total revenue in the first half of 2015, while our dairy farming business generally commanded a higher gross margin than our import trading business and (ii) an increase in the gross margin before biological fair value adjustments for our import trading business from 4.9% in the first half of 2014 to 11.3% in the first half of 2015 due to the increase in the average selling prices of imported cows in the same periods, partially offset by a decrease in the gross margin before biological fair value adjustments for our dairy farming business from 48.4% in the first half of 2014 to 45.5% in the first half of 2015 mainly due to the decrease of the average selling price of our raw milk in the same periods, partially offset by the increased cost efficiency in the first half of 2014.

Gains Arising from Changes in Fair Value less Costs to Sell of Biological Assets

We recorded a gain arising from changes in fair value less costs to sell of biological assets of RMB5.0 million in the first half of 2015, compared to a gain of RMB23.6 million in the first half of 2014.

Our gain of RMB5.0 million from changes in fair value less costs to sell of biological assets in the first half of 2015 primarily reflected (i) a gain of RMB20.2 million arising from changes in fair value less costs to sell of our heifers and calves, primarily in line with the increase in the number of our heifers and calves in the first half of 2015 and (ii) a gain of RMB0.9 million arising from changes in fair value less costs to sell of our dairy cows held for sale reflecting a gain of RMB4.9 million arising from the sale of our dairy cows held for sale and a loss of RMB4.0 million due to the independent valuation of our dairy cows being raised at our dairy farms as of June 30, 2015, partially offset by a loss of RMB16.1 million arising from changes in fair value less costs to sell our milkable cows primarily due to the decrease of raw milk prices.

Our gain of RMB23.6 million from changes in fair value less costs to sell of biological assets in the first half of 2014 primarily reflected (i) a gain of RMB14.9 million arising from changes in fair value less costs to sell of our dairy cows held for sale including (x) a gain of RMB7.8 million arising from the sale of our dairy cows held for sale and (y) a gain of RMB7.1 million primarily arising from the independent valuation of our dairy cows being raised at our import quarantine farms as of June 30, 2014 and (ii) a gain of RMB13.9 million arising from changes in fair value less costs to sell of our heifers and calves, primarily in line with the increase in the number of our heifers and calves in the first half of 2014, partially offset by a loss of RMB5.2 million arising from changes in fair value less costs to sell our milkable cows, in line with the natural changes in estimated remaining lactation periods of the milkable cows as they age.

Gains Arising on Initial Recognition of Agricultural Produce at Fair Value less Costs to Sell upon Harvest

Our gains arising on initial recognition of agricultural produce at fair value less costs to sell upon harvest increased by 13.2% from RMB67.3 million in the first half of 2014 to RMB76.2 million in the first half of 2015, primarily reflecting an increase in the sales volume of our raw milk in the first half of 2015.

Other Income

Other income decreased by 34.0% from RMB14.1 million in the first half of 2014 to RMB9.3 million in the first half of 2015 primarily due to a decrease in government grants relating to biological assets that were awarded under government schemes designed to promote the local dairy farming industry.

Distribution Costs and Administrative Expenses

Distribution costs increased by 80.9% from RMB5.1 million in the first half of 2014 to RMB9.1 million in the first half of 2015 primarily due to an increase in transportation expenses incurred in delivering our raw milk to the customers due to (i) an increase in sales volume for our raw milk from the first half of 2014 to the first half of 2015 and (ii) the increase in the transportation distance from our Ningxia Helan Farm to our customers after the Mengniu Strategic Agreement and the Yili Strategic

Agreement took effect in the second half of 2014. Administrative expenses increased by 17.9% from RMB18.1 million in the first half of 2014 to RMB21.3 million in the first half of 2015, primarily reflecting an increase in salary and welfare expenses of our management and administrative staff in the first half of 2015 due to the expanding scale of our dairy farming operations.

Finance Costs

Finance costs increased by 5.3% from RMB13.5 million in the first half of 2014 to RMB14.2 million in the first half of 2015 primarily due to an increase in the interest on borrowings wholly repayable within five years from RMB16.7 million in the first half of 2014 to RMB23.4 million in the first half of 2015, partially offset by an increase in interest capitalized in the cost of property, plant and equipment from RMB3.8 million to RMB9.2 million in the same periods.

Profit and total comprehensive income attributable to owners of our Company

As a result of the cumulative effect of the above factors and an increase of the listing expenses from RMB1.3 million in the first half of 2014 to RMB8.3 million in the first half of 2015, our profit from continuing operations decreased by 39.3% from RMB70.0 million in the first half of 2014 to RMB42.5 million in the first half of 2015. Before biological fair value adjustments, our profit from continuing operations decreased by 27.7% from RMB58.7 million in the first half of 2014 to RMB42.4 million in the first half of 2015.

Year ended December 31, 2014 Compared to Year ended December 31, 2013

Revenue

Our revenue increased by 133.5% from RMB309.1 million in 2013 to RMB721.6 million in 2014, reflecting (i) an increase by 227.1% in revenue from our import trading business, and (ii) an increase by 68.8% in revenue from our dairy farming business.

Import trading business

Revenue from our import trading business increased by 227.1% from RMB126.3 million in 2013 to RMB413.1 million in 2014, primarily reflecting the following factors:

- *Cows.* Revenue from our principal trading of cows increased from RMB114.6 million in 2013 to RMB401.5 million in 2014, primarily reflecting an increase in the number of cows delivered from 5,675 heads in 2013 to 21,841 heads in 2014, partially offset by a decrease in the average selling price per head of cow delivered from RMB20,199 in 2013 to RMB18,385 in 2014.

- *Alfalfa hay.* Revenue from our principal trading of alfalfa hay increased slightly from RMB6.3 million in 2013 to RMB6.7 million in 2014, primarily reflecting the steady demand of imported alfalfa hay from large-scale dairy farms in China.

- *Agency services.* Revenue from our agency services decreased from RMB5.4 million in 2013 to RMB4.9 million in 2014, primarily reflecting our strategically shift of business focus away from the agency services.

Dairy farming business

Revenue from our dairy farming business increased by 68.8% from RMB182.8 million in 2013 to RMB308.4 million in 2014, primarily reflecting the increase in revenue from sales of raw milk from RMB147.1 million in 2013 to RMB301.9 million in 2014, partially offset by the decrease in revenue from sales of our reproduced heifers/calves from RMB35.7 million in 2013 to RMB6.5 million in 2014.

The increase in revenue from sales of raw milk primarily reflected the increase in the sales volume of our raw milk by 106.0% from 30,637 tonnes in 2013 to 63,099 tonnes in 2014, partially offset by a slight decrease in average selling price for our raw milk from RMB4,800 per tonne in 2013 to RMB4,785 per tonne in 2014. The increase in sales volume of our raw milk in 2014 primarily reflected (i) the commencement of milking production at Ningxia Helan Farm (Phase I) in December 2013, and (ii) the increase in our average annual milk yield per milking cow from 9.8 tonnes in 2013 to 10.8 tonnes in 2014.

The decrease in revenue from sales of our reproduced heifers/calves primarily reflected the significant decrease in the number of reproduced heifers/calves sold, from 1,800 heads in 2013 to 325 heads in 2014, primarily reflecting the increasing internal demand of our dairy farms to keep the reproduced heifers/calves as reserve cows as our dairy herd continued to expand.

Cost of Sales

Our cost of sales before biological fair value adjustments increased by 147.9% from RMB214.9 million in 2013 to RMB532.7 million in 2014, primarily reflecting (i) an increase by 232.3% in cost of sales in relation to our import trading business, and (ii) an increase by 64.6% in cost of sales in relation to our dairy farming business.

Cost of sales before biological fair value adjustments in relation to our import trading business increased from RMB106.8 million in 2013 to RMB354.8 million in 2014, generally in line with the increase in revenue from our import trading business. Cost of sales before biological fair value adjustments in relation to our dairy farming business increased from RMB108.2 million in 2013 to RMB178.0 million in 2014, generally in line with the increase in the volume of raw milk sold in 2014, partially offset by the significant decrease in the number of reproduced heifers/calves sold, from 1,800 heads in 2013 to 325 heads in 2014.

Gross Profit

As a result of the foregoing, our gross profit before biological fair value adjustments increased by 100.5% from RMB94.2 million in 2013 to RMB188.8 million in 2014, primarily reflecting (i) an increase in the gross profit before biological fair value adjustments from our dairy farming business by 74.9% from RMB74.6 million in 2013 to RMB130.5 million in 2014, and (ii) an increase in the gross profit before biological fair value adjustments from our import trading business from RMB19.6 million in 2013 to RMB58.4 million in 2014. The increase in gross profit from our dairy farming business primarily reflected our expanding scale of raw milk production, while the increase in gross profit from our import trading business primarily reflected the increase in the number of cows delivered from 5,675 heads in 2013 to 21,841 heads in 2014.

Our gross margin before biological fair value adjustments fell from 30.5% in 2013 to 26.2% in 2014, primarily reflecting (i) an increase in the proportion of revenue generated from our import trading business from 40.9% of our total revenue in 2013 to 57.3% of our total revenue in 2014, while our import trading business generally commanded a lower gross margin than our dairy farming business, and (ii) the decrease in the gross margin before biological fair value adjustments for our import trading business from 15.5% in 2013 to 14.1% in 2014, as we recorded attractive returns in relation to one particular shipment of dairy cows that we imported and delivered to a customer on an expedited basis in 2013, partially offset by an increase in the gross margin before biological fair value adjustments for our dairy farming business from 40.8% in 2013 to 42.3% in 2014, primarily due to the significant decrease in the sales of reproduced heifers/calves from 1,800 heads in 2013 to 325 heads in 2014, as the sales of raw milk generally commanded a higher gross margin than our sales of reproduced heifers/calves.

Gains Arising from Changes in Fair Value less Costs to Sell of Biological Assets

We recorded a gain arising from changes in fair value less costs to sell of biological assets of RMB31.9 million in 2013, compared to a gain of RMB111.0 million in 2014.

Our gain of RMB111.0 million from changes in fair value less costs to sell of biological assets in 2014 primarily reflected (i) a gain of RMB59.4 million arising from changes in fair value less costs to sell of our cows held for sale, including (x) a gain of RMB53.6 million arising from the sale of our cows held for sale, and (y) a gain of RMB5.9 million primarily arising from the independent valuation of our cows being raised at our import quarantine farms as of December 31, 2014, (ii) a gain of RMB81.0 million arising from changes in fair value less costs to sell of our heifers and calves, primarily in line with the increase in the number of our heifers and calves in 2014, and (iii) partially offset by a loss of RMB28.6 million arising from changes in fair value less costs to sell our milkable cows, primarily due to the decrease of raw milk prices and the natural changes in estimated remaining lactation periods of the milkable cows as they age.

Our gain of RMB31.9 million from changes in fair value less costs to sell of biological assets in 2013 primarily reflected a gain of RMB32.2 million arising from changes in fair value less costs to sell of our cows held for sale, including (x) a gain of RMB24.0 million arising from the sale of our cows held for sale, and (y) a gain of RMB8.2 million primarily arising from the independent valuation of the cows being raised at our import quarantine farms as of December 31, 2013.

Gains Arising on Initial Recognition of Agricultural Produce at Fair Value less Costs to Sell upon Harvest

Our gains arising on initial recognition of agricultural produce at fair value less costs to sell upon harvest increased by 89.2% from RMB61.2 million in 2013 to RMB115.7 million in 2014, primarily reflecting the substantial increase in our raw milk production, which was partially offset by a loss of RMB8.4 million on alfalfa upon harvest, reflecting the difference between (i) the planting and other related costs incurred up to the harvest of alfalfa grown at our Ningxia Helan Crop Farm and (ii) the fair value less costs to sell of harvested alfalfa. We commenced growing alfalfa on a commercial scale at Ningxia Helan Crop Farm in 2014. According to Frost & Sullivan, the crop yield for alfalfa is relatively low in the year of sowing, resulting in the loss from our alfalfa harvested in 2014. According to the Frost & Sullivan Report, the crop yield for alfalfa usually gradually ramps up following the year of sowing. We intend to closely monitor and assess the costs and returns from our alfalfa growing activities at Ningxia Helan Crop Farm.

Other Income

Other income rose by 38.2% from RMB14.6 million in 2013 to RMB20.1 million in 2014, primarily reflecting the increase in government grants received by us from relevant government bodies in relation to procurement of our dairy cows and plantation of alfalfa.

Distribution Costs and Administrative Expenses

Distribution costs increased by 73.1% from RMB6.9 million in 2013 to RMB12.0 million in 2014, primarily reflecting the increase in transportation expenses incurred in delivering our raw milk to the customers, which in turn was in line with the increase in sales volume for our raw milk from 2013 to 2014. Administrative expenses rose by 79.1% from RMB22.0 million in 2013 to RMB39.3 million in 2014, primarily reflecting the increase in salary and welfare expenses of our management and administrative staff in 2014, due to our expanding scale of operations.

Finance Costs

Finance costs increased by 336.5% from RMB6.5 million in 2013 to RMB28.3 million in 2014, primarily reflecting (i) the interests resulted from new long-term bank borrowings we obtained at the beginning of 2014 to finance the capital expenditure and (ii) the interests we incurred from several short-term working capital loans to finance the rapid expansion of our dairy farming business, and were partially offset by the increase in 2014 of interest expenses qualifying for capitalization in the carrying amount of our property, plant and equipment.

Profit and total comprehensive income attributable to owners of our Company

As a result of the cumulative effect of the above factors, our profit from continuing operations increased by 86.8% from RMB81.5 million in 2013 to RMB152.3 million in 2014. Before biological fair value adjustments, our profit from continuing operations increased by 40.2% from RMB73.7 million in 2013 to RMB103.3 million in 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue

Our revenue decreased by 24.0% from RMB406.9 million in 2012 to RMB309.1 million in 2013, reflecting a decrease by 50.7% in revenue from our import trading business, partially offset by an increase by 21.2% in revenue from our dairy farming business.

Import trading business

Revenue from our import trading business decreased by 50.7% from RMB256.1 million in 2012 to RMB126.3 million in 2013, primarily reflecting the following factors:

- *Cows*. Revenue from our principal trading of cows decreased from RMB227.9 million in 2012 to RMB114.6 million in 2013, primarily reflecting (i) the fall in the number of cows delivered from 10,196 heads in 2012 to 5,675 heads in 2013, and (ii) a decrease in the average selling price per head of cow delivered from RMB22,356 in 2012 to RMB20,199 in 2013. The decrease in the number of cows delivered in 2013 primarily reflected the increase in the number of cows imported for our dairy farming business from 500 heads in

2012 to 3,914 heads in 2013, which resulted in a crowding-out effect to our external import trading activities. The surging number of cows imported for our dairy farming business in 2013 was primarily used to replace reproduced heifers/calves sold during the same period and to populate our Ningxia Helan Farm (Phase I).

- *Alfalfa hay*. Revenue from our principal trading of alfalfa hay also decreased from RMB20.4 million in 2012 to RMB6.3 million in 2013, primarily reflecting the decrease in customer orders from various large-scale dairy farms in China, who increasingly preferred to handle the import of alfalfa hay in-house to derive greater cost efficiency.

- *Agency services*. Revenue from our agency services decreased from RMB7.7 million in 2012 to RMB5.4 million in 2013, primarily reflecting the falling volume of customer orders that we received in 2013.

Dairy farming business

Revenue from our dairy farming business increased by 21.2% from RMB150.8 million in 2012 to RMB182.8 million in 2013, primarily reflecting (i) the increase in revenue from sales of our reproduced heifers/calves from RMB6.2 million in 2012 to RMB35.7 million in 2013, and (ii) the increase in revenue from sales of raw milk from RMB144.7 million in 2012 to RMB147.1 million in 2013.

The increase in revenue from sales of our reproduced heifers/calves primarily reflected the significant increase in the number of reproduced heifers/calves sold, from 270 heads in 2012 to 1,800 heads in 2013, partially offset by a drop in the average selling price of such reproduced heifers/calves, from RMB22,800 per head in 2012 to RMB19,823 per head in 2013. The significant increase in the number of reproduced heifers/calves sold primarily reflected our decision to take advantage of the price difference in 2013 between the imported dairy cows and our reproduced heifers/calves. For more details, please see the subsection headed "—Key Factors Affecting Our Results Of Operations And Financial Condition—Reproduced Heifers/Calves Sold to Customers". The drop in the average selling price of our reproduced heifers/calves was generally in line with the fall in market price of dairy cows in China in 2013.

The increase in revenue from sales of raw milk primarily reflected the increase in average selling price for our raw milk, from RMB4,509 per tonne in 2012 to RMB4,800 per tonne in 2013, partially offset by a slight drop in the sales volume of our raw milk by 4.5% from 32,083 tonnes in 2012 to 30,637 tonnes in 2013. The increase in average selling price primarily reflected the steady rise of market price in China for raw milk over the same period, which in turn was in line with (i) strong demand for premium raw milk in China, and (ii) rising price level for feeds consumed by dairy cows. For details about the drop in sales volume of our raw milk from 2012 to 2013, please see the subsection headed "—Description Of Certain Income Statement Items—Revenue—Dairy Farming Business—Raw Milk".

Cost of Sales

Our cost of sales before biological fair value adjustments decreased by 32.2% from RMB316.9 million in 2012 to RMB214.9 million in 2013, primarily reflecting a decrease by 54.5% in cost of sales in relation to our import trading business, partially offset by an increase by 31.3% in cost of sales in relation to our dairy farming business.

Cost of sales before biological fair value adjustments in relation to our import trading business decreased from RMB234.5 million in 2012 to RMB106.8 million in 2013, is generally in line with the falling revenue from our import trading business. Cost of sales before biological fair value adjustments in relation to our dairy farming business increased from RMB82.4 million in 2012 to RMB108.2 million in 2013, primarily reflecting (i) the significant increase in the number of reproduced heifers/calves sold from 270 heads in 2012 to 1,800 heads in 2013, (ii) the increase in our average feed costs of raw milk sold from RMB2,045 per tonne in 2012 to RMB2,100 per tonne in 2013, and (iii) a partial offset due to the slight drop in the sales volume of our raw milk from 2012 to 2013.

Gross Profit

As a result of the foregoing, our gross profit before biological fair value adjustments increased by 4.6% from RMB90.0 million in 2012 to RMB94.2 million in 2013, primarily reflecting an increase in the gross profit before biological fair value adjustments from our dairy farming business by 9.0% from RMB68.5 million in 2012 to RMB74.6 million in 2013, partially offset by a decrease in the gross profit before biological fair value adjustments from our import trading business by 9.3% from RMB21.6 million in 2012 to RMB19.6 million in 2013.

The increase in gross profit from our dairy farming business primarily reflected the impact from the significant increase in the number of reproduced heifers/calves sold. The decrease in gross profit from our import trading business from 2012 to 2013 primarily reflected the decrease in revenue from our principal trading of cows over the same periods.

Our gross margin before biological fair value adjustments increased from 22.1% in 2012 to 30.5% in 2013, primarily reflecting (i) an increase in the proportion of revenue generated from our dairy farming business from 37.1% of our total revenue in 2012 to 59.1% of our total revenue in 2013, while our dairy farming business generally commanded a higher gross margin than our import trading business, and (ii) the increase in gross margin before biological fair value adjustments for our import trading business from 8.4% in 2012 to 15.5% in 2013, generally attributable to the attractive return, achieved by us in relation to one particular shipment of cows imported and delivered to a customer on an expedited basis in 2013, partially offset by the decrease in gross margin before biological fair value adjustments for our dairy farming business from 45.4% in 2012 to 40.8% in 2013, generally in line with an increase in the proportion of our revenue generated from sales of reproduced heifers/calves from 4.1% of revenue from dairy farming business in 2012 to 19.5% of revenue from dairy farming business in 2013, while sales of reproduced heifers/calves generally commanded a lower gross margin than our sales of raw milk.

We were able to achieve a gross margin of 15.5% before biological fair value adjustments for our import trading business in 2013, primarily reflecting the impact of the attractive return in relation to one particular shipment of dairy cows that we imported and delivered to a customer on an expedited basis in 2013. The particular shipment represented about half of all cows imported and delivered under our principal trading model in 2013. We imported and delivered the dairy cows less than five months after entering into purchase and sale agreement with the customer. We believe that our long-term and stable relationship with the leading overseas suppliers of dairy cows enabled us to secure supply for the customer's order within a short time frame. Our self-owned import quarantine farms enabled us to expedite the transportation from overseas to China and the PRC import quarantine inspection process without any delay. We believe that the attractive return from the particular shipment of dairy cows represented the customer's recognition of the intrinsic value of our services provided under the principal trading model.

Gains Arising from Changes in Fair Value less Costs to Sell of Biological Assets

We recorded a gain arising from changes in fair value less costs to sell of biological assets of RMB19.3 million in 2012, compared to a gain of RMB31.9 million in 2013.

Our gain of RMB31.9 million from changes in fair value less costs to sell of biological assets in 2013 primarily reflected a gain of RMB32.2 million arising from changes in fair value less costs to sell of our cows held for sale, including (*x*) a gain of RMB24.0 million arising from the sale of our cows held for sale, and (*y*) a gain of RMB8.2 million primarily arising from the independent valuation of the cows being raised at our import quarantine farms as of December 31, 2013.

Our gain of RMB19.3 million from changes in fair value less costs to sell of biological assets in 2012 primarily reflected (i) a gain of RMB25.7 million arising from changes in fair value less costs to sell of our cows held for sale, including (*x*) a gain of RMB10.3 million primarily arising from the independent valuation of cows being raised at our import quarantine farms as of December 31, 2012, and (*y*) a gain of RMB15.4 million arising from the sale of our cows held for sale, (ii) a gain of RMB9.8 million arising from changes in fair value less costs to sell of our heifers and calves, resulted from a upward adjustment in relation to the assumed market price of 14-month old heifers used in our valuation of fair value less costs to sell of our calves and heifers as of December 31, 2012, generally in line with the market prices that peaked in 2012, and (iii) partially offset by a loss of RMB16.1 million arising from changes in fair value less costs to sell of our milkable cows, resulted from a decrease in the economic benefits attributable to our milkable cows in connection with an increase in the feeds price level in 2012.

Gains Arising on Initial Recognition of Agricultural Produce at Fair Value less Costs to Sell upon Harvest

Our gains arising on initial recognition of agricultural produce at fair value less costs to sell upon harvest decreased by 2.2% from RMB62.6 million in 2012 to RMB61.2 million in 2013, primarily reflecting the decrease in our raw milk production.

Other Income

Other income rose by 64.7% from RMB8.8 million in 2012 to RMB14.6 million in 2013, primarily reflecting the increase in unconditional government subsidies received by our Group in 2013, which were awarded to give immediate financial support to our operations.

Distribution Costs and Administrative Expenses

Distribution costs remained relatively stable from RMB6.7 million in 2012 to RMB6.9 million in 2013. Administrative expenses rose by 30.5% from RMB16.8 million in 2012 to RMB22.0 million in 2013, primarily reflecting in the increase in salary and welfare expenses of our management and administrative staff in 2013 due to our expanded scale of operations.

Finance Costs

Finance costs decreased by 13.0% from RMB7.5 million in 2012 to RMB6.5 million in 2013, primarily reflecting the increase in 2013 of interest expenses qualifying for capitalization in the carrying amount of our property, plant and equipment, mainly including infrastructure and equipment at our Ningxia Helan Farm (Phase I) under development in 2013, partially offset by the increase in interests accrued under bank borrowings in 2013, generally in line with the growing short-term bank borrowings that we obtained to finance our expanding business operations.

Profit and total comprehensive income attributable to owners of our Company

As a result of the cumulative effect of the above factors, our profit from continuing operations increased by 14.6% from RMB71.2 million in 2012 to RMB81.5 million in 2013. Before biological fair value adjustments, our profit from continuing operations increased by 9.6% from RMB67.2 million in 2012 to RMB73.7 million in 2013.

CERTAIN STATEMENT OF FINANCIAL POSITION ITEMS

Biological Assets

We measure our biological assets on initial recognition and at the end of each reporting period at fair values less costs to sell. The fair value measurement is facilitated by grouping our biological assets according to their significant attributes. The following table sets forth the fair value and number of our biological assets by different groups as of the end of each reporting period during the Track Record Period.

	As of December 31,									As of June 30,		
	2012			2013			2014			2015(1)(2)		
	Herd size	Aggregate value	Average value	Herd size	Aggregate value	Average value	Herd size	Aggregate value	Average value	Herd size	Aggregate value	Average value
	(head)	*(RMB'000)*	*(RMB)*	*(head)*	*(RMB'000)*	*(RMB)*	*(head)*	*(RMB'000)*	*(RMB)*	*(head)*	*(RMB'000)*	*(RMB)*
Import trading business												
Cows held for sale	—	—	—	6,252	98,516	15,758	1,669	37,775	22,634	—	—	—
Dairy cows held at quarantine farms for own use	2,986	63,013	21,103	669	10,542	15,758	7,030	159,116	22,634	—	—	—
Dairy Farming Business												
Milkable cows	3,813	107,090	28,085	5,143	164,970	32,077	8,671	275,320	31,752	10,374	336,110	32,399
Heifers and calves	1,809	43,028	23,786	6,429	136,228	21,190	19,311	453,373	23,477	26,286	676,260	25,727
Reproduced heifers/calves held for sale	1,800	29,342	16,301	131	1,832	13,985	500	6,377	12,753	500	6,640	13,280
Alfalfa	—	—	—	—	—	—	—	2,582	—	—	—	—
Breeder hogs	933	2,433	2,608	735	2,340	3,184	—	—	—	—	—	—
Commodity hogs	4,260	3,552	834	5,419	4,656	859	—	—	—	—	—	—

Note:

(1) As of June 30, 2015, there were no cows held for sale or dairy cows held at quarantine farms for own use because the cows we imported for sale to our import trading customers and for our own use had not arrived at our quarantine farms as of June 30, 2015.

(2) All unprocessed milk powder is for our internal consumption, i.e. feeding our own calves. Therefore, once the milk powder is consumed, the carrying amount will be accounted for as costs of raising the calves. The amount of unprocessed milk powder that had been used for feeding the Company's calves for the six months ended June 30, 2015 was reflected in the carrying value of heifers and calves as of June 30, 2015.

Independent Professional Valuers

We have engaged JLL, a firm of independent qualified professional valuers, to determine the fair value of our biological assets as of December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. The key members of the JLL valuers include Mr. Simon Chan and Professor T. Y. Gao.

Mr. Simon Chan, Regional Director at JLL, is a Fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a Fellow of CPA Australia. He is also a Certified Valuation Analyst (CVA), a member of The International Association of Consultants, Valuers and Analysts (IACVA), and a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Simon oversees the business valuation services of JLL and has over 15 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States. Simon oversaw the valuation of biological assets for the initial public offerings and subsequent financial reports of China Modern Dairy Holdings Ltd (1117.HK), China Huishan Dairy Holdings Company Limited (6863.HK), YuanShengTai Dairy Farm Limited (1431.HK), WH Group Limited (288.HK) and China Shengmu Organic Milk Limited (1432.HK). He also led the valuation of other biological assets, such as hogs, trees, rabbits and chickens, for financial reporting purpose of Hong Kong listed companies including Shandong Chenming Paper Holdings Limited (1812.HK), China Mengniu Dairy Company Limited (2319.HK) and China Kangda Food Company Limited (834.HK), as well as numerous private companies.

Prof. T.Y. Gao, a professor of Henan Agricultural University (Animal Science), and an independent biological asset valuation expert, an executive director of cattle breeding branch of the Chinese Association of Animal Science and Veterinary Medicine, is a deputy director and general secretary of livestock ecology branch of the Chinese Association of Animal Science and Veterinary Medicine, an executive director of the animal husbandry engineering branch of Chinese Society of Agricultural Engineering, an expert of China Agriculture (Dairy Cattle) Research System, and the chairman expert of Henan Province Dairy Research System. He has extensive experience in the area of modern dairy cow breeding and is mainly engaged in the study of the utilization of local feeds resources for feeding cattle, environment management of dairy cows and livestock ecology etc. Professor Gao has published over twenty-three books, has won fifteen prizes of scientific achievements and has published more than two hundred academic papers in different journals, most of which are on the research and study of dairy cows and dairy production.

Based on market reputation and relevant background research, our Directors and the Sole Sponsor are satisfied that JLL is independent from us and is competent in conducting a valuation on our biological assets.

Valuation Method

In arriving at the fair value less costs to sell of our biological assets, JLL have considered three common approaches, namely, the market approach, income approach and cost approach.

The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established used market may be valued by this approach.

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

In this valuation exercise, market approach is adopted by JLL to value our heifers and calves, cows held for sale, nursery and finishing hogs and breeder hogs with appropriate adjustments; income approach is adopted to value our milkable cows, and cost approach is adopted to value our suckling pigs and alfalfa roots. The detail valuation techniques employed as of December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 are as follows:

- *Heifers and calves (including reproduced heifers/calves held for sale)*. The fair value of 14-month old heifers is determined with reference to the market-determined prices for heifers of similar age, breed and genetic features. Using the fair value of 14-month old heifers as the base value, the fair values of heifers and calves at age-group less than 14 months are determined by subtracting the estimated feeding costs required to raise the cows from their respective age at the end of each reporting period to 14 months plus the margins that would normally be required by a raiser. Conversely, the fair values of heifers at age-group older than 14 months are determined by adding the estimated feeding costs required to raise the heifers from 14 months old to their respective age at the end of each reporting period plus the margins that would normally be required by a raiser.

- *Milkable cows.* Since the market-determined prices of milkable cows are not available, the fair value of milkable cows is developed through the application of an income approach technique known as multi-period excess earnings method ("**MEEM**"). MEEM is a derivative of the discounted cash flow ("**DCF**") method. Using this technique, JLL estimates the direct economic benefits attributed to the milkable cows. Such economic benefits are then capitalized at a rate which reflects all business risks including intrinsic and extrinsic uncertainties in relation to the subject assets. To estimate the economic benefit, the revenues for the milkable cows are projected over their remaining useful lives. Based on the projected revenues, the costs associated with supporting the milkable cows are netted. The net income projection is then adjusted by economic capital charges. The capital charges include returns on the assets that are used or used up in the generation of the subject biological assets income projection. Examples of such assets include fixed assets, working capital and assembled workforce.

- *Cows held for sale (excluding reproduced heifers/calves held for sale)*. The fair value less costs to sell of cows held for sale is determined on the estimated local market price subtracting the feeding costs.

- *Hogs*. The fair value of commodity hogs is mainly determined by reference to estimated local market selling prices of pork, subtracting the feeding costs required to raise the commodity hogs to be sold. The fair value of breeder hogs is determined by reference to estimated local market selling price of hogs of similar breed and genetic merit less costs to sell.

- *Alfalfa roots*. The fair value of alfalfa roots is determined on the basis of the expenditures of each year of planting adjusted for the expected remaining lives. The life expectancy for our alfalfa plants is currently five years.

Our Directors and the Sole Sponsor held various discussions with JLL in relation to their methodologies and procedures required to prepare their valuation report. Our Directors and the Sole Sponsor further compared the valuation methodologies chosen with those used by the industry peers. Our Directors and the Sole Sponsor are satisfied that the valuation methodologies chosen are appropriate and reasonable.

Key Assumptions and Inputs

Heifers and Calves (including reproduced heifers/calves held for sale)

The key assumptions and inputs for valuing our calves and heifers are the market price for 14 month old heifers, which were RMB22,000, RMB20,500, RMB21,000 and RMB21,500 as of December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

Milkable Cows

The key assumptions and inputs include the revenues from milking the dairy cows and the costs associated with the milkable cows. JLL assumes that there will be no material change in the existing political, legal, technological, fiscal or economic condition which may adversely affect our business. In deriving the residual cash flow of the milkable cows, JLL has deducted returns on contributory assets, which represent charges for the use of contributory assets employed to support the milkable cows and help generate revenue.

The key assumptions and inputs for calculating the revenues for milkable cows include the following:

- prices for raw milk produced by, and female and male calves given birth by, milkable cows at different lactation stage;
- milk yield as adjusted by an estimated spoilage rate for milkable cows at different lactation stage; and
- number of and the respective estimated culling rates and calf birth rates for, milkable cows at different lactation stages.

The key assumptions and inputs for calculating the costs associated with raising the milkable cows include the following:

- feed costs;
- medicine and vaccination costs;
- labor cost and other direct costs;
- insemination costs;
- manufacturing and auxiliary costs;

- administrative costs; and
- transportation costs.

Based on the above key assumptions and inputs, the total revenues and costs in relation to our milkable cows as forecasted in six lactation cycles as of June 30, 2015 was approximately RMB1.44 billion and RMB0.97 billion, respectively.

Cows held for sale (excluding reproduced heifers/calves held for sale)

All cows held for sale as at December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 were dairy cows. The key assumptions and inputs for valuing our cows held for sale are estimated local market price and the feeding costs.

Hogs

Commodity hogs and breeding hogs

The key assumptions and inputs for valuing our commodity hogs and breeding hogs are the selling price and cost. The fair values of our commodity hogs are determined by subtracting the costs required to raise the animals from their respective ages to twenty-three weeks old. As for the breeder hogs, the selling price is determined by reference to estimated local market selling price of hogs of similar breed and genetic merit.

Alfalfa roots

The key assumptions and inputs for valuing our alfalfa roots are planting costs and expected useful life.

The following table sets for a comparison of our actual results and key assumptions and inputs adopted in the valuation process of our dairy cows:

		As of or for the year ended December 31,			As of or for the six months ended June 30,
		2012	**2013**	**2014**	**2015**
Milkable Cows					
Raw milk price (RMB/kilogram)(1)	Assumption Used	4.40	4.75	4.65	4.39
	Actual	4.51	4.80	4.79	4.40
Feed costs (RMB/kilogram of raw milk)(2)	Assumption Used	2.3	2.4	2.4	2.1
	Actual	2.0	2.1	2.2	2.0
Culling rate(3)	Assumption Used	22.76%	19.80%	16.50%	16.09%
	Actual	17.11%	21.04%	16.27%	18.62%
Projected lactation cycles(4) . .	Assumption Used	6	6	6	6
Milk yield per head (tonne)(5)	Assumption Used	8.0-9.0	8.0-9.9	8.0-9.9	8.0-9.9
	Actual	8.8	8.3	9.6	10.1
Discount rate(6)	Assumption Used	15.3%	15%	14%	14%

		As of or for the year ended December 31,			As of or for the six months ended June 30,
		2012	2013	2014	2015
Calves and Heifers					
Per head market price of 14 month-old heifers (RMB)[7]	Assumption Used	22,000	20,500	21,000	21,500
	Actual	22,341	22,482	22,864	24,950

(1) Raw milk prices — The projected raw milk prices used as an assumption in the valuation process are estimated based on our historical average selling prices, and are estimated after taking into account a certain percentage of growth for each projected period after considering future inflation. The estimated fair value of milkable cows decreases when the raw milk price decreases. Please refer to the sub-sections headed "Six Months ended June 30, 2015 Compared to Six Months Ended June 30, 2014 - Gains Arising from Changes in Fair Value less Costs to Sell of Biological Assets" and "Year ended December 31, 2014 Compared to Year ended December 31, 2013 - Gains Arising from Changes in Fair Value less Costs to Sell of Biological Assets" for the impact of decreases in raw milk prices on the fair value of milkable cows in the respective periods.

(2) Feed costs — The projected feed costs used as an assumption in the valuation process are based on our historical average feed costs per kilogram of raw milk at the end of each reporting periods, and are estimated after taking into account a certain percentage of growth for each projected period after considering future inflation. The estimated fair value of milkable cows decreases when the feed costs per kilogram of raw milk increases.

(3) Culling rate — It is normally assumed that the number of milkable cows at the end of each reporting period will decrease in the projection period at certain culling rates due to natural or unnatural factors, including illness, difficult birth, low milk production or completion of all lactation periods. The culling rate adopted as a valuation assumption assumed all milkable cows will be culled within six lactation cycles, without taking into consideration the heifers that had given birth and became milkable cows during the Track Record Period.

(4) Projected lactation cycles — The projected lactation cycles used as an assumption in the valuation are assumed to be six lactation cycles depending on the individual physical condition of the milkable cows. The estimated fair value of milkable cows increases when they have longer economic useful lives.

(5) Milk yield — The projected milk yield used as an assumption in the valuation process is based on historical milk yield of the milkable cows, their health conditions, and management and operation of the dairy farms. Milk yield is typically low during the first lactation period of a cow, compared to when a cow reaches its peak level during the third to fourth lactation periods, and then decrease in the following lactation periods. The milk yield per head used as an assumption is calculated based on a lactation cycle of 400 days while the actual average milk yield per head is calculated based on a 365-day annual period.

(6) Discount rate — Weighted average cost of capital is applied in the determination of the discount rate. The discount rate reflects the time value of money and a risk premium, representing compensation for the risk inherent in the future cash flow that is uncertain. The estimated fair value of milkable cows decreases when discount rate increases.

(7) Market price of 14 month old heifers — The fair values of 14 month old heifers are determined based on the average market price at the actively traded markets as reference.

Our Directors and the Sole Sponsor discussed with JLL in relation to their methodologies, procedures, key bases and assumptions and understand that JLL has conducted the biological asset valuation in accordance with IFRS and with reference to the International Valuation Standards, issued by the International Valuation Standards Council. The key assumptions, as detailed above, are made based on the historical actual operation performance of our Company. JLL has obtained and discussed with us regarding the historical actual operation data from us, and considered and reviewed whether they are appropriate and reasonable to be used in the valuation. JLL confirmed that their valuation procedures provide a reasonable basis for their opinion, the inputs used in the valuation technique are appropriate and reasonable. In addition, the Sole Sponsor discussed with Deloitte Touche Tohmatsu, our reporting accountants, with respect to the techniques chosen and the inputs used in the valuations. Our Directors and the Sole Sponsor confirm that the key bases and assumptions adopted are consistent with industry practice and in line with the actual figures during the Track Record Period.

Sensitivity Analysis

The following tables illustrate the sensitivity of the estimated fair value of milkable cows that would arise if the key inputs had changed as of June 30, 2015, assuming all other variables remained constant. The sensitivity analysis bases set out below are benchmarking to the historical annual fluctuation of the respective variable during the Track Record Period.

Milk Price Sensitivity

Assumed average selling price of raw milk as of June 30, 2015: RMB 4.39/kg.

% Change in Milk Price	15%	10%	5%	1%	-1%	-5%	-10%	-15%
Corresponding valuation result (RMB'000)	460,180	418,830	377,470	344,390	327,840	294,760	253,400	212,040
Change in valuation result (RMB'000)	124,070	82,720	41,360	8,280	-8,270	-41,350	-82,710	-124,070
% Change in valuation result	36.91%	24.61%	12.31%	2.46%	-2.46%	-12.30%	-24.61%	-36.91%

The estimated fair value of milkable cows increases when the milk price increases, and decreases when the milk price decreases.

Feed Cost Sensitivity

Assumed feed cost as of June 30, 2015: RMB2.15/kg of raw milk produced

% Change in Feed Cost	10%	5%	2%	1%	-1%	-2%	-5%	-10%
Corresponding Valuation Result (RMB'000)	291,540	313,830	327,200	331,660	340,570	345,030	358,400	380,690
Change in Valuation Result (RMB'000)	-44,570	-22,280	-8,910	-4,450	4,460	8,920	22,290	44,580
% Change in Valuation Result	-13.26%	-6.63%	-2.65%	-1.32%	1.33%	2.65%	6.63%	13.26%

The estimated fair value of milkable cows increases when the feed cost decreases, and decreases when the feed cost increases.

Milk Yield Sensitivity

Assumed average milk yield as of June 30, 2015: 22.88 kg/head/ day

% Change in average Milk Yield	20%	15%	10%	5%	-5%	-10%	-15%	-20%
Corresponding Valuation Result (RMB'000)	406,180	388,660	371,150	353,630	318,600	301,080	283,560	266,050
Change in Valuation Result (RMB'000)	70,070	52,550	35,040	17,520	-17,510	-35,030	-52,550	-70,060
% Change in Valuation Result	20.85%	15.63%	10.43%	5.21%	-5.21%	-10.42%	-15.63%	-20.84%

The estimated fair value of milkable cows increases when the milk yield increases, and decreases when the milk yield decreases.

Discount Rate Sensitivity

Assumed discount rate as of June 30, 2015: 14%

% Change in Discount Rate	1.50%	1.00%	0.50%	-0.50%	-1.00%	-1.50%
Corresponding Valuation Result (RMB'000)	327,700	330,460	333,260	339,020	341,970	344,970
Change in Valuation Result (RMB'000)	-8,410	-5,650	-2,850	2,910	5,860	8,860
% Change in Valuation Result	-2.50%	-1.68%	-0.85%	0.87%	1.74%	2.64%

The estimated fair value of milkable cows increases when the discount rate decreases, and decreases when the discount rate increases.

Heifer Price Sensitivity

Assumed heifer (at approximately 14 months of age) price as of June 30, 2015: RMB21,500 per head

% Change in Heifer (at about 14 months of age) Price	10%	5%	2%	1%	-1%	-2%	-5%	-10%
Corresponding Valuation Result (RMB'000)	352,890	344,500	339,470	337,790	334,440	332,760	327,730	319,340
Change in Valuation Result (RMB'000)	16,780	8,390	3,360	1,680	-1,670	-3,350	-8,380	-16,770
% Change in Valuation Result	4.99%	2.50%	1.00%	0.50%	-0.50%	-1.00%	-2.49%	-4.99%

The estimated fair value of milkable cows increases when the heifer price increases, and decreases when the heifer price decreases.

Stock-take and Internal Control for Biological Assets

We have established a standard protocol for stock-take consisting of periodic stock-take to ensure the physical existence of our biological assets and accuracy of relevant data and information. Our dairy farms are required to monitor our dairy herd constantly and prepare a daily report to our headquarters every day, laying out information including births and culling. The daily report is processed into our dairy farm information management system so that our headquarters can review the report in a timely manner. Each of our dairy farms is also required to perform a full stock-take on a monthly basis to ensure the relevant information such as headcount and age-grouping are accurately reflected in our dairy farm information management system. The monthly stock take shall be jointly conducted by the management team, financial department and production technology department at the relevant dairy farm. Upon completion of the stock-take, a detailed report is filled out and cross checked against our accounting records.

With respect to our cows held for sale, the PRC customs impose strict clearance procedures requiring us to accurately record and report the imported cows that have been unloaded and moved to one of our import quarantine farms near the arrival port. Upon expiration of the 45-day quarantine period in accordance with the applicable PRC laws, we record the cows that have passed the quarantine inspection and will be delivered to our customers.

We have devised a comprehensive policy for biological asset management. Our biological asset management policy covers among other things, the relevant accounting policies, transferring among age groups, purchase and disposal of dairy cows, breeding, record keeping and stock-take. To facilitate the implementation of our biological asset management policy, we employ the dairy farm information management system developed by a third-party developer to keep comprehensive record of our dairy cows herd.

Inventory

During the Track Record Period, we have sold the raw milk at or immediately after the day of milking. As a result, our inventory mainly comprises of feeds and other materials involved in our import trading business, dairy farming business and hog production business. We apply tailored inventory policies. With respect to corn silage, we purchase the corn silage around September when corns are harvested each year. We seal and store the purchased corn silage at our dairy farms, which will then be fed to our dairy cows over the course of one year until the next harvest. With respect to alfalfa hay, we usually maintain an inventory level sufficient for consumption in 3-4 months. As to concentrates such as soybean meal and cotton seed meal, we usually maintain an inventory level sufficient for consumption of about one month, and flexibly adjust our purchase amount and frequency depending on the current and expected market price level.

The following table sets forth the components of our inventory as of the dates indicated and our inventory turnover days for the periods indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2012	2013	2014	2015
	(RMB'000, except turnover days)			
Feeds	66,012	111,679	191,972	174,448
Others	1,776	3,203	3,788	3,688
Total	67,788	114,882	195,760	178,136
Inventory turnover days[(1)]	67	117	85	123

(1) Inventory turnover days are calculated using the average of opening balance and closing balance of inventories for a reporting period divided by the sum of (i) cost of sales (before biological fair value adjustments) and (ii) feeding and breeding costs of calves and heifers that were capitalized and multiplied by 365 days for a year or 181 days for six months.

The carrying amount for our inventory increased by 69.5% from RMB67.8 million as of December 31, 2012 to RMB114.9 million as of December 31, 2013 and further increased by 70.4% to RMB195.8 million as of December 31, 2014, primarily reflecting the increase in our herd size over the same periods. The carrying amount of our inventory decreased by 9.0% from RMB195.8 million as of December 31, 2014 to RMB174.4 million as of June 30, 2015 primarily because the first half of the year is not a procurement season for feeds, the effects of which were partially offset by an increase in the herd size of our dairy farms. Of the inventories of feeds of RMB174.4 million as of June 30, 2015, approximately RMB112.6 million had been utilized as of September 30, 2015.

Our inventory turnover days increased from 67 days in 2012 to 117 days in 2013, primarily reflecting the increase in the proportion of heifers in our dairy herd, which slowed down the consumption of feeds in 2013. In January 2013, the reserve cow facilities at our then newly developed Ningxia Helan Farm (Phase I) were populated with the first batch of imported heifers, pushing up the proportion of heifers in our dairy herd. The slower inventory turnover in 2013 was also partly attributable to a high closing balance of inventory for the year of 2013, primarily reflecting the need to build up the stock of corn silage in the second half of 2013 to a level sufficient for a dairy herd expected to be enlarged by the arrival of the second batch of imported heifers during the first half of 2014 at Ningxia Helan Farm (Phase I). The inventory turnover days decreased from 117 days in 2013 to 85 days in 2014, primarily reflecting the commencement of commercial milk production at Ningxia Helan Farm (Phase I) in December 2013, which accelerated the consumption of feeds in 2014. Our inventory turnover days increased from 85 days in 2014 to 123 days in the first half of 2015, primarily due to a decrease of the cost of sales (before biological fair value adjustments) in relation to our import trading business because of the decrease in the number of the imported dairy cows in the first half of 2015.

Trade and Other Receivables

Our trade and other receivables primarily comprise of trade receivables, note receivables and other receivables such as advances to suppliers. Trade receivables represent the outstanding amounts receivable by us from our customers. For our dairy farming business, we generally issue to our customers invoices periodically for the raw milk delivered. We generally collect our trade receivables from our raw milk customers within an average of 30 days after issuance of the invoices. For our import trading business, we issue invoices to our customers upon delivery of the goods. We do not grant any contractual credit term to customers of our import trading business. Since the customers of our principal trading activities for cows, which generated a significant portion of our revenue from the import trading business during the Track Record Period, usually pay us by instalments all of the consideration before shipment of the imported cows from the source countries, we enjoy a particularly advantageous trade-receivables position with respect to our import trading business.

The following table sets forth the components of our trade and other receivables and aging analysis of our trade receivables as of the dates indicated and trade and note receivable turnover days for the periods indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2012	2013	2014	2015
	(RMB'000, except turnover days)			
Trade receivables:				
- 0 to 30 days	6,972	17,009	23,544	33,067
- 31 to 90 days	3,200	—	1,709	545
- 91 to 180 days	300	—	4,221	—
- Over 181 days	187	411	68	886
	10,659	17,420	29,542	34,498
Note receivables — 91 to 180 days	1,000	—	—	—
Other receivables:				
- Receivables from agency customers	25,905	13,904	67	—
- Advances to suppliers	8,290	19,056	31,672	35,276
- Rebate receivables from suppliers	4,427	4,249	—	—
- Others	857	1,098	50,712	4,940
	51,138	55,727	111,993	74,714
Trade and note receivables turnover days(1)	9	17	12	25

(1) Trade and note receivables turnover days are calculated using the average of opening balance and closing balance of trade and note receivables for a reporting period divided by revenue for the period and multiplied by 365 days for a year or 181 days for six months.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, our trade receivables were RMB10.7 million, RMB17.4 million, RMB29.5 million and RMB34.5 million, respectively. Our trade receivables rose consistently over the Track Record Period, primarily reflecting the expanding scale of our dairy farming operations. The outstanding trade receivables of RMB34.5 million as of June 30, 2015 was fully settled as of September 30, 2015. Our other receivables include the receivables from agency customers, advances to suppliers, rebate receivables from suppliers and others, which primarily include amount due from Urban Construction and amount due from ZhongDi Meijia at the end of each reporting period. The others under our other receivables increased slightly from RMB0.9 million as of December 31, 2012 to RMB1.1 million as of December 31, 2013, and significantly increased to RMB50.7 million as of December 31, 2014, primarily attributable to a balance of RMB 32.6 million due from ZhongDi Meijia for sale of seeds to ZhongDi Meijia, and a balance of RMB13.6 million due from Urban Construction as the consideration of the disposal of ZhongDi Meijia under the ZhongDi Meijia Disposal Agreement as of December 31, 2014. The others under other receivables decreased to RMB4.9 million as of June 30, 2015 primarily because the amount due from Urban Construction was settled and the amount due from ZhongDi Meijia decreased to RMB0.8 million as of June 30, 2015. The others under other receivables were RMB0.8 million as of September 30, 2015 representing the amount due from ZhongDi Meijia. For more details about the disposal of ZhongDi Meijia, please see the subsection headed "— Disposal of Zhongdi Meijia" in the section headed "History, Development and Reorganization" in this prospectus.

Our trade and note receivables turnover days rose from 9 days in 2012 to 17 days in 2013, primarily reflecting a fall in the proportion of revenue generated from our import trading business from 62.9% of our total revenue in 2012 to 40.9% of our total revenue in 2013. The turnover days decreased from 17 days in 2013 to 12 days in 2014, primarily reflecting the increase in the proportion of revenue generated from our import trading business from 40.9% of our total revenue in 2013 to 57.3% of our total revenue in 2014. Our trade and note receivables turnover days increased to 25 days in the first half of 2015, primarily reflecting the decrease in the proportion of revenue generated from our import trading business from 57.3% of our total revenue in 2014 to 21.4% of our total revenue in the first half of 2015.

Trade and Other Payables

Our trade payables primarily relate to purchases of feeds and other raw materials. For our dairy farming business, we generally endeavor to settle our trade payables within 90 days. For our import trading business, we usually record few trade payables, primarily because the suppliers are generally fully paid once they submit the bill of lading.

The following table sets forth the components of our trade and other payables and aging analysis of our trade payables as of the dates indicated and trade payable turnover days for the periods indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2012	2013	2014	2015
	(RMB'000, except turnover days)			
Trade payables:				
- 0 − 90 days	8,006	33,655	47,580	47,679
- 91 − 180 days	2,642	5,161	5	1,081
- over 181 days	733	828	617	3,342
	11,381	39,644	48,202	52,102
Payable for acquisition of property, plant and equipment	674	23,997	79,492	54,800
Payable to agency suppliers	30,630	18,743	5,073	—
Advance payments from customers[(1)]	25,215	161,746	27,855	10,038
Advance payments from agency customers	20,239	27,895	1,849	8,818
Accrued staff costs	1,064	1,526	3,687	3,193
Interest payables	1,382	2,316	1,184	1,323
Consideration payable for acquisition of dairy farming assets	—	—	12,000	—
Others	1,023	2,551	1,358	4,036
Total	91,608	278,418	180,700	134,310
Trade payable turnover days[(2)]	9	33	24	33

(1) Primarily relate to advance customer payments in relation to our sales of cows.

(2) Trade payable turnover days are calculated using the average of opening balance and closing balance of trade payables for a reporting period divided by the sum of (i) cost of sales (before biological fair value adjustments), and (ii) breeding costs of calves and heifers that were capitalized, and then multiplied by 365 days for a year or 181 days for six months.

Our trade payables generally rose consistently over the Track Record Period, primarily reflecting the expanding scale of our operations. Our trade payables increased from RMB11.4 million as of December 31, 2012 to RMB39.6 million as of December 31, 2013 and further increased to RMB48.2 million as of December 31, 2014, generally in line with the continuing expansion of our business. Our trade payables increased from RMB48.2 million as of December 31, 2014 to RMB52.1 million as of June 30, 2015 primarily due to an increase in orders for feeds procurement. Our trade payables increased to RMB98.0 million as of September 30, 2015 primarily due to a significant increase in our feeds procurement in the third quarter of 2015 because the third quarter is a typical procurement season for certain foods, such as corn silage and alfalfa hay, among others.

Our advance payments from customers of RMB161.7 million as of December 31, 2013 was significantly higher than RMB25.2 million as of December 31, 2012 and RMB27.9 million as of December 31, 2014 primarily because we received orders for approximately 6,000 cows from our principal trading customers at the end of 2013 and the corresponding advance payments of approximately RMB91.1 million from such customers had not been recognized as revenue as of December 31, 2013. Our advance payments from customers decreased to RMB10.0 million as of June 30, 2015 primarily due to a decrease in customer orders for dairy cows in relation to our import trading business as a result of the decrease of average raw milk price in the Chinese market. Since we record revenue from import and sales of dairy cows upon delivery to and acceptance by the customers, our advance payments from customers at a particular time point may fluctuate significantly depending on the timing of our customer orders and the delivery status of the imported cows. For more details about the payment schedule under our principal trading model, please see the subsection headed "— Import Trading Business — Principal Trading" in the section headed "Business" in this prospectus.

Our trade payable turnover days increased from 9 days in 2012 to 33 days in 2013, primarily reflecting the expanding scale of our operations, particularly the increase in procurement of feeds (i) for an enlarged dairy herd resulting from the arrival of the first batch of imported heifers at Ningxia Helan Farm (Phase I) in January 2013, and (ii) to build up stock of feeds to a level sufficient for the expanding herd of heifers at Ningxia Helan Farm (Phase I). The turnover days decreased from 33 days in 2013 to 24 days in 2014, primarily reflecting the impact of our centralized procurement for corn silage. Our trade payable turnover days increased to 33 days in the first half of 2015 primarily due to a decrease of the cost of sales (before biological fair value adjustments) in relation to our import trading business because of the decrease in the number of the imported dairy cows in the first half of 2015.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Historically, we have funded our liquidity and capital requirements primarily through capital contributions from our Shareholders, bank borrowings and cash generated from our operating activities. We expect to finance our working capital requirements for the 12 months following the date of this prospectus with the following sources of funding: (i) replacing more short-term borrowings with long-term banking facilities; (ii) utilizing cash flows from operating activities as our farms reach a mature stage; and (iii) receiving the proceeds from the Global Offering.

Taking into account our cash and cash equivalents on hand, cash generated from our future operations, available and unutilized banking facilities and the proceeds from the Global Offering, our Directors are of the opinion that we have sufficient working capital to meet our present and future financial requirements for at least 12 months from the date of this prospectus.

Cash Flows

The following table sets forth certain historical information regarding our consolidated cash flows during the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Net cash from (used in) operating activities . .	52,462	146,737	(21,848)	130,793
Net cash used in investing activities	(156,905)	(501,893)	(726,833)	(312,674)
Net cash from financing activities	222,394	302,989	792,772	146,280
Net increase (decrease) in cash and cash equivalents	117,951	(52,167)	44,091	(35,601)
Cash and cash equivalents at beginning of year	36,273	154,224	102,057	146,148
Cash and cash equivalents at end of year	154,224	102,057	146,148	110,547

Operating Activities

Net cash generated from operating activities was RMB130.8 million in the six months ended June 30, 2015. In the six months ended June 30, 2015, our operating cash flows before movements in working capital was RMB57.4 million. Changes in working capital represented generation of cash of RMB73.0 million, primarily attributable to (i) a decrease in biological assets — current of RMB37.5 million primarily due to a decrease in the number of imported cows raised at our import quarantine farms, (ii) a decrease in inventories of RMB31.1 million because the first half of the year is not a procurement season for feeds and (iii) a decrease in trade and other receivables of RMB14.2 million primarily because we settled part of the receivables for sale of seeds to ZhongDi Meijia in the first half of 2015, partially offset by a decrease in trade and other payables of RMB9.8 million as we settled part of the payable for acquisition of property, plant and equipment in the first half of 2015.

Net cash used in operating activities was RMB21.8 million in 2014. In the year ended December 31, 2014, our operating cash flows before movements in working capital was RMB146.9 million. Changes in working capital represented use of cash of RMB171.1 million, primarily attributable to (i) a decrease in trade and other payables of RMB146.8 million, primarily reflecting the decrease in advance customer payments for imported cows in relation to our principal trading business, (ii) an increase in inventories of RMB53.8 million, primarily reflecting the rising stock level of corn silage as of December 31, 2014, and (iii) an increase in trade and other receivables of RMB32.6 million, primarily reflecting our expanding sales volume of raw milk, partially offset by a decrease in biological assets (current) of RMB62.2 million, primarily reflecting a smaller number of cows held for sale as of December 31, 2014.

Net cash generated from operating activities was RMB146.7 million in 2013. In the year ended December 31, 2013, our operating cash flows before movements in working capital was RMB80.7 million. Changes in working capital represented generation of cash of RMB64.5 million, primarily due to an increase in trade and other payables of RMB162.1 million, primarily reflecting the increase in advance customer payments for imported cows of our principal trading activities, partially offset by (x) an increase in inventories in RMB29.0 million, and (y) an increase in biological assets - current of RMB63.9 million, primarily reflecting a larger number of imported cows raised at our import quarantine farms on December 31, 2013 than that at the beginning of the year.

Net cash generated from operating activities was RMB52.5 million in 2012. In the year ended December 31, 2012, our operating cash flows before movements in working capital was RMB76.1 million. Changes in working capital represented use of cash of RMB24.8 million, primarily reflecting (i) a decrease in trade and other payables of RMB54.2 million, primarily reflecting the decrease in advance customer payments for imported cows of our principal trading activities, (ii) an increase in trade and other receivables of RMB35.7 million, primarily reflecting an increase in the receivables from agency customers, and (iii) an increase in inventories of RMB6.7 million, partially offset by a decrease in biological assets (current) of RMB71.7 million.

Investing Activities

Net cash used in investing activities was RMB312.7 million in the six months ended June 30, 2015, primarily attributable to (i) a cash outflow of RMB188.1 million for payments for property, plant and equipment in relation to our Inner Mongolia Shangdu Farm (Phase II), Shanxi Tianzhen Farm and Hebei Wen'an Farm, (ii) a cash outflow of RMB124.1 million for payments for biological assets primarily including payments for dairy cows imported for our dairy farming business and payments for raising costs of calves and heifers that were capitalized and (iii) a cash outflow of RMB50.3 million for payments for lease prepayments primarily in relation to the leased or contracted lands occupied by our various dairy farms, crop farms and import quarantine farms, partially offset by (x) a cash inflow on disposal of a subsidiary of RMB13.6 million as the balance of RMB13.6 million due from Urban Construction as the consideration of the disposal of ZhongDi Meijia under the ZhongDi Meijia Disposal Agreement was settled in the first half of 2015 and (y) a cash inflow of RMB13.5 million from proceeds from disposal of biological assets primarily due to culled dairy cows and male calves born at our dairy farms.

Net cash used in investing activities was RMB726.8 million in 2014, primarily attributable to (i) a cash outflow of RMB548.8 million for payments for biological assets, primarily including payments for dairy cows imported for our dairy farming business and payments for raising costs of calves and heifers that were capitalized, (ii) a cash outflow of RMB300.0 million for payments for property, plant and equipment primarily in relation to Inner Mongolia Shangdu Farm (Phase II) and Ningxia Helan Farm (Phase II), and (iii) a cash outflow of RMB49.3 million for prepayment of land lease payment, primarily in relation to the leased or contracted lands occupied by our various dairy farms, crop farms and import quarantine farms, partially offset by a net cash inflow of RMB163.8 million from withdrawal of pledged bank deposits, primarily in relation to our settlement with the issuance banks with respect to letters of credit for the suppliers of our import trading business.

Net cash used in investing activities was RMB501.9 million in 2013, primarily attributable to (i) a cash outflow of RMB233.1 million for payments for property, plant and equipment in relation to our Ningxia Helan Farm (Phase I) and Tianjin Import Quarantine Farm, (ii) a net cash outflow of RMB143.8 million for placement of pledged bank deposits, primarily in relation to our application for issuances of letters of credit in favor of the suppliers for our import trading business, (iii) a cash outflow of RMB110.4 million for payments for biological assets, primarily including payments for dairy cows purchased for our dairy farming business and payments for raising cost of calves and heifers that were capitalized, and (iv) a cash outflow of RMB41.2 million for prepayment of land lease payment, partially offset by a cash inflow of RMB20.8 from proceeds on disposal of biological assets, primarily including culled dairy cows and male calves born at our dairy farms.

Net cash used in investing activities was RMB156.9 million in 2012, primarily attributable to (i) a cash outflow of RMB85.8 million for payments for biological assets, primarily including payments for raising cost of calves and heifers that were capitalized, (ii) a cash outflow of RMB73.0 million for payments for property, plant and equipment primarily in relation to the final instalments for development of our Beijing Shunyi Farm and prepayments for development of our Ningxia Helan Farm (Phase I), and (iii) a cash outflow of RMB13.2 million for prepayment of land lease payment.

Financing Activities

Net cash inflow from financing activities was RMB146.3 million in the six months ended June 30, 2015, primarily attributable to proceeds from new bank borrowings of RMB415.9 million, partially offset by (x) repayment of bank borrowings of RMB241.4 million, (y) interest and guarantee fees paid of RMB23.3 million, and (z) distribution to non-controlling interests of RMB4.9 million.

Net cash inflow from financing activities was RMB792.8 million in 2014, primarily attributable to (i) proceeds from new bank borrowings of RMB831.2 million, and (ii) proceeds from issue of convertible preferred shares of RMB640.0 million, partially offset by (x) repayment of bank borrowings of RMB624.2 million, (y) interest paid of RMB39.1 millioin, and (z) repayment of debenture of RMB20.0 million.

Net cash inflow from financing activities was RMB303.0 million in 2013, primarily attributable to (i) the proceeds from new bank borrowings of RMB396.0 million, and (ii) the proceeds from additional capital injection of RMB90.0 million by certain shareholders of ZhongDi Beijing, which was fully paid up in January 2013, partially offset by repayment of bank borrowings of RMB170.5 million.

Net cash inflow from financing activities was RMB222.4 million in 2012, primarily attributable to (i) the proceeds from new bank borrowings of RMB170.0 million, and (ii) the proceeds from additional capital injection of RMB130.0 million by certain shareholders of ZhongDi Beijing in April 2012, partially offset by repayment of bank borrowings of RMB70.0 million. For more details, please see the section headed "History, Development and Reorganization — Our History and Development — Our Major PRC Operating Subsidiaries — ZhongDi Beijing — (iv) Third round of equity financing in April 2012" in this prospectus.

Working Capital

During the Track Record Period, we have funded our liquidity and capital requirements primarily through capital contributions from our Shareholders, bank borrowings and cash generated from our operating activities. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any difficulty in obtaining credit facilities or defaulted in any payment or breached any financial covenant of any bank borrowings, nor has any of our banking facilities been withdrawn or requested to repay early by any bank.

As of September 30, 2015, we had cash and cash equivalents of RMB30.3 million and available unutilized banking facilities of RMB339.0 million, respectively, of which RMB164.9 million may only be used for issuance of letters of credit in our import trading business and RMB174.1 million was unrestricted unutilized banking facilities. Taking into account our cash and cash equivalents on hand, cash generated from our future operations, available and unutilized banking facilities and the proceeds from the Global Offering, our Directors are of the opinion that we have sufficient working capital to meet our present and future financial requirements for at least 12 months from the date of this prospectus.

Net Current Liabilities

We recorded net current assets of RMB132.5 million as of December 31, 2012, and net current liabilities of RMB142.4 million, RMB140.5 million, RMB193.5 million and RMB262.9 million as of December 31, 2013 and 2014, June 30, 2015 and September 30, 2015, respectively. The following table sets forth the breakdown of our current assets and current liabilities as of June 30, 2015 and September 30, 2015.

	As of June 30, 2015	As of September 30, 2015
	(RMB'000)	(RMB'000) (unaudited)
Current assets		
Inventories	178,136	187,566
Trade and other receivables	74,714	87,326
Lease prepayments	18,163	11,237
Biological assets	6,640	7,506
Pledged bank deposits	—	13,780
Cash and bank balances	110,547	30,319
Total current assets	388,200	337,734
Current liabilities		
Trade and other payables	134,310	163,259
Borrowings - due within one year	447,391	437,391
Total current liabilities	581,701	600,650
Net current liabilities	(193,501)	(262,916)

We recorded net current liabilities as of December 31, 2013, December 31, 2014, June 30, 2015 and September 30, 2015 because establishing new dairy farms and expanding our existing farms require significant capital and there is typically a time lag between our investment of capital and the commencement of production and sales of raw milk at these new farms. During the Track Record Period, we have funded our liquidity and capital requirements primarily through capital contributions from our Shareholders, bank borrowings and cash generated from our operating activities. We are actively negotiating with several financial institutions for potential loan facilities. In July 2015, we obtained a letter of intent from the Agricultural Bank of China in which the Agricultural Bank of China expressed its intention to provide RMB200.0 million of credit facilities to support the operations of our dairy farms in the next two years. This letter of intent is subject to the Agricultural Bank of China's regular internal approval and its reconfirmation in the event that there are material changes to relevant national policies or our construction plan, investment plan or project ownership that could affect our ability to repay the loan as measured by the standards set by the Agricultural Bank of China. We expect to obtain the formal facilities from the Agricultural Bank of China by the end of 2015. We expect that our capital expenditures relating to our expansion plan will gradually decrease in the future as we complete the construction of infrastructure and the purchase of machinery, equipment and foundation cows for our expanding and new dairy farms. We intend to improve our net current liability position by (i) replacing more short-term borrowings with long-term banking facilities; (ii) utilizing cash flows from operating activities as more heifers in our dairy herd become milkable cows and start producing raw milk; (iii) managing our operations and expansions more efficiently; and (iv) receiving the proceeds from the Global Offering.

INDEBTEDNESS

As of September 30, 2015, the latest practicable date for the purpose of the indebtedness statement, we had a total indebtedness of RMB756.9 million. The following table sets forth the components, effective interest rates and other related information of our indebtedness as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2012	2013	2014	2015	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
By lender					
Bank borrowings	170,000	395,518	602,456	776,945	756,945
Debentures	20,000	20,000	—	—	—
Total	190,000	415,518	602,456	776,945	756,945
By maturity					
< 1 year	170,000	414,214	466,652	447,391	437,391
1-2 years	20,000	500	44,500	104,500	124,500
2-5 years	—	804	91,304	225,054	195,054
Total	190,000	415,518	602,456	776,945	756,945
By fixed/variable interest rate					
Fixed rate borrowings	140,000	333,714	170,000	265,891	275,891
Variable rate borrowings	50,000	81,804	432,456	511,054	481,054
Total	190,000	415,518	602,456	776,945	756,945
By security					
Unsecured	40,000	220,000	340,000	635,891	615,891
Guaranteed and unsecured	150,000	51,804	44,304	1,054	1,054
Secured	—	93,714	118,152	50,000	50,000
Guaranteed and secured	—	50,000	100,000	90,000	90,000
Total	190,000	415,518	602,456	776,945	756,945
Effective interest rates (per annum)					
Fixed rate borrowings	6.60-7.87%	2.60-7.87%	6.60-7.50%	3.31-7.50%	3.31-7.50%
Variable rate borrowings	6.60-7.87%	6.60-7.22%	6.60-8.61%	5.61-8.40%	5.33-8.00%

As of September 30, 2015, our unutilized banking facilities amounted to RMB339.0 million, of which RMB164.9 million may only be used for issuance of letters of credit in our import trading business and RMB174.1 million was unrestricted unutilized banking facilities. As of September 30, 2015, Mr. Zhang Jianshe, our Chairman and one of our Ultimate Controlling Shareholders, provided a guarantee for our bank loans in the aggregate amount of RMB90,000,000, which was also guaranteed by ZhongDi Seeds, a connected person controlled by our Controlling Shareholders. And such loans were also secured by certain dairy cows of the Group. All such guarantees provided by Mr. Zhang Jianshe and ZhongDi Seeds will be released upon the Listing through repayment of the relevant bank loans or consents from the banks. A bank loan of RMB1,054,000 was guaranteed by Beijing Agriculture Guaranty Co. Ltd. and a bank loan of RMB50,000,000 was secured by the lease prepayments and certain dairy cows of the Group.

Our bank borrowings contain customary covenants restricting certain corporate actions similar with comparable bank loans in the PRC, including restrictions on asset dispositions, acquisition, payment of dividends, change of control and incurrence of indebtedness. The restrictive covenants in our existing banking facilities only apply to our onshore subsidiaries and do not have any impact on the proposed Listing, but our ability to distribute dividends in the future may be limited by such restrictive covenants. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we have been in full compliance with or obtained written consent with respect of the relevant covenants and restrictions under the terms of the relevant bank borrowings.

Save as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as of September 30, 2015, being the latest practicable date for our indebtedness statement.

Our Directors confirm that, as of the Latest Practicable Date, there is no material change in our Company's indebtedness since September 30, 2015. Our Directors confirm that our Group did not have material defaults in payment of trade and non-trade payables and bank borrowings, and/or breaches of finance covenants during the Track Record Period.

COMMITMENTS AND CAPITAL EXPENDITURES

Capital Commitments

The following table sets forth details of our capital commitments as of the dates indicated, which were in relation to our acquisitions of property, plant and equipment.

	As of December 31,			As of June 30,	As of September 30,
	2012	**2013**	**2014**	**2015**	**2015**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**	**(RMB'000) (unaudited)**
Capital commitments					
Contracted but not provided for. .	107,278	288,632	464,563	358,618	303,221

Operating Lease Commitments

We lease the lands occupied by our dairy farms, import quarantine farms, crop farms and our headquarters under non-cancellable operating leases. The terms of such leases range from 2 to 20 years. Under the relevant operating leases, we are committed to make further minimum lease payments over the durations of such leases. The following table sets forth our future minimum lease payments as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2012	2013	2014	2015	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
Operating lease commitments					
Within one year	7,110	23,597	32,830	31,466	30,586
In the second to fifth year inclusive	25,100	90,523	129,317	120,639	119,018
Over five years	58,240	234,932	312,850	258,878	243,377
Total	90,450	349,052	474,997	410,983	392,981

Capital Expenditures

Our capital expenditures totaled RMB144.8 million, RMB446.4 million, RMB962.2 million and RMB342.6 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. Our capital expenditures during the Track Record Period primarily related to (i) construction and development of infrastructure and facilities at our expanded or newly developed dairy farms, (ii) purchases of machinery and equipment employed at our dairy farms and import quarantine farms, and (iii) acquisitions of biological assets, primarily including dairy cows imported as foundation cows for our dairy farms.

Following the completion of the Global Offering, we will continue to incur capital expenditures to grow our business. We expect our capital expenditures for property, plants and equipment to reach approximately RMB490 million and RMB360 million in 2015 and 2016, respectively. Our planned future capital expenditures in the foreseeable future primarily relate to construction and development of dairy farms. For more details about our expansion plans, please see the section headed "Business—Our Production Facilities—Expansion Plan" in this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

KEY FINANCIAL RATIOS

The following table sets forth our certain key financial ratios for the periods indicated or as of the dates indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2012	2013	2014	2015
Return on equity (1)	19.1%	14.6%	14.5%	2.9%
Return on assets (2)	10.8%	7.5%	8.4%	1.8%
Current ratio (3)	1.3	0.8	0.8	0.7
Quick ratio (4)	1.0	0.6	0.5	0.4
Gearing ratio (5)	40.1%	64.5%	41.4%	52.1%

(1) Calculated as profit from continuing operation for the period divided by the average of the opening and closing balance of total equity, then multiplied by 100%.

(2) Calculated as profit from continuing operations for the period divided by the average of the opening and closing balance of total assets, then multiplied by 100%.

(3) Calculated as current assets divided by current liabilities.

(4) Calculated as current assets less inventories divided by current liabilities.

(5) Calculated as total borrowings divided by total equity, then multiplied by 100%.

Our return on equity decreased from 19.1% in 2012 to 14.6% in 2013, while our return on assets followed a similar pattern by falling down from 10.8% in 2012 and 7.5% in 2013. The downward pressures on our return on equity and return on assets in 2013 can be primarily attributed to our investments to develop Ningxia Helan Farm (Phase I), the majority of which was incurred in 2013. In 2014, our return on equity and return on assets were 14.5% and 8.4%, respectively, primarily reflecting the steady increase in our profit from continuing operation as our business operations expand, and the increases in the ending balances of total equity and total assets which were primarily due to the Pre-IPO Investments of RMB640.0 million in 2014. In the first half of 2015, our return on equity and return on assets were 2.9% and 1.8%, respectively, primarily reflecting (i) a decrease in the profit from continuing operation due to the decrease in the number of imported dairy cows in relation to our importing trade business and (ii) the increase in the average balance of total equity and total assets in the first half of 2015 primarily due to the Pre-IPO Investments of RMB640.0 million in 2014.

Our current ratio decreased from 1.3 as of December 31, 2012 to 0.8 as of December 31, 2013, while our quick ratio followed a similar pattern by decreasing from 1.0 as of December 31, 2012 to 0.6 as of December 31, 2013, primarily reflecting increases in our current liabilities in connection with our expanding scale of operations. As of December 31, 2014, our current ratio remained at 0.8 while our quick ratio decreased slightly from 0.6 to 0.5, respectively, primarily reflecting the significant increase in our inventories due to the expansion of our dairy farming business. As of June 30, 2015, our current ratio and quick ratio were 0.7 and 0.4, respectively, primarily reflecting the continuing expansion of our dairy farming business.

Our gearing ratio rose from 40.1% as of December 31, 2012 to 64.5% as of December 31, 2013, primarily reflecting increases in our bank borrowings obtained to finance our expanding scale of operations. In 2014, our gearing ratio decreased to 41.4%, primarily due to the significant increase of our total equity, which was primarily attributable to the Pre-IPO Investments. Our gearing ratio reached 52.1% as of June 30, 2015 primarily as a result of an increase of RMB193.8 million long-term debt that we obtained in the first half of 2015 to finance the continuous expansion of our dairy farming business.

RELATED PARTY TRANSACTIONS

It is the view of our Directors that each of the related party transactions set out in Note 39 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus were conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties.

For outstanding balance with related parties as of December 31, 2014, please see section (c) of Note 39 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus. Except receivables and payables arising under continuing connected transactions as disclosed under the section headed "Connected Transactions" in this prospectus, all of our Group's non-trade receivables from and payables to the related parties will be fully settled before the Listing.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various types of market risks in the ordinary course of our business. The main risks arising from our financial instruments include credit risk, interest rate risk, foreign currency risk and liquidity risk. We manage our exposure to these risks through regular operating and financial activities. Our Board regularly reviews the risks and our financial risk management policy seeks to ensure that adequate resources are available to manage the market risks summarized below. For more details, please see Note 37 to Section A of the Accountants' Report of our Group set out in Appendix I to this prospectus.

Credit Risk

In order to minimize the credit risk, we have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is timely taken to recover overdue receivables. The carrying amounts of receivables presented in our consolidated statement of financial position are net of allowances for doubtful receivables, if any, based on estimates by our Group's management relying on prior experiences and assessment of the prevailing economic environment. We review the recoverable amount of each individual receivable at the end of each reporting period, to ensure that adequate impairments are made for any irrecoverable amounts.

The credit risk on liquid funds of our Group is limited because the counterparties are authorized banks in the PRC.

Interest Rate Risk

We are exposed to cash flow interest rate risk due to fluctuations in the prevailing market interest rates on our bank balances, pledged bank balances and bank borrowings which carry interest at variable interest rates. Our fair value interest rate risk relates primarily to other non-current liability and fixed-rate bank borrowings.

We currently do not have an interest rate hedging policy. However, our management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Foreign Currency Risk

Substantially all transactions of our dairy farming business are conducted in Renminbi. With respect to our import trading business that imports and sells cows, alfalfa hay, live poultry, breeding stock and other animal husbandry-related products, purchases of the imported goods are primarily made in U.S. dollars, exposing us to foreign currency risk. We were subject to foreign currency risk primarily on account of the movement of the exchange rates between RMB and USD during the Track Record Period.

We do not use any derivative contracts to hedge against our exposure to currency risk. We manage our currency risk by closely monitoring the movement of the foreign currency rates and may consider hedging significant foreign currency exposure should such need arise.

At the end of each reporting period, if the exchange rate had been strengthened in RMB against USD by 5% and all other variables were held constant, the Group's post-tax profit for each reporting period would increase as follow:

	Year ended December 31			Six months ended June 30
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
USD denominated monetary assets and monetary liabilities against RMB	1,226	562	1,953	276

For a 5% weakening of the RMB against USD, there would be an equal and opposite impact on the post-tax profit.

Liquidity Risk

We aim to maintain a balance between continuity of funding and flexibility through the combined use of bank borrowings, shareholders' capital injection and projected cash flows from our operations. We recorded net current liabilities of RMB142.4 million, RMB140.5 million, RMB193.5 million and RMB262.9 million as of December 31, 2013, December 31, 2014, June 30, 2015 and September 30, 2015. As of September 30, 2015, we had cash and cash equivalents of RMB30.3 million and available unutilized banking facilities of RMB339.0 million, respectively, of which RMB164.9 million may only be used for issuance of letters of credit in our import trading business and RMB174.1 million was unrestricted unutilized banking facilities.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

We have not declared any dividends during the Track Record Period. Our Board at its discretion may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. The payment of any dividends will also be subject to our articles of association, restrictions in our loan agreements, applicable laws and other relevant factors. Under our existing loan agreements with various banks in China, each of the relevant onshore subsidiary borrowers has agreed (i) to obtain the bank's consent if it plan to distribute its profits, or in some cases, the proposed dividend distribution is more than 30% of its net profit in the same year or more than 20% of its total undistributed profits, or (ii) not to declare dividend or make other distributions in the year that its net profit is zero or negative or insufficient to repay the next installment and interest of the loan. The restrictive covenants in our existing banking facilities only apply to our onshore subsidiaries and do not have any impact on the proposed Listing, but our ability to distribute dividends in the future may be limited by such restrictive covenants. Our ability to distribute dividends in the foreseeable future may also be affected by the fact that the Directors have determined that the undistributed profits of our PRC subsidiaries will not be distributed in the foreseeable future. We cannot guarantee whether, when and in what form dividends will be paid in the future. As of June 30, 2015, our distributable reserves were RMB620.8 million.

LISTING EXPENSES

During the Track Record Period, we incurred expenses in connection with the Global Offering amounting to approximately RMB17.0 million, of which RMB8.7 million and RMB8.3 million were expensed and accounted for as part of our other expenses for the year ended December 31, 2014 and the six months ended June 30, 2015, respectively. Between June 30, 2015 and completion of the Global Offering, we expect to incur additional listing expenses of approximately RMB41.1 million (based on an Offer Price of HK$1.25 per Offer Share, being the mid-point of the Offer Price range between HK$1.20 and HK$1.30 per Offer Share, and the assumption that the Over-allotment Option is not exercised), among which an estimated amount of RMB19.3 million will be recognized as other expenses and an estimated amount of RMB21.9 million will be recognized directly in equity.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of our Group which is based on the audited consolidated net assets of our Group attributable to owners of our Company as of June 30, 2015 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, adjusted as described below. It has been prepared in accordance with Rule 4.29 of the Listing Rules and for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of our Group attributable to owners of our Company had the Global Offering been completed on June 30, 2015 or at any future dates.

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as of June 30, 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	RMB'000(1)	RMB'000(2)	RMB'000	RMB(3)	HK$(4)
Based on an Offer Price of HK$1.20 per Offer Share	1,491,227	344,858	1,836,085	1.22	1.49
Based on an Offer Price of HK$1.30 per Offer Share	1,491,227	375,850	1,867,077	1.25	1.52

(1) The audited consolidated net tangible assets of our Group attributable to owners of our Company as of June 30, 2015 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to owners of our Company as of June 30, 2015 of RMB1,491,227,000.

(2) The estimated net proceeds from the Global Offering are based on indicative Offer Prices of HK$1.20 and HK$1.30 per Offer Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company (excluding those expenses which had been recognised in profit or loss in the periods up to June 30, 2015) and takes no account of any Shares that may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme. The estimated net proceeds from the Global Offering are converted to RMB at an exchange rate of HK$1 to RMB0.8213 as set out in the section headed "Information about this Prospectus and the Global Offering — Exchange Rate" in this prospectus. No representation is made that HK$ amount has been, could have been or may be converted to RMB, or vice versa, at that rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 1,498,856,000 Shares are in issue assuming that the Global Offering had been completed on June 30, 2015 but takes no account of any Preferred Shares or any effects of the automatic conversion feature of the Preferred Shares as set out in the section headed "History, Development and Reorganisation" in this prospectus. Had the conversion of the Preferred Shares been taken into account by adjusting the total number of shares were in issue upon completion of the Global Offering to 2,172,536,000 Shares, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per share would decrease to RMB0.85 (equivalent to HK$1.03) based on the Offer Price of HK$1.20 per Share and to RMB0.86 (equivalent to HK$1.05) based on the Offer Price of HK$1.30 per Share. The unaudited pro forma adjusted consolidated net tangible

assets of our Group also takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme. No dividend was paid to shareholders by our Group subsequent to the Track Record Period and up to the Latest Practicable Date.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted to HK$ at the rate of RMB0.8213 to HK$1 as set out in the section headed "Information about this Prospectus and the Global Offering — Exchange Rate" in this prospectus. No representation is made that the RMB has been, could have been or may be converted to HK$ amount, or vice versa, at that rate or at any other rates or at all.

Expected Significant Declines in Revenue and Profit for the Year Ending December 31, 2015 and Material Adverse Change Relating to Our Import Trading Business

Our Directors expect that our total revenue, gross profit before biological fair value adjustment for our import trading business and our profit for the year ending December 31, 2015 to be lower than that in the year ended December 31, 2014 primarily due to the following factors:

(i) The performance of our import trading business in the first half of 2015 was impacted by significant declines in raw milk prices in China since March 2014. Revenue from our import trading business decreased by 72.5% from RMB179.3 million in the first half of 2014 to RMB49.3 million in the first half of 2015 as the number of orders for dairy cows decreased significantly. Due to the lead time for delivery of imported cows, the 4,600 cows orders we received from our customers this year are only expected to be delivered by January 2016 with the revenue recognized in the same period. As such, we do not expect any further revenue from the import trading of cows in the second half of 2015. In light of this, we expect the revenue from our import trading business for the year ending December 31, 2015 to be substantially lower than that for the year ended December 31, 2014;

(ii) Based on our management account, our average milk yield in the third quarter of 2015 was lower than that in the first half of 2015 primarily because the average milk yield at certain of our dairy farms that commenced production in July and August 2015 was adversely affected by our expansion plan as it usually takes one or two months for our dairy cows to adapt to the new milking system and the new environment;

(iii) Based on our management account, the average selling price for our raw milk for the third quarter of 2015 was lower than that for the first half of 2015 primarily because certain quality indicators of the raw milk produced at certain of our newly expanded or developed dairy farms decreased slightly as it usually takes one or two months for our dairy cows to adapt to the new milking system and the new environment; and

(iv) The listing expenses to be incurred by our Company in the year ending December 31, 2015 are expected to be much higher than that in the year ended December 31, 2014.

As a result of the foregoing, our Directors expect that our financial performance for the year ending December 31, 2015 will be materially adversely affected.

Save as disclosed above, our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2015, the date of the latest audited consolidated financial statements of our Company, and there is no event since June 30, 2015 which would materially adversely affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

FUTURE PLANS

Please see the sections headed "Business — Our Strategies" and "Business — Our Production Facilities — Expansion Plan", respectively, for further details of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$438.7 million after deducting the underwriting fees and expenses payable as of June 30, 2015 by us in the Global Offering, assuming no Over-allotment Option is exercised and an Offer Price of HK$1.25 per Offer Share, being the mid-point of the indicative Offer Price range of HK$1.20 to HK$1.30 per Offer Share in this prospectus. We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

- approximately HK$197.4 million, or approximately 45% of the net proceeds, to finance the construction and purchase of property, plant and equipment needed for the implementation of our current expansion plans, including expanding three operating dairy farms and developing three new dairy farms (including converting one of our existing import quarantine farms into a dairy farm). For more details, please see the section headed "Business—Our Production Facilities—Expansion Plan" in this prospectus;

- approximately HK$197.4 million, or approximately 45% of the net proceeds, to (i) import quality heifers from Australia and New Zealand to populate our newly developed or expanded dairy farms, (ii) raise the foundation cows in our newly developed or expanded dairy farms until they reach the time of calving, and (iii) breed and raise our reproduced heifers for our newly developed or expanded dairy farms; and

- the remaining approximately HK$43.9 million, or approximately 10% of the net proceeds, to supplement our working capital and other general corporate purposes.

In the event that the Over-allotment Option is exercised in full and assuming an Offer Price of HK$1.25 per Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK$70.8 million. We intend to use the additional net proceeds for working capital and other general corporate purposes.

In the event that the Offer Price is set at HK$1.30 per Offer Share, being the high-end of the proposed Offer Price range, the net proceeds from the Global Offering will increase (i) by approximately HK$18.9 million, assuming the Over-allotment Option is not exercised, and (ii) by approximately HK$92.4 million, assuming the Over-allotment Option is exercised in full. We intend to apply the additional net proceeds for working capital and other general corporate purposes.

In the event that the Offer Price is set at HK$1.20 per Offer Share, being the low-end of the proposed Offer Price range, the net proceeds from the Global Offering will (i) decrease by approximately HK$18.9 million, assuming the Over-allotment Option is not exercised, and (ii) increase by approximately HK$49.1 million, assuming the Over-allotment Option is exercised in full. Under such circumstances, we intend to reduce the net proceeds for supplementing our working capital accordingly and other general corporate purposes.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions or held in other treasury instruments.

THE CORNERSTONE PLACING

We have entered into cornerstone placing agreements with the following investors (the "**Cornerstone Investors**", each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be purchased for an aggregate amount of US$25 million (approximately HK$193.75 million(1)) (the "**Cornerstone Placing**"). Based on the Offer Price of HK$1.20 (being the minimum price of the Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 161,460,000, representing approximately (i) 7.43% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 7.24% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised. Based on the Offer Price of HK$1.25 (being the mid-point of the Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 155,000,000, representing approximately (i) 7.13% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 6.95% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised. Based on the Offer Price of HK$1.30 (being the maximum price of the Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 149,040,000, representing approximately (i) 6.86% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 6.68% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Each of the Cornerstone Investors is an Independent Third Party and is not an existing Shareholder. In addition, each of the Cornerstone Investors is independent of each other, and makes independent investment decisions. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around December 1, 2015.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than pursuant to the respective cornerstone investment agreements). Immediately following completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial Shareholder (as defined under the Listing Rules). The Cornerstone Investors do not have any preferential rights compared with other public Shareholders in the respective cornerstone investment agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering nor by any exercise of the over-allotment option to be granted by the Company to the Sole Global Coordinator.

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(1): Calculated based on an exchange rate of US$1:HK$7.75014.

CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing:

Cornerstone Investor	Investment Amount	Indicative Offer Price(2)	Number of Shares to be subscribed for	Approximate percentage of the International Offer Shares	Approximate percentages of the Offer Shares	Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that Over-allotment Option is not exercised)	Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is exercised in full)
Hongkong Hengyuan Investment Limited	US$10 million (approximately HK$77.50 million(1))	HK$1.20 HK$1.25 HK$1.30	64,584,000 62,000,000 59,616,000	18.35 17.62 16.94	16.52 15.85 15.24	2.97 2.85 2.74	2.89 2.78 2.67
Beijing Fuguodatong Asset Management Co., Ltd. (北京富國大通資產管理有限公司)	US$10 million (approximately HK$77.50 million(1))	HK$1.20 HK$1.25 HK$1.30	64,584,000 62,000,000 59,616,000	18.35 17.62 16.94	16.52 15.85 15.24	2.97 2.85 2.74	2.89 2.78 2.67
ICH Gemini Asia Growth Fund Pte. Ltd.	US$5 million (approximately HK$38.75 million(1))	HK$1.20 HK$1.25 HK$1.30	32,292,000 31,000,000 29,808,000	9.18 8.81 8.47	8.26 7.93 7.62	1.49 1.43 1.37	1.45 1.39 1.34

Notes:

(1) Calculated based on the exchange rate of US$1: HK$7.75014.

(2) Being the minimum, mid-point and maximum of the indicative Offer Price range set out in this prospectus respectively.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Hongkong Hengyuan Investment Limited

Hongkong Hengyuan Investment Limited ("**Hengyuan Investment**") has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of US$10 million at the Offer Price. Hengyuan Investment is an investment holding company incorporated in Hong Kong and principally engaged in investment holding activities. The sole shareholder of Hengyuan Investment is Mr. CHANG Liang (常亮), a merchant.

Beijing Fuguodatong Asset Management Co., Ltd.

Beijing Fuguodatong Asset Management Co., Ltd. ("**Beijing Fuguodatong**") has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of US$10 million at the Offer Price. Beijing Fuguodatong is an asset management company established in the PRC and principally engaged in project investment, investment management, asset management, investment consultancy and fund sales. Beijing Fuguodatong is wholly-owned by Beijing Zhengrun Financial Holding Investment Group Company Limited (北京正潤金控投資集團有限公司), a limited liability company established in the PRC which is in turn owned as to approximately 77% by Juyike Investment Company Limited (聚益科投資有限責任公司) (a wholly-owned subsidiary of Jufengke Investment Company Limited (聚豐科投資有限責任公司)).

ICH Gemini Asia Growth Fund Pte. Ltd.

ICH Gemini Asia Growth Fund Pte. Ltd. ("**ICH**") has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of US$5 million at the Offer Price. ICH is an investment holding company incorporated in Singapore and principally engaged in investment holding activities. Newyard Worldwide Holdings Ltd ("**Newyard**") holds 40% of the issued ordinary shares of ICH and approximately 68.27% of the issued preference shares of ICH. Newyard is a company incorporated in the British Virgin Islands which is in turn wholly-owned by Mr. Ren Yuanlin (任遠林), a merchant.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(1) the Underwriting Agreements being entered into by, inter alia, the Company and the Sole Global Coordinator and having become unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the relevant parties) by no later than the time and date as specified therein or as subsequently waived or varied by agreement of the parties thereto;

(2) no Laws (as defined in the relevant cornerstone investment agreement) shall have been enacted or promulgated by any Governmental Authority (as defined in the relevant cornerstone investment agreement) which prohibit the consummation of the Closing (as defined in the relevant cornerstone investment agreement), and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the Closing;

(3) that the respective representations, warranties, undertakings and acknowledgements of the Cornerstone Investors in the respective cornerstone agreements are accurate and true in all respects and not misleading and that there is no material breach of this Agreement on the part of the Investor; and

(4) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of the dealings in the Shares on the Stock Exchange.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and the Sole Global Coordinator, it will not, and will procure that the Investor Subsidiary (as defined in the relevant cornerstone investment agreement) will not, at any time during the period of six months following the Listing Date, whether directly or indirectly, dispose of any of the Shares or securities of our Company derived therefrom (or any interest in any company or entity holding any of the Shares if as a result of that disposal, such company or entity would cease to be a subsidiary unless such company or entity first transfers such shares back to the relevant Cornerstone Investor or another subsidiary).

Each Cornerstone Investor may transfer the Shares so subscribed in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that such wholly-owned subsidiary undertakes in writing, and such Cornerstone Investor undertakes in writing to procure, that such wholly-owned subsidiary agrees to be subject to the restrictions on disposals imposed on the Cornerstone Investor.

HONG KONG UNDERWRITERS

Sole Global Coordinator

Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司)

Joint Bookrunners and Joint Lead Managers

Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司)
China Merchants Securities (HK) Co., Limited

Co-lead Manager

Convoy Investment Services Limited

UNDERWRITING AGREEMENT AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement dated November 19, 2015 and entered into among us, the Sole Global Coordinator and the Hong Kong Underwriters, we are offering initially 39,108,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and/or options granted or to be granted under the Post-IPO Share Option Scheme and certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement, for the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering.

Grounds for Termination

A. The Sole Global Coordinator for itself and on behalf of the Hong Kong Underwriters may terminate the Hong Kong Underwriting Agreement with immediate effect, upon giving written notice to our Company, if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, Hong Kong, the United States, the PRC, or any member of the European Union (collectively, the "**Relevant Jurisdictions**" and each, a "**Relevant Jurisdiction**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of our Company or generally on the Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of our Company listed or quoted on a stock exchange or an over-the-counter market; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, the Cayman Islands, New York (imposed at Federal or New York State level or other competent authority), London, or the European Union (or any member thereof), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(vi) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any Relevant Jurisdictions; or

(vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States, United Nations or the European Union on Hong Kong or the PRC; or

(viii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdictions; or

(ix) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(x) any executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xi) the Chairman of the Board and/or Chief Executive Officer of our Company vacating their offices; or

(xii) an authority in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any executive Director; or

(xiii) a contravention by any member of our Group of the Listing Rules or applicable laws; or

(xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xvi) an order or petition for the winding-up of any member of our Group or any composition or arrangement made by any member of our Group with our creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), (1) has or will have or is likely to have a material adverse effect on the assets, liabilities, business, management, prospects, shareholders' equity, results of operations, or financial or trading position or condition of our Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Global Coordinator:

(i) that any statement contained in any of this prospectus, the Application Forms, and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms and/or in any notices or announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement (other than upon any of the Hong Kong Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of any of the indemnifying parties as set out in the Hong Kong Underwriting Agreement; or

(v) any contravention by any member of our Group of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law or any of the Listing Rules which has resulted in or would result in a Material Adverse Effect (as defined below); or

(vi) a material contravention by any member of our Group of, or non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with, the Listing Rules or applicable laws; or

(vii) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, business, management, prospects, shareholders' equity, results of operations, financial or trading position or condition of our Group ("**Material Adverse Effect**"); or

(viii) any material breach of, or any event or circumstance rendering untrue or incorrect in any material respect, any of the representations, warranties, agreements and undertakings of our Company and the Controlling Shareholders set out in the Hong Kong Underwriting Agreement; or

(ix) a significant portion of the orders in the bookbuilding process at the time of the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled and as a result of which it is therefore inadvisable, inexpedient or impracticable to proceed with the Global Offering; or

(x) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(xi) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(xii) any person (other than the Sole Global Coordinator or the Sole Sponsor) has withdrawn or subject to withdraw its consent to being named in this prospectus or to the issue of either this prospectus, the formal notice of our Company and/or the Application Forms with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be).

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertaking by Us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within such period), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that except pursuant to the Global Offering and the Over-allotment Option, he or it shall not and shall procure that the relevant registered holder(s) shall not:

- in the period commencing from the Latest Practicable Date and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which he or it is shown in this prospectus to be the beneficial owner(s); or

- in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company referred to in the preceding paragraph if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, all of them as a group would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has further undertaken to each of our Company and the Stock Exchange that, within the period commencing on the Latest Practicable Date and ending on the date which is 12 months from the Listing Date, he or it will:

- when he or it pledges or charges any Shares or other securities of our Company beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and
- when he or it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities will be disposed of, immediately inform us of any such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement as soon as possible.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertaking by Us

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Sole Global Coordinator and the Hong Kong Underwriters not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option, the Reorganization and the conversion of the existing Preferred Shares in the share capital of our Company into Shares as disclosed in this prospectus), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other equity securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or such other equity securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each Controlling Shareholder undertakes to each of the Sole Global Coordinator and the Hong Kong Underwriters to use its best endeavors to procure our Company to comply with the above undertakings.

Undertaking by Controlling Shareholders

Each of the Controlling Shareholders has undertaken to our Company, the Sole Global Coordinator and the Hong Kong Underwriters that, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (including without limitation Note (2) to Rule 10.07 of the Listing Rules):

(a) he or it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (a)(i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(b) he or it will not, during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it together with the other Controlling Shareholders as a group will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six-Month Period, in the event that he or it enters into any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, he or it will take all reasonable steps to ensure that he or it will not create a disorderly or false market in the securities of our Company.

HONG KONG UNDERWRITERS' INTEREST IN OUR COMPANY

Other than their obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters are interested, legally or beneficially, directly or indirectly, in any Shares or other securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or other securities in our Company or any other member of our Group. Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

INDEMNITY

We and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by any of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters, among other parties. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offering.

Over-allotment Option

Under the International Underwriting Agreement, it is expected that we will grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, in whole or in part at one or more times, at any time from the Listing Date until the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 58,658,000 additional Shares, representing in aggregate not more than approximately 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price to cover, among other things, over-allocations, if any, in the International Offering.

Indemnity

We and the Controlling Shareholders have agreed to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

UNDERWRITING COMMISSION AND LISTING EXPENSES

The Underwriters will receive an underwriting commission per Offer Share of 3.0% of the Offer Price from our Company (including Offer Shares sold pursuant to the Over-allotment Option). Our Company may, at our discretion, pay the Sole Global Coordinator an incentive fee of up to 0.5% of the Offer Price per Offer Share. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters).

The aggregate commission and fees, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, which are currently estimated to be approximately RMB58.2 million in aggregate (based on an Offer Price of HK$1.25 per Share, being the mid-point of the Offer Price range of between HK$1.20 and HK$1.30 per Share, and the assumption that the Over-allotment Option is not exercised) is to be borne by us.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of 39,108,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the subsection headed "— The Hong Kong Public Offering"; and
- the International Offering of initially 351,948,000 Offer Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States in offshore transactions in accordance with Regulation S or another available exemption from registration requirement of the U.S. Securities Act, as described below in the subsection headed "— The International Offering".

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or
- apply for or indicate an interest for the International Offer Shares under the International Offering,

but may not do both.

The 391,056,000 Offer Shares in the Global Offering will represent approximately 18% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 20.2% of our enlarged issued share capital immediately following the completion of the Global Offering.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

We are initially offering 39,108,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth below in the subsection headed "— Conditions of the Global Offering".

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and

- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 19,554,000 Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. In accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 to the Listing Rules, if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Hong Kong Offer Shares will be increased to 117,324,000 Offer Shares (in the case of (i)), 156,432,000 Offer Shares (in the case of (ii)) and 195,540,000 Offer Shares (in the case of (iii)), representing approximately 30.0%, 40.0% and 50.0% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), respectively.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator shall have the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, regardless of whether any reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules is triggered.

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.30 per Hong Kong Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share amounting to a total of HK$2,626.20 for one board lot of 2,000 Shares. If the Offer Price, as finally determined in the manner described in the subsection "— Pricing and Allocation", is less than the maximum price of HK$1.30 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For more details, see the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 351,948,000 Offer Shares, representing approximately 90% of the Offer Shares under the Global Offering and approximately 16.2% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizable demand for our Offer Share. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and our Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the subsection "— The Hong Kong Public Offering — Reallocation" or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time during the 30 day period from the last date for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to 15% of the total number of the Offer Shares initially available under the Global Offering at the Offer Price under the International Offering to cover, among other things, over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 2.70% of our issued share capital immediately following the completion of the Global Offering before the issue of such additional Shares. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any persons acting for it, to conduct any such stabilizing action. Such stabilizing action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilizing Manager may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time period for which the Stabilizing Manager will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on Friday, December 25, 2015, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

Stock Borrowing Agreement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 58,658,000 Shares from YeGu Investment pursuant to a stock borrowing agreement which is expected to be entered into between the Stabilizing Manager and YeGu Investment. The stock borrowing arrangements under the stock borrowing agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us and the Sole Global Coordinator on behalf of the Underwriters, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Wednesday, November 25, 2015 (Hong Kong time), and in any event, not later than Monday, November 30, 2015 (Hong Kong time). Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Offer Price will not be more than HK$1.30 and is expected to be not less than HK$1.20, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum offer price of HK$1.30 per Offer Share, plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee. This means that for one board lot of 2,000 Shares, you should pay HK$2,626.20 at the time of your application.

If the Offer Price, as finally determined in the manner described below, is lower than HK$1.30, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see "How to Apply for the Hong Kong Offer Shares".

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator, on behalf of the Underwriters may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in The Standard (in English), Hong Kong Economic Journal (in Chinese) of the reduction and posted on the website of the Stock Exchange (www.hkexnews.hk) and on our website (www.zhongdidairy.hk) (the contents of the website do not form a part of this prospectus).

Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised offer price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in the section "Summary", and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator (on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

The Offer Price, an indication of the level of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section headed "How to Apply for the Hong Kong Offer Shares — Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue (including Shares to be issued pursuant to the exercise of the Over-allotment Option and any Options which may be granted pursuant to the Post-IPO Share Option Scheme);
- the Offer Price being duly determined;
- the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Monday, November 30, 2015. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before Monday, November 30, 2015, the Global Offering will not proceed and will lapse. The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in The Standard (in English), Hong Kong Economic Journal (in Chinese) and on the website of the Stock Exchange (www.hkexnews.hk) and on our website (www.zhongdidairy.hk) on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set forth in the section headed "How to Apply for the Hong Kong Offer Shares — Despatch/Collection of Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, December 2, 2015, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, December 2, 2015.

The Shares will be traded in board lots of 2,000 Shares each and the stock code of the Shares will be 1492.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the designated website of the **White Form eIPO** Service Provider (www.eipo.com.hk), referred herein as the **"White Form eIPO"**; or
- give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

None of you or your joint applicant(s) may make more than one application (whether individually or jointly), except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S under the U.S. Securities Act);
- are outside the United States and will be acquiring the Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply online through the **White Form eIPO** Service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** for the Hong Kong Offer Shares.

We, the Sole Global Coordinator or the designated **White Form eIPO** Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any our subsidiaries;
- are a director or chief executive officer of our Company and/or any of our subsidiaries;
- are a core connected person (as defined in the Listing Rules) of our Company (or our subsidiaries) or will become a core connected person (as defined in the Listing Rules) of our Company (or our subsidiaries) immediately upon completion of the Global Offering;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, November 20, 2015 until 12:00 noon on Wednesday, November 25, 2015 from:

- any of the following office of Hong Kong Underwriters:

  (i) **Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司)**
  46/F, International Commerce Centre
  1 Austin Road West
  Kowloon
  Hong Kong

(ii) **China Merchants Securities (HK) Co., Limited**
48/F, One Exchange Square
No. 8 Connaught Place
Central
Hong Kong

(iii) **Convoy Investment Services Limited**
24C, @Convoy
169 Electric Road
North Point
Hong Kong

- any of the following branches of the receiving banks for the Hong Kong Public Offering:

(i) **Bank of Communications Co., Ltd. Hong Kong Branch**

District	Branch name	Branch address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Kennedy Town Sub-Branch	G/F., 113-119 Belcher's Street, Kennedy Town
Kowloon	Mongkok Sub-Branch	Shops A & B, G/F., Hua Chiao Commercial Centre, 678 Nathan Road
	Ngau Tau Kok Sub-Branch	Shop G1 & G2, G/F., Phase I, Amoy Plaza, 77 Ngau Tau Kok Road

(ii) **Wing Lung Bank Limited**

District	Branch name	Branch address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	Aberdeen Branch	201 Aberdeen Main Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
	To Kwa Wan Branch	64 To Kwa Wan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, November 20, 2015 until 12:00 noon on Wednesday, November 25, 2015 from:

- The Depository Counter of HKSCC at 1/F One and Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or

- Your stockbroker, who may have such Application Forms and this prospectus available.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — China Zhongdi Public Offer" for the payment, should be securely stapled and deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, November 20, 2015 — 9:00 a.m. to 5:00 p.m.
- Saturday, November 21, 2015 — 9:00 a.m. to 1:00 p.m.
- Monday, November 23, 2015 — 9:00 a.m. to 5:00 p.m.
- Tuesday, November 24, 2015 — 9:00 a.m. to 5:00 p.m.
- Wednesday, November 25, 2015 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, November 25, 2015 the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** Service Provider, among other things, you:

- undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form(s) and agree to be bound by them;
- confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- agree to disclose to our Company, our Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form(s);
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application will be governed by the laws of Hong Kong;
- represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- warrant that the information you have provided is true and accurate;
- agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfill the criteria mentioned in "Personal Collection" section in this prospectus to collect share certificate(s) and/or refund cheque(s);
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **White Form eIPO** Service by you or by any one as your agent or by any other person; and

- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO

General

Individuals who meet the criteria in "2. Who can apply" may apply by filling out the **White Form eIPO** for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application by filling out the **White Form eIPO** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO**.

Time for Submitting Applications under the White Form eIPO

You may submit your application through the **White Form eIPO** Service at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, November 20, 2015 until 11:30 a.m. on Wednesday, November 25, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, November 25, 2015 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of the **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the White Form eIPO more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application by filling out the **White Form eIPO** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2.00 per each "China ZhongDi Dairy Holdings Company Limited" **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of "Source of DongJiang - Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F One and Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HKSCC Nominees will do the following things on your behalf:

(a) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

(b) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

(c) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

(d) (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

(e) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

(f) confirm that you understand that our Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

(g) authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

(h) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(i) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

(j) agree that none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

(k) agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Underwriters and/or their respective advisers and agents;

(l) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

(m) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

(n) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

(o) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

(p) agree with our Company, for ourself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association; and

(q) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your

designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, November 20, 2015 — 9:00 a.m. to 8:30 p.m.[(1)]
- Monday, November 23, 2015 — 8:00 a.m. to 8:30 p.m.[(1)]
- Tuesday, November 24, 2015 — 8:00 a.m. to 8:30 p.m.[(1)]
- Wednesday, November 25, 2015 — 8:00 a.m.[(1)] to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, November 20, 2015 until 12:00 noon on Wednesday, November 25, 2015 (24 hours daily, except on Saturday, November 21, 2015 and the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, November 25, 2015 the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares by filling out the **White Form eIPO** is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying by filling out the **White Form eIPO** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, November 25, 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or by filling out the **White Form eIPO**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or by filling out the **White Form eIPO** in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For more details on the Offer Price, see the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, November 25, 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, November 25, 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, December 1, 2015 on the Company's website at www.zhongdidairy.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.zhongdidairy.hk and the Stock Exchange's website at www.hkexnews.hk by no later than Tuesday, December 1, 2015;
- from the designated results of allocations website at www.iporesults.com.hk with a "search by ID" function on a 24-hour basis from 8:00 a.m., Tuesday, December 1, 2015 to 12:00 midnight, Monday, December 7, 2015;
- by telephone enquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, December 1, 2015 to Friday, December 4, 2015;
- in the special allocation results booklets which will be available for inspection during opening hours on Tuesday, December 1, 2015 and Thursday, December 3, 2015 at all the designated receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For more details, see the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) if your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** are not completed in accordance with the instructions, terms and conditions on the designated website;

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.30 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, December 1, 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

- No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form;
- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Tuesday, December 1, 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m., on Wednesday, December 2, 2015 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/ or share certificate(s) from the Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, December 1, 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, December 1, 2015, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, December 1, 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, December 1, 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 1, 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply by filling out the White Form eIPO*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, December 1, 2015 or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, December 1, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, December 1, 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, December 1, 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 1, 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, December 1, 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on 5:00 p.m. on Tuesday, December 1, 2015.

15. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, December 2, 2015.

The Shares will be traded in board lots of 2,000 each. The stock code of the Shares is 1492.

16. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from Deloitte Touche Tohmatsu on the Group for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

20 November 2015

The Directors
China ZhongDi Dairy Holdings Company Limited
Morgan Stanley Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to China ZhongDi Dairy Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 (the "Track Record Periods"), for inclusion in the prospectus of the Company dated 20 November 2015 in connection with the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Prospectus").

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 24 April 2014. Pursuant to a group reorganisation as explained in the Section headed "History, Development and Reorganisation" to the Prospectus (the "Group Reorganisation"), the Company became the holding company of the companies comprising the Group on 8 July 2014.

At the date of this report, the Company has interests in the following subsidiaries:

Name of subsidiary	Place and date of establishment/ incorporation	Issued and fully paid share capital/registered capital at the date of this report	Attributable equity interest held by the Company as at 31 December 2012	31 December 2013	31 December 2014	30 June 2015	Date of this report	Principal activities during the Track Record Periods
China ZhongDi Dairy Investment (HK) Company Limited (中國中地乳業投資(香港)有限公司) ("ZhongDi Hong Kong") *(note a)* .	Hong Kong 9 May 2014	Hong Kong dollar ("HKD") 10,000	N/A	N/A	100	100	100	Investment holding
Kaixin Peak Ring Holding (HK) Limited (開信平潤控股(香港)有限公司) ("Kaixin Peak Ring") *(note a and d)*	Hong Kong 30 May 2012	HKD1	—	—	100	100	100	Investment holding

Name of subsidiary	Place and date of establishment/ incorporation	Issued and fully paid share capital/registered capital at the date of this report	Attributable equity interest held by the Company as at 31 December 2012	31 December 2013	31 December 2014	30 June 2015	Date of this report	Principal activities during the Track Record Periods
Beijing ZhongDi Stud Livestock Co., Ltd.# (北京中地種畜有限公司) ("ZhongDi Beijing") *(note b)* . . .	Beijing, the People's Republic of China (the "PRC") 4 June 2004	Renminbi ("RMB") 700,000,000	100	100	100	100	100	Import and sale of cows
Beijing ZhongDi Livestock Technology Co., Ltd.# (北京中地畜牧科技有限公司) ("ZhongDi Technology") *(note b)* .	Beijing, the PRC 16 December 2003	RMB31,000,000	100	100	100	100	100	Dairy farming operation
Shangdu ZhongDi Farming Co., Ltd.# (商都中地生態牧場有限公司) ("ZhongDi Shangdu") *(note b)*. . .	Inner Mongolia, the PRC 24 January 2003	RMB30,000,000	100	100	100	100	100	Dairy farming operation
Kuandian ZhongDi Farming Co., Ltd.# (寬甸中地生態牧場有限公司) ("ZhongDi Kuandian") *(note b)* . .	Liaoning, the PRC 31 October 2002	RMB12,000,000	100	100	100	100	100	Dairy farming operation
Helan ZhongDi Farming Co., Ltd.# (賀蘭中地生態牧場有限公司) ("ZhongDi Helan") *(note b)*	Ningxia, the PRC 23 September 2011	RMB30,000,000	100	100	100	100	100	Dairy farming operation
Beijing ZhongDi Meijia Breeding Hogs Co., Ltd.# (北京中地美加種豬有限公司) ("ZhongDi Meijia") *(notes b and c)*.	Beijing, the PRC 12 April 2005	RMB4,000,000	100	100	—	—	—	Hogs production
Langfang ZhongDi Farming Co., Ltd.# (廊坊中地生態牧場有限公司) ("ZhongDi Langfang") *(note b)* . .	Hebei, the PRC 13 December 2012	RMB30,000,000	100	100	100	100	100	Dairy farming operation
Tianzhen ZhongDi Farming Co., Ltd.# (天鎮中地生態牧場有限公司) ("ZhongDi Tianzhen") *(note b)* . .	Shanxi, the PRC 16 October 2013	RMB30,000,000	N/A	100	100	100	100	Dairy farming operation

Name of subsidiary	Place and date of establishment/ incorporation	Issued and fully paid share capital/registered capital at the date of this report	Attributable equity interest held by the Company as at 31 December 2012	2013	2014	30 June 2015	Date of this report	Principal activities during the Track Record Periods
Beijing ZhongDi Breeding Dairy Cows Research Co., Ltd.# (北京中地奶牛養殖育種技術 研究有限公司) ("ZhongDi Research") *(note b)* . .	Beijing, the PRC 12 December 2012	RMB5,000,000	100	100	100	100	100	Inactive
Luannan Hua Yuan Livestock Co., Ltd.# (灤南華元畜牧養殖有限公司) ("Luannan Hua Yuan") *(notes b and e)*	Hebei, the PRC 30 April 2009	RMB 3,000,000	—	—	100	100	100	Dairy farming operation
Zhangye ZhongDi Farming Co., Ltd.# (張掖中地生態牧場有限公司) ("ZhongDi Zhangye") *(note b)*. . .	Gansu, the PRC 26 February 2014	RMB30,000,000	N/A	N/A	100	100	100	Inactive
Lhasa ZhongDi Farming Co., Ltd.# (拉薩中地生態牧場有限公司) ("ZhongDi Lhasa") *(note b and g)*	Tibet, the PRC 12 March 2014	RMB10,000,000	N/A	N/A	51	51	—	Inactive
Beijing ZhongDi Agriculture Development Co., Ltd.# (北京中地農業發展有限公司) ("ZhongDi Development") *(note f)*.	Beijing, the PRC 21 April 2014	—	N/A	N/A	—	—	—	Inactive

The English name is for identification purpose only.

ZhongDi Hong Kong was a direct subsidiary of the Company and other subsidiaries are indirect subsidiaries of the Company.

The Company and its subsidiaries have adopted 31 December as their financial year end date.

No statutory financial statements have been prepared for the Company since its incorporation as there is no statutory requirement for the Company to issue audited financial statements under the Companies Law of the Cayman Islands.

Note a No statutory financial statements have been prepared for ZhongDi Hong Kong and Kaixin Peak Ring since their respective dates of incorporation as ZhongDi Hong Kong and Kaixin Peak Ring have not commenced any trade or business.

Note b The statutory financial statements of ZhongDi Beijing, ZhongDi Technology, ZhongDi Shangdu, ZhongDi Kuandian, ZhongDi Helan, ZhongDi Meijia, ZhongDi Langfang, ZhongDi Tianzhen, ZhongDi Research, Luannan Hua Yuan, ZhongDi Zhangye and ZhongDi Lhasa were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC ("PRC GAAP"). No statutory financial statments of ZhongDi Research and ZhongDi Lhasa for the year ended 31 December 2014 have been prepared.

They were audited by the following firms of certified public accountants registered in the PRC:

Name of subsidiary	**Periods covered**	**Certified Public Accountants**
ZhongDi Beijing	31 December 2012 and 2013	China Audit Asia Pacific Certified Public Accountants LLP (中審亞太會計師事務所(特殊普通合夥))*
	31 December 2014	Beijing Annuo Certified Public Accountants GP (北京安諾會計師事務所(普通合夥))
ZhongDi Technology	31 December 2012 and 2013	China Audit Asia Pacific Certified Public Accountants LLP (中審亞太會計師事務所(特殊普通合夥))*
	31 December 2014	Beijing Annuo Certified Public Accountants GP (北京安諾會計師事務所(普通合夥))
ZhongDi Shangdu	31 December 2012 and 2013	China Audit Asia Pacific Certified Public Accountants LLP (中審亞太會計師事務所(特殊普通合夥))*
	31 December 2014	Beijing Annuo Certified Public Accountants GP (北京安諾會計師事務所(普通合夥))
ZhongDi Kuandian	31 December 2012 and 2013	China Audit Asia Pacific Certified Public Accountants LLP (中審亞太會計師事務所(特殊普通合夥))*
	31 December 2014	Beijing Annuo Certified Public Accountants GP (北京安諾會計師事務所(普通合夥))
ZhongDi Helan	31 December 2012 and 2013	China Audit Asia Pacific Certified Public Accountants LLP (中審亞太會計師事務所(特殊普通合夥))*
	31 December 2014	Beijing Annuo Certified Public Accountants GP (北京安諾會計師事務所(普通合夥))
ZhongDi Meijia	31 December 2012 and 2013	China Audit Asia Pacific Certified Public Accountants LLP (中審亞太會計師事務所(特殊普通合夥))*
ZhongDi Langfang	31 December 2012 and 2013	China Audit Asia Pacific Certified Public Accountants LLP (中審亞太會計師事務所(特殊普通合夥))*
	31 December 2014	Beijing Annuo Certified Public Accountants GP (北京安諾會計師事務所(普通合夥))

Name of subsidiary	Periods covered	Certified Public Accountants
ZhongDi Tianzhen	31 December 2013	China Audit Asia Pacific Certified Public Accountants LLP (中審亞太會計師事務所(特殊普通合夥))*
	31 December 2014	Beijing Annuo Certified Public Accountants GP (北京安諾會計師事務所(普通合夥))
ZhongDi Research	31 December 2012 and 2013	China Audit Asia Pacific Certified Public Accountants LLP (中審亞太會計師事務所(特殊普通合夥))*
Luannan Hua Yuan.	31 December 2014	Beijing Annuo Certified Public Accountants GP (北京安諾會計師事務所(普通合夥))
ZhongDi Zhangye	31 December 2014	Beijing Annuo Certified Public Accountants GP (北京安諾會計師事務所(普通合夥))

* China Audit Asia Pacific Certified Public Accountants LLP (中審亞太會計師事務所(特殊普通合夥)) is previously known as China Audit Asia Pacific Certified Public Accountants Co., Ltd. (中審亞太會計師事務所有限公司).

Note c In August 2014, ZhongDi Meijia was disposed of to Beijing Urban Construction Engineering Company Limited (北京城股建設工程有限公司) ("Urban Construction") (note 15 to Section A).

Note d Kaixin Peak Ring was a shareholder of ZhongDi Beijing before the Group Reorganisation and became a subsidiary of ZhongDi Hong Kong in July 2014 through a share swap transaction with a shareholder of the Company. Kaixin Peak Ring has not carried out any business other than investment holding of ZhongDiBeijing during the Track Record Periods.

Note e In January 2014, the Group acquired 100% equity interests in Luannan Hua Yuan from independent third parties. At the time of acquisition, Luannan Hua Yuan had ceased operation but owned an import quarantine farm. The acquisition is accounted for as an acquisition of quarantine farming assets (note 40 to Section A).

Note f ZhongDi Development has not carried out any business since its establishment. In September 2014, the Group's equity interests in ZhongDi Development were transferred to ZhongDi Genetics & Seeds Co., Ltd. (中地種業(集團)有限公司) ("ZhongDi Seeds"), a company controlled by Mr. Zhang Jianshe, the executive director and a substantial shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the Company, at nil consideration, being its net asset value upon transfer. The registered capital of ZhongDi Development has not been paid up before it was transferred to ZhongDi Seeds.

Note g ZhongDi Lhasa has not carried out any business since its establishment. The Group and the other shareholder holding 49% equity interests determined to wind up ZhongDi Lhasa and therefore the Group and the other shareholder respectively withdrew their capital contribution during the six months ended 30 June 2015. The deregistration was completed on 9 November 2015.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group for the Track Record Periods in accordance with the accounting policies that are in conformity with International Financial Reporting Standards ("IFRSs") (the "Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Periods as set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation as set out in note 2 to Section A. No adjustment was considered necessary to the Underlying Financial Statements in preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the Directors who approved their issue. The Directors are also responsible for the contents of the Prospectus in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation as set out in note 2 to Section A, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 December 2012, 2013 and 2014 and 30 June 2015 and of the Company as at 31 December 2014 and 30 June 2015, and of the financial performance and consolidated cash flows of the Group for the Track Record Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the six months ended 30 June 2014 together with the notes thereon have been extracted from the Group's unaudited consolidated financial information for the same period (the "30 June 2014 Financial Information") which was prepared by the Directors solely for the purpose of this report. We have reviewed the 30 June 2014 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 30 June 2014 Financial Information consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 June 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

A. FINANCIAL INFORMAITION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December									Six months ended 30 June					
		2012			2013			2014			2014			2015		
	NOTES	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000	RMB'000	RMB'000
Continuing operations																
Revenue	6	406,879	—	406,879	309,060	—	309,060	721,555	—	721,555	332,782	—	332,782	229,849	—	229,849
Cost of sales	8	(316,851)	(77,955)	(394,806)	(214,906)	(85,209)	(300,115)	(532,746)	(177,668)	(710,414)	(249,732)	(79,558)	(329,290)	(142,108)	(81,149)	(223,257)
Gross profit		90,028	(77,955)	12,073	94,154	(85,209)	8,945	188,809	(177,668)	11,141	83,050	(79,558)	3,492	87,741	(81,149)	6,592
Gains arising from changes in fair value less costs to sell of biological assets		—	19,301	19,301	—	31,868	31,868	—	110,959	110,959	—	23,550	23,550	—	5,008	5,008
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest		—	62,591	62,591	—	61,164	61,164	—	115,699	115,699	—	67,332	67,332	—	76,209	76,209
Other income	9	8,839	—	8,839	14,556	—	14,556	20,112	—	20,112	14,062	—	14,062	9,284	—	9,284
Other gains and losses	10	(455)	—	(455)	524	—	524	(2,787)	—	(2,787)	(386)	—	(386)	(1,509)	—	(1,509)
Distribution costs		(6,748)	—	(6,748)	(6,905)	—	(6,905)	(11,952)	—	(11,952)	(5,050)	—	(5,050)	(9,133)	—	(9,133)
Administration expenses		(16,835)	—	(16,835)	(21,964)	—	(21,964)	(39,328)	—	(39,328)	(18,082)	—	(18,082)	(21,327)	—	(21,327)
Other expenses	11	(143)	—	(143)	(172)	—	(172)	(9,752)	—	(9,752)	(1,359)	—	(1,359)	(8,369)	—	(8,369)
Profit before change in fair value of convertible preferred shares, finance costs and tax from continuing operations	12	74,686	3,937	78,623	80,193	7,823	88,016	145,102	48,990	194,092	72,235	11,324	83,559	56,687	68	56,755
Change in fair value of convertible preferred shares	31	—	—	—	—	—	—	(13,474)	—	(13,474)	—	—	—	—	—	—
Finance costs	13	(7,456)	—	(7,456)	(6,485)	—	(6,485)	(28,307)	—	(28,307)	(13,524)	—	(13,524)	(14,241)	—	(14,241)
Profit before tax from continuing operations		67,230	3,937	71,167	73,708	7,823	81,531	103,321	48,990	152,311	58,711	11,324	70,035	42,446	68	42,514
Income tax expenses	14	—	—	—	—	—	—	(15)	—	(15)	(15)	—	(15)	—	—	—
Profit for the year/period from continuing operations		67,230	3,937	71,167	73,708	7,823	81,531	103,306	48,990	152,296	58,696	11,324	70,020	42,446	68	42,514

	NOTES	Year ended 31 December									Six months ended 30 June					
		2012			2013			2014			2014			2015		
		Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total	Results before biological fair value adjustments	Biological fair value adjustments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000	RMB'000	RMB'000
Discontinued operation																
Profit (loss) for the year/period from discontinued operation	15	148	(672)	(524)	(511)	(226)	(737)	(1,836)	(2,112)	(3,948)	(1,836)	(2,112)	(3,948)	—	—	—
Profit for the year/period		67,378	3,265	70,643	73,197	7,597	80,794	101,470	46,878	148,348	56,860	9,212	66,072	42,446	68	42,514
Profit and total comprehensive income for the year/period attributable to owners of the Company		67,378	3,265	70,643	73,197	7,597	80,794	101,470	46,878	148,348	56,860	9,212	66,072	42,446	68	42,514
Earnings per share	18															
From continuing and discontinued operations																
- Basic (RMB cents per share)				8.4			7.3			10.5			6.0			2.4
- Diluted (RMB cents per share)				N/A			N/A			10.5			N/A			2.4
From continuing operations																
- Basic (RMB cents per share)				8.5			7.4			10.8			6.3			2.4
- Diluted (RMB cents per share)				N/A			N/A			10.8			N/A			2.4

CONSOLIDATED/COMPANY'S STATEMENTS OF FINANCIAL POSITION

		THE GROUP				THE COMPANY	
		As at 31 December			As at 30 June	As at 31 December	As at 30 June
	NOTES	2012	2013	2014	2015	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS							
Property, plant and equipment	19	190,635	467,959	751,025	888,242	—	—
Prepayments for acquisition of property, plant and equipment		35,220	21,002	50,107	54,734	—	—
Lease prepayments	20	10,417	27,747	60,139	80,982	—	—
Investment in a subsidiary	22	—	—	—	—	8	8
Biological assets	21	215,564	314,080	890,391	1,012,370	—	—
Amount due from a subsidiary	32	—	—	—	—	611,975	611,993
		451,836	830,788	1,751,662	2,036,328	611,983	612,001
CURRENT ASSETS							
Inventories	23	67,788	114,882	195,760	178,136	—	—
Trade and other receivables	24	51,138	55,727	111,993	74,714	3,959	6,564
Lease prepayments	20	760	4,392	4,445	18,163	—	—
Biological assets	21	32,894	105,004	44,152	6,640	—	—
Pledged bank deposits	25	24,299	168,134	4,344	—	—	—
Cash and bank balances	25	154,224	102,057	146,148	110,547	14,285	2,505
		331,103	550,196	506,842	388,200	18,244	9,069
CURRENT LIABILITIES							
Trade and other payables	26	91,608	278,418	180,700	134,310	3	3
Amounts due to a subsidiary	32	—	—	—	—	191	191
Borrowings - due within one year	27	170,000	414,214	466,652	447,391	—	—
		261,608	692,632	647,352	581,701	194	194
NET CURRENT ASSETS/(LIABILITIES)		69,495	(142,436)	(140,510)	(193,501)	18,050	8,875
TOTAL ASSETS LESS CURRENT LIABILITIES		521,331	688,352	1,611,152	1,842,827	630,033	620,876
CAPITAL AND RESERVES							
Capital	30	100,000	110,780	110	110	110	110
Reserves	30	373,715	533,729	1,448,603	1,491,117	629,923	620,766
Equity attributable to owners of the Company		473,715	644,509	1,448,713	1,491,227	630,033	620,876
Non-controlling interests		—	—	4,900	—	—	—
TOTAL EQUITY		473,715	644,509	1,453,613	1,491,227	630,033	620,876
NON-CURRENT LIABILITIES							
Borrowings - due after one year	27	20,000	1,304	135,804	329,554	—	—
Deferred income	29	27,616	30,539	21,735	22,046	—	—
Other non-current payable	28	—	12,000	—	—	—	—
		47,616	43,843	157,539	351,600	—	—
		521,331	688,352	1,611,152	1,842,827	630,033	620,876

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Capital	Share premium	Capital reserve	Statutory surplus reserve	Retained earnings	Total	Non controlling interests	Total equity
	RMB'000 *(note i)*	RMB'000	RMB'000 *(note ii)*	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2012	69,270	—	94,730	2,766	106,306	273,072	—	273,072
Profit and total comprehensive income for the year	—	—	—	—	70,643	70,643	—	70,643
Contributions by owners of ZhongDi Beijing *(note iii)*	12,860	—	117,140	—	—	130,000	—	130,000
Appropriations *(note iv)*	—	—	—	3,413	(3,413)	—	—	—
Transfer to capital *(note v)*	17,870	—	(5,642)	(33)	(12,195)	—	—	—
As at 31 December 2012	100,000	—	206,228	6,146	161,341	473,715	—	473,715
Profit and total comprehensive income for the year	—	—	—	—	80,794	80,794	—	80,794
Contributions by owners of ZhongDi Beijing *(note vi)*	10,780	—	79,220	—	—	90,000	—	90,000
Appropriations *(note iv)*	—	—	—	5,498	(5,498)	—	—	—
As at 31 December 2013	110,780	—	285,448	11,644	236,637	644,509	—	644,509
Profit and total comprehensive income for the year	—	—	—	—	148,348	148,348	—	148,348
Issue of ordinary shares pursuant to the Group Reorganisation *(note 30)*	69	—	(69)	—	—	—	—	—
Transfer of convertible preferred shares from financial liability to equity *(note 31)*	41	653,433	—	—	—	653,474	—	653,474
Capital injection by a non-controlling shareholder to ZhongDi Lhasa	—	—	—	—	—	—	4,900	4,900
Disposal of ZhongDi Meijia *(note 15)*	—	—	2,382	—	—	2,382	—	2,382
Adjustments arising from the Group Reorganisation *(note vii)*	(110,780)	—	110,780	—	—	—	—	—
Appropriations *(note iv)*	—	—	—	9,487	(9,487)	—	—	—
As at 31 December 2014	110	653,433	398,541	21,131	375,498	1,448,713	4,900	1,453,613
Profit and total comprehensive income for the period	—	—	—	—	42,514	42,514	—	42,514
Distribution to the non-controlling shareholder of ZhongDi Lhasa	—	—	—	—	—	—	(4,900)	(4,900)
As at 30 June 2015	110	653,433	398,541	21,131	418,012	1,491,227	—	1,491,227

	Attributable to owners of the Company							
	Capital	Share premium	Capital reserve	Statutory surplus reserve	Retained earnings	Total	Non controlling interests	Total equity
	RMB'000 (*note i*)	RMB'000	RMB'000 (*note ii*)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2014 (unaudited)								
As at 1 January 2014	110,780	—	285,448	11,644	236,637	644,509	—	644,509
Profit and total comprehensive income for the period	—	—	—	—	66,072	66,072	—	66,072
Issue of ordinary shares pursuant to the Group Reorganisation (*note 30*)	37	—	(37)	—	—	—	—	—
As at 30 June 2014	110,817	—	285,411	11,644	302,709	710,581	—	710,581

Notes:

i. Capital represented the issued capital of ZhongDi Beijing or the issued capital of the Company during the Track Record Periods, as appropriate.

ii. The balance of capital reserve as at 1 January 2012 represented the aggregated capital reserves arising from the capital injection to ZhongDi Beijing by its shareholders in addition to registered capital prior to the Track Record Periods

iii. In April 2012, four independent investors acquired an aggregate 15.66% equity interests in ZhongDi Beijing by way of capital injection of RMB130,000,000 to ZhongDi Beijing. Consideration of RMB12,860,000 was recorded as registered capital and consideration of RMB117,140,000 was recorded as capital reserve of ZhongDi Beijing.

iv. According to the PRC Company Law and the Articles of Association of the PRC subsidiaries of the Group, these companies are required to transfer 10% of their respective after-tax profits, calculated in accordance with PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital.

v. In September 2012, ZhongDi Beijing was converted from a limited liability company to a joint-stock limited company by issue of 100,000,000 ordinary shares with par value of RMB1 each to the then existing shareholders in proportionate to their respective equity interests. The share subscription price of RMB100,000,000 was settled by transfer of registered capital of RMB82,130,000, capital reserve of RMB5,642,000, statutory surplus reserve of RMB33,000 and retained earnings of RMB12,195,000 to the share capital account of ZhongDi Beijing.

vi. In January 2013, ZhongDi Beijing issued 10,780,000 ordinary shares to two independent investors at cash consideration of RMB90,000,000. Consideration of RMB10,780,000 was recorded as share capital and consideration ofRMB79,220,000 was recorded as capital reserve of ZhongDi Beijing.

vii. It represents the transfer of the then issued capital of ZhongDi Beijing of RMB110,780,000 to capital reserve upon the completion of the Group Reorganisation.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000	Six months ended 30 June 2014 RMB'000 (unaudited)	Six months ended 30 June 2015 RMB'000
OPERATING ACTIVITIES						
Profit for the year/period		70,643	80,794	148,348	66,072	42,514
Adjustments for:						
Income tax expense recognised in the profit or loss		—	—	15	15	—
Depreciation of property, plant and equipment		4,811	6,172	15,300	7,333	8,957
Recognition of lease prepayments		694	2,150	6,576	2,372	2,198
Government grant income		(1,709)	(2,832)	(14,160)	(10,602)	(6,022)
Finance costs		7,456	6,485	28,307	13,524	14,241
Interest income		(1,125)	(1,531)	(2,315)	(1,358)	(387)
Loss on disposal of property, plant and equipment		133	4	474	—	10
Gain from extinguishment of interest payable		—	—	(500)	—	—
Gains arising from changes in fair value less costs to sell of biological assets		(4,785)	(10,545)	(48,587)	(8,272)	(4,073)
Change in fair value of convertible preferred shares		—	—	13,474	—	—
Operating cash flows before movements in working capital		76,118	80,697	146,932	69,084	57,438
Movements in working capital:						
(Increase) decrease in inventories		(6,679)	(29,037)	(53,814)	31,138	31,125
(Increase) decrease in trade and other receivables		(35,680)	(4,589)	(32,640)	(4,329)	14,168
Decrease (increase) in biological assets - current		71,738	(63,919)	62,187	41,022	37,512
(Decrease) increase in trade and other payables		(54,160)	162,054	(146,813)	(77,489)	(9,837)
Cash generated from (used in) operations		51,337	145,206	(24,148)	59,426	130,406
Income taxes paid		—	—	(15)	(15)	—
Interest income received		1,125	1,531	2,315	1,358	387
NET CASH FROM (USED IN) OPERATING ACTIVITIES		52,462	146,737	(21,848)	60,769	130,793

	NOTES	Year ended 31 December 2012	2013	2014	Six months ended 30 June 2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
INVESTING ACTIVITIES						
Payments for property, plant and equipment		(73,033)	(233,108)	(299,997)	(100,212)	(188,140)
Payments for biological assets		(85,832)	(110,352)	(548,761)	(113,399)	(124,136)
Payments for lease prepayments		(13,240)	(41,170)	(49,341)	(36,773)	(50,260)
Proceeds from disposal of property, plant and equipment		550	—	268	—	—
Proceeds from disposal of biological assets		9,812	20,817	21,429	10,538	13,492
Loan to a related party		—	—	(12,128)	—	—
Repayment by a related party		—	—	—	—	12,128
Placements of pledged bank deposits		(48,148)	(209,070)	(184,579)	(59,347)	—
Withdraws of pledged bank deposits		47,236	65,235	348,369	146,866	4,344
Net cash (outflow) inflow on disposal of a subsidiary	15	—	—	(414)	—	13,565
Net cash outflow on acquisition of a subsidiary	40	—	—	(16,379)	(16,379)	—
Government grants received		5,750	5,755	14,700	11,680	6,333
NET CASH USED IN INVESTING ACTIVITIES		(156,905)	(501,893)	(726,833)	(157,026)	(312,674)
FINANCING ACTIVITIES						
New borrowings raised		170,000	396,018	831,152	400,000	415,891
Repayment of borrowings		(70,000)	(170,500)	(624,214)	(223,964)	(241,402)
Interest and guarantee fees paid		(7,606)	(12,529)	(39,066)	(13,494)	(23,309)
Repayment of debentures		—	—	(20,000)	—	—
Capital contributions from owners		130,000	90,000	—	—	—
Capital contribution from non-controlling interests		—	—	4,900	—	—
Proceeds from issue of convertible preferred shares		—	—	640,000	—	—
Distribution to non-controlling interests		—	—	—	—	(4,900)
NET CASH FROM FINANCING ACTIVITIES		222,394	302,989	792,772	162,542	146,280
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		117,951	(52,167)	44,091	66,285	(35,601)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		36,273	154,224	102,057	102,057	146,148
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD,						
Represented by cash and bank balances		154,224	102,057	146,148	168,342	110,547
Less: balances classified as held for sale		—	—	—	(414)	—
		154,224	102,057	146,148	167,928	110,547

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 24 April 2014. The registered office of the Company is PO Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104, and its principal place of business is located at Beijing, the PRC.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PRESENTATION AND PREPARATION OF FINANCIAL INFORMATION

2.1 Basis of Presentation

ZhongDi Beijing was established in the PRC as a limited liability company on 4 June 2004. Before the Group Reorganisation, the Group's businesses were carried out by ZhongDi Beijing and its subsidiaries.

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing"), the Group underwent the Group Reorganisation. As part of the Group Reorganisation, ZhongDi Beijing became a wholly owned subsidiary of the Company and the then shareholders or the beneficial owners of ZhongDi Beijing became the shareholders or beneficial owners of the Company proportionately on 8 July 2014. More details of the Group Reorganisation are set out in the Section headed "History, Development and Reorganisation" to the Prospectus.

The Group Reorganisation involves interspersing the Company and intermediate holding company between ZhongDi Beijing and the then shareholders or beneficial owners of ZhongDi Beijing. The Financial Information is therefore prepared as a continuation of ZhongDi Beijing.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the three years ended 31 December 2014 include the results of operations and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the years, or since the respective dates of incorporation or establishment of the relevant entity, where this is a shorter period (except for the acquisition of Luannan Hua Yuan and disposal of ZhongDi Meijia). The consolidated statements of financial position as at 31 December 2012 and 2013 are prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at the respective dates, after taking into account the respective dates of incorporation or establishment of the relevant entity (except for the acquisition of Luannan Hua Yuan and disposal of ZhongDi Meijia).

2.2 Basis of Preparation

Going concern

The Group had net current liabilities of RMB193,501,000 as at 30 June 2015. In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group, its available sources of finance and a letter of intent from a PRC bank to provide additional loan facilities of RMB200,000,000 in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the unutilised banking facilities available as at 30 June 2015, subsequently obtained banking facilities, a letter of intent from a PRC bank to provide additional loan facilities of RMB200,000,000 and cash flow projections for the twelve months ending 30 June 2016, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. To mitigate any liquidity issues that might be faced by the Group, the Group may curtail or defer its expansion plans based on the availability of sufficient funds. Accordingly, the Directors have prepared the Underlying Financial Statements on a going concern basis.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Periods, the Group has applied all the IFRSs which are effective for the Group's financial year beginning on 1 January 2015 consistently throughout the Track Record Periods.

At the date of this report, the following new IFRSs and amendments to IFRSs have been issued which are not yet effective. The Group has not early adopted these IFRSs.

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 10, IFRS 12 IAS 28	Investment Entities: Applying the Consolidation and Exception[3]

1. Effective for annual periods beginning on or after 1 January 2018
2. Effective for first annual IFRS financial statements beginning on or after 1 January 2016
3. Effective for annual periods beginning on or after 1 January 2016

The management of the Group anticipates that the application of the above new IFRSs and amendments to IFRSs which have been issued but yet effective will have no material impact on the Financial Information of the Group, except for that the management of the Group is in the process of assessing the impact on the adoption of IFRS 9.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs. These policies have been consistently applied throughout the Track Record Periods. In addition, the Financial Information included applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost basis except for the biological assets, which are measured at fair value less costs to sell, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the Track Record Periods are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary is stated at cost less any identified impairment loss on the statement of financial position of the Company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from provision of services is recognised when the services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land

Interest in leasehold land that is accounted for as an operating lease is included in "lease prepayments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributed to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Government grants

Grants relating to biological assets

An unconditional government grant related to a biological asset measured at its fair value less costs to sell is recognised in profit or loss when, and only when, the government grant becomes receivable. If a government grant related to a biological asset measured at its fair value less costs to sell is conditional, the Group recognises the government grant in profit or loss when, and only when, the conditions attaching to the government grant are met.

Other grants

Other government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Other government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit scheme classified as defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Constructions in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such items are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other items, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost or the deemed cost for agriculture produce harvested from biological assets and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Biological assets

Biological assets comprise dairy cows, hogs and alfalfa. Dairy cows include calves and heifers, milkable cows and cows for trading which are raised or imported by the Group for the purpose of producing raw milk and for trading. Hogs include commodity hogs and breeder hogs which are raised by the Group for the purpose of trading. Alfalfa is grown by the Group for the purpose of 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 and from changes in fair value less costs to sell is recognised in the profit or loss for the period in which the gain or loss arises.

Dairy cows

The feeding costs and other related costs such as staff costs, depreciation expenses, utilities costs and consumables incurred for raising dairy cows held for sale, heifers and calves are capitalised, until such time as the dairy cows held for sale are sold and heifers and calves begin to produce milk and transferred to milkable cows.

Hogs

The feeding costs and other related costs such as staff costs, depreciation expenses, utilities costs and consumables incurred for raising hogs are capitalised until they are sold.

Alfalfa

The sowing and plantation costs and other related costs such as staff costs, depreciation expenses, lease expenses and utilities costs incurred for growing alfalfa are capitalised. Upon harvest, the costs incurred to bring the grass to harvest and the adjustments for fair value less cost to sell at the point of harvest are transferred to inventories.

Agricultural produce

Agricultural produce represents raw milk produced and alfalfa grass harvested. The agricultural produce is recognised at the point of harvest at its fair value less costs to sell. A gain or loss arising from agricultural produce at the point of harvest measuring at fair value less costs to sell is included in profit or loss for the period in which it arises.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's and the Company's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a subsidiary, pledged bank deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on trade receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss ("FVTPL")" or "other financial liabilities".

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss and presented as change in fair value of convertible preferred shares. Fair value is determined in the manner described in note 31.

Other financial liabilities

Other financial liabilities including borrowings, trade and other payables, amounts due to a subsidiary and other non-current payable are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Fair value of biological assets

The Group's biological assets are valued at fair value less costs to sell at the end of each reporting period. The determination of the fair value involves the use of assumptions and estimates. Any changes in the estimates may affect the fair value of the Group's biological assets significantly. The independent qualified professional valuer and management of the Group review the assumptions and estimates periodically to identify any significant change in fair value of the Group's biological assets. The carrying amounts of the Group's biological assets as at 31 December 2012, 2013 and 2014 and 30 June 2015 were RMB248,458,000, RMB419,084,000, RMB934,543,000 and RMB1,019,010,000, respectively. Further details are given in note 38.

Depreciation of property, plant and equipment

Property, plant and equipment is depreciated on the straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. 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 the 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 would be adjusted if there are significant changes from previous estimates. The carrying amounts of the Group's property, plant and equipment as at 31 December 2012, 2013 and 2014 and 30 June 2015 were RMB190,635,000, RMB467,959,000, RMB751,025,000 and RMB888,242,000, respectively. Details of the estimated useful lives of the Group's property, plant and equipment are disclosed in note 19.

Inventories

Inventories are stated at the lower of cost or the deemed cost for agriculture produce harvested from biological assets and net realisable value. Management of the Group periodically reviews inventories for slow moving, obsolescence or declines in market value.

This review requires the management of the Group to estimate the net realisable value based upon assumptions about future demand and market conditions. If the estimate of net realisable value is below the cost of inventory, the Group will record a write-down of inventories for the difference between cost and net realisable value, which will result in a corresponding increase in cost of sales. No write-down of inventories was recognised at the end of each reporting period. The carrying amounts of the Group's inventories as at 31 December 2012, 2013 and 2014 and 30 June 2015 were RMB67,788,000, RMB114,882,000, RMB195,760,000 and RMB178,136,000, respectively.

Trade and other receivables

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. In determining whether there is objective evidence of allowance for bad and doubtful debts, the Group takes into consideration the collectability, aged analysis of trade and other receivables and estimation of future cash flows. The amount of the allowance for bad and doubtful debts is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, an allowance for bad and doubtful debts may arise. No allowance for bad and doubtful debts was recognised during the Track Record Periods. The carrying amounts of the Group's trade and other receivables as at 31 December 2012, 2013 and 2014 and 30 June 2015 were RMB51,138,000, RMB55,727,000, RMB111,993,000, and RMB74,714,000, respectively.

6. REVENUE

The principal activities of the Group are raising dairy cows, breeding dairy cows, raw milk production, importing and selling cows and feeds and provision of import agency service in the PRC. Revenue represents the sales amount of products sold to customers and service income during the Track Record Periods.

The Group also engaged in the hog production business during the Track Record Periods. The Group disposed of its hog production business in August 2014, details of which are set out in note 15.

An analysis of the Group's revenue during the Track Record Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Revenue from sales of:					
- Cows held for sale	234,095	150,312	408,033	177,938	40,793
- Raw milk	144,668	147,069	301,938	153,488	180,566
- Alfalfa	20,382	6,315	6,709	586	8,178
Revenue from provision of services:					
- Import agency services	7,734	5,364	4,875	770	312
	406,879	309,060	721,555	332,782	229,849

7. SEGMENT INFORMATION

Mr. Zhang Jianshe, the chairman of the board of directors of the Company and chief executive of the Group, is identified as the chief operating decision maker (the "CODM") of the Group for the purposes of resources allocation and performance assessment. For the Group's dairy farming business, the CODM reviews operating results and financial information on a company by company basis and each company is identified as an operating segment. Since the group companies engaged in the dairy farming business are operating in similar business model with similar target group of customers, and under the same regulatory environment, they are aggregated as a reportable segment. The Group's import trading business is carried out by ZhongDi Beijing, which is also responsible for headquarter management function. The operating results and financial information of the import trading business is reviewed by the CODM apart from the costs and expenses incurred by ZhongDi Beijing for headquarter management purpose.

The Group's reportable segments for segment reporting purpose are as follows:

- Import trading business: import and selling cows and feeds and provision of import agency service; and

- Dairy farming business: raising and breeding dairy cows, raw milk production and sale of reproduced heifers.

The Group disposed of its hog production business in August 2014, which is accounted for as a discontinued operation. The segment revenue and result information reported below does not include amounts for the discontinued operation, which is described in note 15.

The following is an analysis of the Group's revenue and results by reportable segment:

Continuing operations

Segment revenue, results, assets and liabilities

	Import trading business	Dairy farming business	Total from continuing operating
	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2012			
Segment revenue	307,178	150,824	458,002
Less: Inter-segment revenue	(51,123)	—	(51,123)
External revenue	256,055	150,824	406,879
Segment profit	17,093	52,326	69,419
Biological assets fair value adjustments			14,033
Elimination of inter-segment results			(482)
Finance costs			(7,456)
Unallocated operating expenses			(4,347)
Profit before tax from continuing operations			71,167
Other segment information			
Amounts included in the measure of segment profit or segment assets:			
Loss on disposal of property, plant and equipment	—	33	33
Depreciation	683	7,669	8,352
Bank interest income	1,025	100	1,125
Recognition of lease prepayments	53	4,569	4,622
Additions to non-current assets*	67,294	77,555	144,849

	Import trading business	Dairy farming business	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2012			
Segment assets	428,675	542,457	971,132
Elimination of inter-segment receivables	(131,123)	(145,376)	(276,499)
	297,552	397,081	694,633
Biological assets fair value adjustments			49,466
Assets related to hog production business			38,840
Total assets			782,939
Segment liabilities	226,490	162,214	388,704
Elimination of inter-segment payables	(145,376)	(131,123)	(276,499)
	81,114	31,091	112,205
Liabilities related to hog production business			7,019
Borrowings			190,000
Total liabilities			309,224

	Import trading business	Dairy farming business	Total from continuing operating
	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2013			
Segment revenue	259,229	182,751	441,980
Less: Inter-segment revenue	(132,920)	—	(132,920)
External revenue	126,309	182,751	309,060
Segment profit	31,700	52,386	84,086
Biological assets fair value adjustments			19,054
Elimination of inter-segment results			(10,018)
Finance costs			(6,485)
Unallocated operating expenses			(5,106)
Profit before tax from continuing operations			81,531
Other segment information			
Amounts included in the measure of segment profit or segment assets:			
Loss on disposal of property, plant and equipment	—	4	4
Depreciation	1,609	9,233	10,842
Bank interest income	1,475	56	1,531
Recognition of lease prepayments	412	19,786	20,198
Additions to non-current assets*	132,313	314,103	446,416

	Import trading business	Dairy farming business	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2013			
Segment assets	808,538	892,404	1,700,942
Elimination of inter-segment receivables	(295,367)	(129,818)	(425,185)
	513,171	762,586	1,275,757
Biological assets fair value adjustments			66,991
Assets related to hog production business			38,236
Total assets			1,380,984
Segment liabilities	373,653	362,544	736,197
Elimination of inter-segment payables	(129,818)	(295,367)	(425,185)
	243,835	67,177	311,012
Liabilities related to hog production business			9,945
Borrowings			415,518
Total liabilities			736,475

	Import trading business	Dairy farming business	Total from continuing operating
	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2014			
Segment revenue	801,357	308,426	1,109,783
Less: Inter-segment revenue	(388,228)	—	(388,228)
External revenue	413,129	308,426	721,555
Segment profit	112,565	82,837	195,402
Biological assets fair value adjustments			85,379
Elimination of inter-segment results			(72,065)
Finance costs			(28,307)
Change in fair value of convertible preferred shares			(13,474)
Unallocated operating expenses			(14,624)
Profit before tax from continuing operations			152,311
Other segment information			
Amounts included in the measure of segment profit or segment assets:			
Loss on disposal of property, plant and equipment	8	466	474
Depreciation	6,545	20,418	26,963
Bank interest income	2,225	90	2,315
Recognition of lease prepayments	1,818	28,431	30,249
Additions to non-current assets*	421,199	541,017	962,216

	Import trading business	Dairy farming business	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2014			
Segment assets	1,272,963	1,707,721	2,980,684
Elimination of inter-segment receivables	(768,006)	(78,389)	(846,395)
	504,957	1,629,332	2,134,289
Biological assets fair value adjustments			120,256
Unallocated assets			3,959
Total assets			2,258,504
Segment liabilities	118,430	930,400	1,048,830
Elimination of inter-segment payables	(78,389)	(768,006)	(846,395)
	40,041	162,394	202,435
Borrowings			602,456
Total liabilities			804,891

	Import trading business	Dairy farming business	Total from continuing operating
	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2015			
Segment revenue	239,864	180,566	420,430
Less: Inter-segment revenue	(190,581)	—	(190,581)
External revenue	49,283	180,566	229,849
Segment profit	3,025	50,147	53,172
Biological assets fair value adjustments			24,072
Elimination of inter-segment results			(9,159)
Finance costs			(14,241)
Unallocated operating expenses			(11,330)
Profit before tax from continuing operations			42,514
Other segment information			
Amounts included in the measure of segment profit or segment assets:			
Loss on disposal of property, plant and equipment	9	1	10
Depreciation	3,456	15,345	18,801
Bank interest income	330	57	387
Recognition of lease prepayments	115	15,584	15,699
Additions to non-current assets*	4,481	338,133	342,614

	Import trading business	Dairy farming business	Total
	RMB'000	RMB'000	RMB'000
As at 30 June 2015			
Segment assets	1,126,994	2,117,467	3,244,461
Elimination of inter-segment receivables	(883,106)	(83,077)	(966,183)
	243,888	2,034,390	2,278,278
Biological assets fair value adjustments			139,687
Unallocated assets			6,563
Total assets			2,424,528
Segment liabilities	106,402	1,016,137	1,122,539
Elimination of inter-segment payables	(83,077)	(883,106)	(966,183)
	23,325	133,031	156,356
Borrowings			776,945
Total liabilities			933,301

	Import trading business	Dairy farming business	Total from continuing operating
	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2014 (unaudited)			
Segment revenue	277,385	153,488	430,873
Less: Inter-segment revenue	(98,091)	—	(98,091)
External revenue	179,294	153,488	332,782
Segment profit	10,116	57,100	67,216
Biological assets fair value adjustments			29,321
Elimination of inter-segment results			(8,650)
Finance costs			(13,524)
Unallocated operating expenses			(4,328)
Profit before tax from continuing operations			70,035
Other segment information (unaudited)			
Amounts included in the measure of segment profit or segment assets:			
Depreciation	3,185	8,023	11,208
Bank interest income	1,332	26	1,358
Recognition of lease prepayments	695	14,096	14,791
Additions to non-current assets*	4,758	183,913	188,671

* Additions to non-current assets consist of additions to property, plant and equipment, additions to lease prepayments and additions to non-current biological assets from continuing operations.

Segment revenue reported above represents revenue generated from both external and inter-segment customers.

Save as described below, the accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results represent the profit before tax earned by each segment, excluding fair value adjustments of biological assets and agricultural produce held by the Group at the end of each reporting period, change in fair value of convertible preferred shares, finance costs and costs and expenses incurred for headquarter management purpose, which represents the internally generated financial information regularly reviewed by the CODM. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

Inter-segment sales are charged at prices agreed between contracting parties.

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments and measured without taking into account fair value adjustments for biological assets and agricultural produce held by the Group at the end of each reporting period and certain corporate and head office assets; and all liabilities are allocated to operating segments other than borrowings.

Geographical information

All of the Group's revenue is derived from customers based in the PRC, and all of the Group's operations and non-current assets are located in the PRC by location of assets.

Information about major customers

Revenue from the customers individually contributing over 10% of the total revenue of the Group during the Track Record Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from import trading business:					
Customer A	*	70,008	*	*	*
Customer B	*	42,860	*	*	*
Customer C	76,186	*	*	*	*
Customer D	*	*	72,900	*	*
Customer E	*	*	*	45,583	*
Customer F	*	*	*	*	28,992
Revenue from dairy farming business:					
Customer G	132,198	111,181	140,094	62,159	88,163
Customer H	**	**	**	**	92,133

* There was no revenue from these customers for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, as appropriate.

** The revenue from Customer H was less than 10% of the Group's total revenue for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014.

8. COST OF SALES

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Purchase, feeds and other related costs for cows held for sale	218,731	126,267	354,453	170,176	35,853
Gains arising from changes in fair value less costs to sell of biological assets	15,364	24,045	53,580	7,762	4,940
Cost of sales of cows held for sale	234,095	150,312	408,033	177,938	40,793
Feeds and other related costs for raw milk production	78,600	82,386	171,936	79,151	98,401
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	62,591	61,164	124,088	71,796	76,209
Cost of sales of raw milk	141,191	143,550	296,024	150,947	174,610
Costs related to trading of alfalfa	19,520	6,253	6,357	405	7,854
	394,806	300,115	710,414	329,290	223,257

9. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Government grants related to					
- Income *(note i)*	5,440	9,343	2,398	2,102	2,000
- Biological assets *(note ii)*	—	1,000	10,704	9,704	5,483
- Other assets	1,409	1,415	3,197	639	539
	6,849	11,758	16,299	12,445	8,022
Bank interest income	1,125	1,531	2,315	1,358	387
Others	865	1,267	1,498	259	875
	8,839	14,556	20,112	14,062	9,284

Note:

i. These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving immediate financial support to the Group's operation.

ii. These government grants are government subsidies received by the Group from relevant government bodies for the purpose of supporting the Group for procurement of dairy cows and plantation of alfalfa. The Group recognises the government grants when the conditions attaching to the grants have been met.

10. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Loss on disposal of property, plant and equipment	(33)	(4)	(474)	—	(10)
Exchange (loss) gain, net	(168)	147	(2,755)	(364)	(941)
Gain from extinguishment of interest payable *(note 28)*	—	—	500	—	—
Others	(254)	381	(58)	(22)	(558)
	(455)	524	(2,787)	(386)	(1,509)

11. OTHER EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Bank transaction fees	123	119	78	33	44
Listing expenses	—	—	8,693	1,317	8,325
Others	20	53	981	9	—
	143	172	9,752	1,359	8,369

12. PROFIT BEFORE CHANGE IN FAIR VALUE OF CONVERTIBLE PREFERRED SHARES, FINANCE COSTS AND TAX FROM CONTINUING OPERATIONS

Profit before change in fair value of convertible preferred shares, finance costs and tax from continuing operations has been arrived at after charging:

(a) Staff cost (including the Directors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Salaries, bonuses and allowances	13,477	21,677	40,669	16,696	26,968
Contributions to retirement benefit scheme	1,389	2,121	2,941	1,031	1,931
Total employee benefits	14,866	23,798	43,610	17,727	28,899
Less: capitalised in biological assets	(2,747)	(6,509)	(13,456)	(5,689)	(9,174)
Employee benefits charged directly in profit or loss	12,119	17,289	30,154	12,038	19,725

(b) Depreciation and recognition of lease expenses

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Depreciation of property, plant and equipment	8,352	10,842	26,963	11,208	18,801
Less: capitalised in biological assets	(3,648)	(4,866)	(11,762)	(3,974)	(9,844)
Depreciation charged directly to profit or loss	4,704	5,976	15,201	7,234	8,957
Recognition of lease payments	4,622	20,198	30,249	14,791	15,699
Less: capitalised	(3,938)	(18,058)	(23,678)	(12,424)	(13,501)
Charged directly to profit or loss	684	2,140	6,571	2,367	2,198
Office rental expenses	1,782	1,704	1,685	776	776

(c) Other items

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Auditors' remuneration	185	250	350	350	90

13. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Interest on borrowings wholly repayable within five years	7,266	13,062	37,935	17,309	23,448
Interest on other non-current payable *(note 28)*	—	500	—	—	—
Guarantee fees paid to independent third party guarantee Companies	400	400	—	—	—
Less: amounts capitalised in the cost of property, plant and equipment	(210)	(7,477)	(9,628)	(3,785)	(9,207)
	7,456	6,485	28,307	13,524	14,241

Borrowing costs capitalised during the year/period arose from the general borrowing pool and are calculated by applying capitalisation rates of 7.06%, 6.76%, 7.42%, 7.40% (unaudited) and 7.21% per annum in the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively, to expenditures on construction in progress.

14. INCOME TAX EXPENSES

The income tax expenses for the Track Record Periods can be reconciled to the profit before tax from continuing operations per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Profit before tax	71,167	81,531	152,311	70,035	42,514
Tax at applicable income tax rate at 25%	17,792	20,383	38,078	17,509	10,629
Effect of expenses that are not deductible in determining taxable profit	—	—	5,860	329	2,105
Effect of tax exemption granted to agricultural operations	(17,792)	(20,383)	(43,923)	(17,823)	(12,734)
Income tax expenses	—	—	15	15	—

The Company is a tax exempted company incorporated in the Cayman Islands.

ZhongDi Hong Kong and Kaixin Peak Ring were incorporated in Hong Kong and have had no assessable profits subject to Hong Kong Profits Tax during the Track Record Periods.

The PRC subsidiaries of the Group are subject to enterprise income tax at statutory tax rate of 25% for the Track Record Periods.

According to the prevailing tax rules and regulation in the PRC, certain subsidiaries of the Company are exempted from enterprise income tax for taxable profit from the operation of agricultural business in the PRC. The Company's subsidiaries engaged in agricultural business during the Track Record Periods are listed as below:

	From 1 January 2012 or from the date of establishment/ acquisition to 30 June 2015
ZhongDi Beijing	Exempted for operation of agricultural business
ZhongDi Technology	Exempted for operation of agricultural business
ZhongDi Shangdu	Exempted for operation of agricultural business
ZhongDi Kuandian	Exempted for operation of agricultural business
ZhongDi Helan	Exempted for operation of agricultural business
ZhongDi Langfang	Exempted for operation of agricultural business
ZhongDi Tianzhen	Exempted for operation of agricultural business
Luannan Hua Yuan	Exempted for operation of agricultural business

ZhongDi Research, ZhongDi Zhangye, ZhongDi Lhasa and ZhongDi Development did not carry out any operation during the Track Record Periods. The income tax expenses for the year ended 31 December 2014 and the six months ended 30 June 2014 represent current tax charge and is attributable to taxable profit of a subsidiary of the Company that was not related to agricultural business.

In accordance with the PRC tax circular (Guoshuihan [2008] 112) effective from 1 January 2008, PRC withholding income tax at the rate of 10% is applicable to dividends payable by the Company's PRC operating subsidiaries based on their profits generated from 1 January 2008 onwards to their "non-resident" investors who do not have an establishment or place of business in the PRC. As at 30 June 2015, the aggregate amount of temporary differences associated with the undistributed earnings of the PRC subsidiaries amount to approximately RMB382,470,000 for which deferred tax liabilities have not been recognised. No deferred tax liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

15. DISCONTINUED OPERATION AND DISPOSAL OF A SUBSIDIARY

In June 2014, ZhongDi Beijing resolved to dispose of 100% equity interest in ZhongDi Meijia to Urban Construction, a company controlled by a family member of Mr. Zhang Jianshe, at cash consideration based on the net assets value of ZhongDi Meijia as of 30 June 2014 determined in accordance with PRC GAAP. In August 2014, ZhongDi Beijing entered into a purchase and sale agreement with Urban Construction to dispose of the 100% equity interest of ZhongDi Meijia to Urban Construction at cash consideration of RMB13,565,000. The transfer of ownership of ZhongDi Meijia was completed in August 2014. The consideration was settled in February 2015.

During the Track Record Periods, ZhongDi Meijia was engaged in the hogs production operation, which represented a separate operating segment of the Group. Details of the assets and liabilities disposed of, and the surplus arising from the disposal, are disclosed below.

The profit or loss from the discontinued operation of ZhongDi Meijia before its disposal is set out below:

	Year ended 31 December		Period from 1 January 2014 to the date of disposal
	2012	2013	
	RMB'000	RMB'000	RMB'000
Revenue	9,997	9,752	3,828
Cost of sales	(9,997)	(9,752)	(3,828)
Gross profit	—	—	—
Gains (loss) arising from changes in fair value less costs to sell of biological assets	130	(117)	(3,777)
Other income	705	685	400
Distribution costs	(4)	(3)	—
Administration expenses	(1,202)	(1,246)	(517)
Other expenses	(153)	(56)	(54)
Loss before tax	(524)	(737)	(3,948)
Income tax expenses	—	—	—
Loss and total comprehensive loss for the year/period	(524)	(737)	(3,948)

Loss for the year/period from discontinued operation includes the following:

	Year ended 31 December		Period from 1 January 2014 to the date of disposal
	2012	2013	
	RMB'000	RMB'000	RMB'000
Depreciation	1,710	1,956	984
Less: capitalised in biological assets	(1,603)	(1,760)	(885)
Depreciation charged in profit or loss	107	196	99
Recognition of lease payments	10	10	5
Auditor's remuneration	30	—	—
Loss on disposal of property, plant and equipment	100	—	—
Employee benefit expenses	1,433	1,324	281

ZhongDi Meijia's contributions to the retirement benefit scheme for its employees were RMB53,000, RMB55,000 and RMB26,000 for the years ended 31 December 2012 and 2013 and the period from 1 January 2014 to the date of disposal, respectively.

Cash flows from discontinued operation include the following:

	Year ended 31 December		Period from 1 January 2014 to the date of disposal
	2012	2013	
	RMB'000	RMB'000	RMB'000
Net cash from (used in) operating activities	2,366	(7,987)	(2,257)
Net cash (used in) from investing activities	(1,974)	8,207	(223)
Net cash from financing activities	—	—	1,849
Consideration received			
Consideration received during the six months ended 30 June 2015			13,565

Analysis of assets and liabilities over which control was lost

	As at the date of disposal
	RMB'000
Property, plant and equipment	27,481
Prepayments for acquisition of property, plant and equipment	1,596
Lease prepayments	9
Biological assets	7,078
Inventories	460
Trade and other receivables	467
Cash and bank balances	414
Total assets	37,505
Trade and other payables	16,978
Deferred income	9,344
Total liabilities	26,322
Net assets disposed of	11,183

Surplus on disposal of a subsidiary

	RMB'000
Total consideration	13,565
Net assets disposed of	11,183
Surplus on disposal	2,382

The surplus on disposal was recorded in capital reserve as a contribution from a related party.

Net cash outflow on disposal of a subsidiary at the date of disposal

	RMB'000
Consideration received in cash and cash equivalents	—
Less: cash and cash equivalent balances disposed of	(414)
	(414)

16. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of the emoluments paid or payable to the Directors during the Track Record Periods are as follows:

	Directors' fees	Salaries and allowance	Discretionary Performance - related payments	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012:					
Executive directors:					
- Mr. Zhang Jianshe	—	181	324	9	514
- Mr. Zhang Kaizhan	—	150	255	9	414
Non-executive directors:					
- Mr. Liu Dai	—	—	—	—	—
- Mr. Du Yuchen	—	—	—	—	—
- Mr. Li Jian	—	—	—	—	—
- Ms. Yu Tianhua	—	—	—	—	—
Independent non-executive directors:					
- Mr. Li Shengli	50	—	—	—	50
- Mr. Zan Linsen	50	—	—	—	50
- Mr. Joseph Chow	—	—	—	—	—
	100	331	579	18	1,028
Year ended 31 December 2013:					
Executive directors:					
- Mr. Zhang Jianshe	—	199	510	17	726
- Mr. Zhang Kaizhan	—	181	428	17	626
Non-executive directors:					
- Mr. Liu Dai	—	—	—	—	—
- Mr. Du Yuchen	—	—	—	—	—
- Mr. Li Jian	—	—	—	—	—
- Ms. Yu Tianhua	—	—	—	—	—
Independent non-executive directors:					
- Mr. Li Shengli	50	—	—	—	50
- Mr. Zan Linsen	50	—	—	—	50
- Mr. Joseph Chow	—	—	—	—	—
	100	380	938	34	1,452

	Directors' fees	Salaries and allowance	Discretionary Performance - related payments	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2014:					
Executive directors:					
- Mr. Zhang Jianshe	103	705	114	17	939
- Mr. Zhang Kaizhan	85	621	100	17	823
Non-executive directors:					
- Mr. Liu Dai	—	—	—	—	—
- Mr. Du Yuchen	—	—	—	—	—
- Mr. Li Jian	30	—	—	—	30
- Ms. Yu Tianhua	—	—	—	—	—
Independent non-executive directors:					
- Mr. Li Shengli	89	—	—	—	89
- Mr. Zan Linsen	89	—	—	—	89
- Mr. Joseph Chow	39	—	—	—	39
	435	1,326	214	34	2,009
Six months ended 30 June 2014 (unaudited):					
Executive directors:					
- Mr. Zhang Jianshe	34	314	—	8	356
- Mr. Zhang Kaizhan	—	306	—	8	314
Non-executive directors:					
- Mr. Liu Dai	—	—	—	—	—
- Mr. Du Yuchen	—	—	—	—	—
- Mr. Li Jian	—	—	—	—	—
- Ms. Yu Tianhua	—	—	—	—	—
Independent non-executive directors:					
- Mr. Li Shengli	25	—	—	—	25
- Mr. Zan Linsen	25	—	—	—	25
- Mr. Joseph Chow	—	—	—	—	—
	84	620	—	16	720
Six months ended 30 June 2015:					
Executive directors:					
- Mr. Zhang Jianshe	52	427	—	10	489
- Mr. Zhang Kaizhan	43	384	—	10	437
Non-executive directors:					
- Mr. Liu Dai	59	—	—	—	59
- Mr. Du Yuchen	39	—	—	—	39
- Mr. Li Jian	59	—	—	—	59
- Ms. Yu Tianhua	35	—	—	—	35
Independent non-executive directors:					
- Mr. Li Shengli	79	—	—	—	79
- Mr. Zan Linsen	79	—	—	—	79
- Mr. Joseph Chow	79	—	—	—	79
	524	811	—	20	1,355

Mr. Zhang Jianshe is also the chief executive of the Group and his emoluments disclosed above include those for services rendered by him as the chief executive during the Track Record Periods.

Mr. Zhang Jianshe was appointed as the Director in April 2014. Mr. Zhang Kaizhan, Mr. Liu Dai, Mr. Li Shengli and Mr. Zan Linsen were appointed as the Directors in July 2014. They were also the directors of ZhongDi Beijing prior to the Group Reorganisation. The Directors' emoluments disclosed above also include the emoluments paid by the Group to the respective Directors for their directorship of ZhongDi Beijing during the Track Record Periods.

Mr. Joseph Chow, Mr. Li Jian, Ms. Yu Tianhua and Mr. Du Yuchen were appointed as the Directors in July 2014, September 2014, February 2015 and March 2015, respectively.

Discretionary performance-related payments are calculated based on the Group's and the respective member's performance for such year.

During the Track Record Periods, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration during the Track Record Periods.

(b) **Employees' emoluments**

Of the five individuals with the highest emoluments in the Group, two were Directors for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 whose emoluments are included in the disclosures above. The emoluments of the remaining three individuals for the Track Record Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and allowances	456	462	1,137	555	844
Discretionary performance-related payments	417	866	180	—	—
Retirement benefit scheme contributions	24	50	48	25	30
	897	1,378	1,365	580	874

Discretionary performance-related payments are calculated based on the Group's and respective member's performance for such year.

The number of highest paid employees who were not Directors and whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(unaudited)	
Nil to HKD1,000,000	3	3	3	3	3

During the Track Record Periods, no remuneration was paid by the Group to any of the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

17. DIVIDEND

No dividend has been paid or declared by any group entities during the Track Record Periods.

18. EARNINGS PER SHARE

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB cents	RMB cents	RMB cents	RMB cents (unaudited)	RMB cents
Basic/basic and diluted earnings (loss) per share					
From continuing operations	8.5	7.4	10.8	6.3	2.4
From discontinued operation	(0.1)	(0.1)	(0.3)	(0.3)	—
	8.4	7.3	10.5	6.0	2.4

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period attributable to owners of the Company	70,643	80,794	148,348	66,072	42,514
Less: Undistributed earnings from continuing and discontinued operations attributable to convertible preferred shares	N/A	N/A	31,879	N/A	16,077
Earnings used in the calculation of basic earnings per share from continuing and discontinued operations	70,643	80,794	116,469	66,072	26,437
Add: Undistributed earnings from continuing and discontinued operations attributable to convertible preferred shares	N/A	N/A	—	N/A	16,077
Earnings used in the calculation of diluted earnings per share from continuing and discontinued operations	N/A	N/A	116,469	N/A	42,514

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period attributable to owners of the Company	70,643	80,794	148,348	66,072	42,514
Add: Loss for the year/period from discontinued operation	524	737	3,948	3,948	—
Profit for the year/period from continuing operations	71,167	81,531	152,296	70,020	42,514
Less: Undistributed earnings from continuing operations attributable to convertible preferred shares	N/A	N/A	32,727	N/A	16,077
Earnings used in the calculation of basic earnings per share from continuing operations	71,167	81,531	119,569	70,020	26,437
Add: Undistributed earnings from continuing operations attributable to convertible preferred shares	N/A	N/A	—	N/A	16,077
Earnings used in the calculation of diluted earnings per share from continuing operations	N/A	N/A	119,569	N/A	42,514

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	'000	'000	'000	'000 (unaudited)	'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	836,047	1,100,712	1,107,800	1,107,800	1,107,800
Dilutive effect on convertible preferred shares	N/A	N/A	—	N/A	673,680
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	N/A	N/A	1,107,800	N/A	1,781,480

The calculation of diluted earnings per share for the year ended 31 December 2014 has not taken into account the effect of the assumed conversion of the convertible preferred shares as they are anti-dilutive for that year. There are no potential ordinary shares during the years ended 31 December 2012 and 2013 and the six months ended 30 June 2014.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Plant and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP					
COST					
Balance 1 January 2012	128,075	5,057	30,647	6,405	170,184
Additions	581	1,826	10,476	34,279	47,162
Transfer	9,954	—	2,217	(12,171)	—
Disposals	(565)	(149)	(166)	—	(880)
Balance at 31 December 2012	138,045	6,734	43,174	28,513	216,466
Additions	43,446	6,447	16,646	223,587	290,126
Transfer	137,012	—	273	(137,285)	—
Disposals	—	—	(74)	—	(74)
Balance at 31 December 2013	318,503	13,181	60,019	114,815	506,518
Additions	9,865	3,396	32,364	293,611	339,236
Transfer	194,416	—	27,218	(221,634)	—
Disposal of a subsidiary *(note 15)*	(29,185)	(15)	(5,364)	(92)	(34,656)
Disposals	—	(14)	(866)	—	(880)
Balance at 31 December 2014	493,599	16,548	113,371	186,700	810,218
Additions	—	9,884	11,475	134,669	156,028
Transfer	44,438	—	—	(44,438)	—
Disposals	—	—	(35)	—	(35)
Balance at 30 June 2015	538,037	26,432	124,811	276,931	966,211
ACCUMULATED DEPRECIATION					
Balance 1 January 2012	11,084	491	4,391	—	15,966
Charge for the year	5,898	532	3,632	—	10,062
Eliminated on disposals	(74)	(59)	(64)	—	(197)
Balance at 31 December 2012	16,908	964	7,959	—	25,831
Charge for the year	7,323	833	4,642	—	12,798
Eliminated on disposals	—	—	(70)	—	(70)
Balance at 31 December 2013	24,231	1,797	12,531	—	38,559
Charge for the year	17,667	1,138	9,142	—	27,947
Disposal of a subsidiary *(note 15)*	(5,152)	(13)	(2,010)	—	(7,175)
Eliminated on disposals	—	(5)	(133)	—	(138)
Balance at 31 December 2014	36,746	2,917	19,530	—	59,193
Charge for the period	11,808	1,044	5,949	—	18,801
Eliminated on disposals	—	—	(25)	—	(25)
Balance at 30 June 2015	48,554	3,961	25,454	—	77,969
CARRYING AMOUNT					
Balance at 31 December 2012	121,137	5,770	35,215	28,513	190,635
Balance at 31 December 2013	294,272	11,384	47,488	114,815	467,959
Balance at 31 December 2014	456,853	13,631	93,841	186,700	751,025
Balance at 30 June 2015	489,483	22,471	99,357	276,931	888,242

The above items of property, plant and equipment (other than construction in progress) after taking into account of their estimated residual values, are depreciated on a straight-line basis over the following periods:

	Useful lives
Buildings	20 - 40 years
Motor vehicles	5 - 10 years
Plant and equipment	3 - 15 years

The depreciation charges of RMB10,062,000, RMB12,798,000, RMB27,947,000, RMB12,192,000 (unaudited) and RMB18,801,000 are attributable to continuing operations as to RMB8,352,000, RMB10,842,000, RMB26,963,000, RMB11,208,000 (unaudited) and RMB18,801,000 and discontinued operation as to RMB1,710,000, RMB1,956,000, RMB984,000, RMB984,000 (unaudited) and nil for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively.

20. LEASE PREPAYMENTS

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Carrying amount at beginning of the year/period	2,569	11,177	32,139	64,584
Additions	13,240	41,170	49,341	50,260
Acquired in acquisition of a subsidiary *(note 40)*	—	—	13,367	—
Recognised during the year/period	(4,632)	(20,208)	(30,254)	(15,699)
Disposal of a subsidiary *(note 15)*	—	—	(9)	—
Carrying amount at end of the year/period	11,177	32,139	64,584	99,145
Current portion	(760)	(4,392)	(4,445)	(18,163)
Non-current portion	10,417	27,747	60,139	80,982

Lease prepayments represent the lease prepayments made for farm lands under operating leases for alfalfa and other feed crops plantation fields and dairy farms.

The recognition of lease prepayments of RMB4,632,000, RMB20,208,000, RMB30,254,000, RMB14,796,000 (unaudited) and RMB15,699,000 are attributable to continuing operations as to RMB4,622,000, RMB20,198,000, RMB30,249,000, RMB14,791,000 (unaudited) and RMB15,699,000 and discontinued operation as to RMB10,000, RMB10,000, RMB5,000, RMB5,000 (unaudited) and nil for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively.

The lease prepayments are for farm lands situated in the PRC. The Group's lease prepayments are analysed as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Carrying amount at end of the year/period:				
Lease terms less than 10 years	271	691	1,089	4,013
Lease terms between 10 to 50 years	10,906	31,448	63,495	95,132
	11,177	32,139	64,584	99,145

At 31 December 2014 and 30 June 2015, certain of the Group's lease prepayments with an aggregate carrying amount of RMB8,223,000 and RMB8,062,000 have been pledged as security for bank borrowings of the Group (note 27), respectively.

21. BIOLOGICAL ASSETS

A - Nature of activities

The biological assets of the Group are dairy cows held to produce raw milk (i.e. milkable cows, heifers and calves), cows held for sale, commodity hogs, breeder hogs and alfalfa grown for feeding dairy cows. Dairy cows held to produce raw milk, alfalfa and breeder hogs are categorised as bearer biological assets and cows held for sale and commodity hogs are categorised as consumable biological assets given the attributes illustrated below.

(a) Cows

The Group's cows comprise cows held for sale, milkable cows held for milk production and heifers and calves that have not reached the age that can produce raw milk. The quantity of cows owned by the Group at the end of each reporting period is shown below:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	Heads	Heads	Heads	Heads
THE GROUP				
Cows held for sale	1,800	6,383	2,169	500
Milkable cows	3,813	5,143	8,671	10,374
Heifers and calves	4,795	7,098	26,341	26,286
	10,408	18,624	37,181	37,160

Cows held for sale comprise heifers imported and held in quarantine farms and heifers/calves reproduced by the Group for sale to external customers. Cows held for sale are classified as current assets.

Milkable cows, heifers and calves are dairy cows of the Group for the purpose of production of raw milk and are classified as non-current assets.

The Group is exposed to financial risks arising from changes in price of the raw milk. The Group does not anticipate that the price of the raw milk will decline significantly in the foreseeable future and the management of the Group are of the view that there is no available derivative or other contracts which the Group can enter into to manage the risk of a decline in the price of the raw milk.

In general, the heifers are inseminated when they reached approximately 14 months old. After an approximately 285 day pregnancy term, a calf is born and the dairy cow begins to produce raw milk and the lactation period begins. A milkable cow is typically milked for approximately 305 days to 340 days before approximately 60 days dry period. When a heifer begins to produce raw milk, it is transferred to the category of milkable cows based on the estimated fair value less cost to sell on the date of transfer.

(b) Alfalfa

Alfalfa is a herbaceous perennial legume. 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 up to seven years with each growth period lasts about 60-70 days.

The Group commenced to grow alfalfa on a commercial scale in 2014 as feeds for dairy cows. In early 2015, the Group subcontracted the alfalfa farm and transferred the associated alfalfa roots to an independent third party.

(c) Hogs

The commodity hogs are primarily held for further growth for resale including suckling hogs, nursery hogs and finishing hogs, which are classified as current assets. The breeder hogs are prime hog that is selected as breeding stock including foundation breeder hogs and reserve breeder hogs, are classified as non-current assets.

In general, once a sow is inseminated it will gestate for a period of 114 days. New born hogs are classified as "suckling". The suckling hogs will stay with their mother for three to four weeks at which time they will be weaned. Once the suckling hogs are weaned, they are transferred to the "nursery" category.

The nursery facilities are designed to meet the needs of newly weaned pigs. They are fed a series of specially formulated diets to meet their changing nutritional needs. The pigs will stay in the nursery for approximately seven weeks where they will grow to approximately 50 pounds and then be transferred to the "finishing" farm.

Finishing hogs typically stay in this phase for 14 to 23 weeks. During that time they will be considered as a commodity hog with market value. Once the hog reaches the ideal weight, they are sold out.

The quantity of hogs owned by the Group at the end of each reporting period is shown below:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	Heads	Heads	Heads	Heads
THE GROUP				
Commodity hogs	4,260	5,419	—	—
Breeder hogs	933	735	—	—
Total hogs	5,193	6,154	—	—

The Group is exposed to a number of risks related to its biological assets. 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 plantation and breeding. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

ii. *Climate, disease and other natural risks*

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls and surveys and insurance.

B - Quantity of the agricultural produce of the Group's biological assets

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	Tonne	Tonne	Tonne	Tonne (unaudited)	Tonne
THE GROUP					
Volume - sales of raw milk produced	32,083	30,637	63,099	31,254	41,057
Volume - alfalfa harvested	—	—	2,164	340	—

C - Value of biological assets

The amounts of cows, hogs and alfalfa at the end of each reporting period are set out below:

	Year ended 31 December 2012						
	Heifers and calves	Milkable cows	Cows held for sale	Alfalfa	Breeder hogs	Commodity hogs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP							
Balance at 1 January 2012	69,436	68,370	91,555	—	2,010	2,768	234,139
Purchase cost	67,488	—	121,341	—	—	—	188,829
Feeding cost	21,616	—	24,868	—	913	12,568	59,965
Transfer	(59,839)	59,839	—	—	1,067	(1,067)	—
Decrease due to disposal/death	(2,418)	(4,989)	—	—	(2,405)	(2)	(9,814)
Gains (losses) arising from changes in fair value less costs to sell of biological assets	9,758	(16,130)	25,673	—	848	(718)	19,431
Transfer out upon selling	—	—	(234,095)	—	—	(9,997)	(244,092)
Balance at 31 December 2012	106,041	107,090	29,342	—	2,433	3,552	248,458
Represented by:							
Current portion	—	—	29,342	—	—	3,552	32,894
Non-current portion	106,041	107,090	—	—	2,433	—	215,564
Total	106,041	107,090	29,342	—	2,433	3,552	248,458

	Year ended 31 December 2013						
	Heifers and calves	Milkable cows	Cows held for sale	Alfalfa	Breeder hogs	Commodity hogs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP							
Balance at 1 January 2013	106,041	107,090	29,342	—	2,433	3,552	248,458
Purchase cost	37,782	7,705	175,441	—	—	—	220,928
Feeding cost	69,717	—	13,640	—	967	14,541	98,865
Transfer	(61,128)	61,128	—	—	808	(808)	—
Decrease due to disposal/death	(3,277)	(12,949)	—	—	(4,591)	(37)	(20,854)
Gains (losses) arising from changes in fair value less costs to sell of biological assets	(2,365)	1,996	32,237	—	2,723	(2,840)	31,751
Transfer out upon selling	—	—	(150,312)	—	—	(9,752)	(160,064)
Balance at 31 December 2013	146,770	164,970	100,348	—	2,340	4,656	419,084
Represented by:							
Current portion	—	—	100,348	—	—	4,656	105,004
Non-current portion	146,770	164,970	—	—	2,340	—	314,080
Total	146,770	164,970	100,348	—	2,340	4,656	419,084

	Year ended 31 December 2014						
	Heifers and calves	Milkable cows	Cows held for sale	Alfalfa	Breeder hogs	Commodity hogs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP							
Balance at 1 January 2014	146,770	164,970	100,348	—	2,340	4,656	419,084
Purchase cost	409,512	—	259,895	—	—	—	669,407
Plantation cost	—	—	—	15,657	—	—	15,657
Feeding cost	135,108	—	32,504	—	370	7,903	175,885
Transfer	(152,579)	152,579	—	—	761	(761)	—
Decrease due to disposal/death	(7,308)	(13,608)	—	—	(513)	(73)	(21,502)
Gains (losses) arising from changes in fair value less costs to sell of biological assets	80,986	(28,621)	59,438	(844)	(403)	(3,374)	107,182
Losses arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	—	—	—	(8,389)	—	—	(8,389)
Transfer out upon harvest or selling	—	—	(408,033)	(3,842)	—	(3,828)	(415,703)
Disposal of a subsidiary *(note 15)*	—	—	—	—	(2,555)	(4,523)	(7,078)
Balance at 31 December 2014	612,489	275,320	44,152	2,582	—	—	934,543
Represented by:							
Current portion	—	—	44,152	—	—	—	44,152
Non-current portion	612,489	275,320	—	2,582	—	—	890,391
Total	612,489	275,320	44,152	2,582	—	—	934,543

	Six months ended 30 June 2015				
	Heifers and calves	Milkable cows	Cows held for sale	Alfalfa	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP					
Balance at 1 January 2015	612,489	275,320	44,152	2,582	934,543
Purchase cost	647	—	—	—	647
Feeding cost	133,333	—	2,346	—	135,679
Transfer	(85,622)	85,622	—	—	—
Decrease due to disposal/death	(4,792)	(8,700)	—	(2,582)	(16,074)
Gains (losses) arising from changes in fair value less costs to sell of biological assets	20,205	(16,132)	935	—	5,008
Transfer out upon harvest or selling	—	—	(40,793)	—	(40,793)
Balance at 30 June 2015	676,260	336,110	6,640	—	1,019,010
Represented by:					
Current portion	—	—	6,640	—	6,640
Non-current portion	676,260	336,110	—	—	1,012,370
Total	676,260	336,110	6,640	—	1,019,010

The Directors have engaged an independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited with registered office at 6/F Three Pacific Place, 1 Queen's Road East, Admiralty, Hong Kong, to assist the Group in assessing the fair values of Group's cows, hogs and alfalfa. The independent valuer and the management of the Group held meetings periodically to discuss the valuation techniques and changes in market information to ensure the valuations have been performed properly. 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 38.

As at 31 December 2013 and 2014 and 30 June 2015, the Group pledged its dairy cows with carrying amount of approximately RMB90,292,000, RMB387,123,000 and RMB414,227,000, respectively, to banks to secure the Group's bank borrowings (note 27).

The aggregate gain or loss arising on initial recognition of raw milk and alfalfa harvested and from the change in fair value less costs to sell of biological assets during the Track Record Periods is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
THE GROUP					
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	62,591	61,164	115,699	67,332	76,209
Gains (losses) arising from changes in fair value less costs to sell of biological assets					
- cows	19,301	31,868	111,803	23,615	5,008
- alfalfa	—	—	(844)	(65)	—
- hogs	130	(117)	(3,777)	(3,777)	—
	19,431	31,751	107,182	19,773	5,008

22. INVESTMENT IN A SUBSIDIARY

	THE COMPANY
	As at 31 December 2014 and 30 June 2015
	RMB'000
Unlisted share, at cost	8

Investment in a subsidiary represents the investment cost in ZhongDi Hong Kong.

23. INVENTORIES

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Feeds	66,012	111,679	191,972	174,448
Others	1,776	3,203	3,788	3,688
	67,788	114,882	195,760	178,136

24. TRADE AND OTHER RECEIVABLES

The Group normally allows a credit period of 30 days to its customers for sales of raw milk. The Group normally requires prepayments for sales of cows and alfalfa. The aged analysis of the Group's trade receivables presented based on invoice date which approximate to the respective dates on which revenue is recognised as at the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Trade receivables:				
- 0 to 30 days	6,972	17,009	23,544	33,067
- 31 to 90 days	3,200	—	1,709	545
- 91 to 180 days	300	—	4,221	—
- Over 181 days	187	411	68	886
	10,659	17,420	29,542	34,498
Note receivables - 91 to 180 days	1,000	—	—	—
Other receivables:				
- Receivables from agency customers	25,905	13,904	67	—
- Advances to suppliers	8,290	19,056	31,672	35,276
- Rebate receivables from suppliers	4,427	4,249	—	—
- Amount due from Urban Construction *(note 15)*.	—	—	13,565	70
- Amount due from ZhongDi Meijia*	—	—	32,579	838
- Others	857	1,098	4,568	4,032
	51,138	55,727	111,993	74,714

* The amount due from ZhongDi Meijia as at 31 December 2014 includes a balance of RMB6,123,000 for sale of feeds to ZhongDi Meijia which is aged within 18 days. The amount due from ZhongDi Meijia as at 30 June 2015 includes a balance of RMB838,000 for sales of feeds to ZhongDi Meijia which is aged within 180 days.

At the end of each reporting period, the aged analysis of trade receivables that are not individually nor collectively considered to be impaired as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Neither past due nor impaired	6,972	17,009	23,544	33,067
Less than 60 days past due	3,200	—	1,709	545
Over 61 days past due	487	411	4,289	886
	10,659	17,420	29,542	34,498

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

Receivables that were past due but not impaired relate to customers that have a good repayment history with the Group. Based on past experience, the management of the Group are of the opinion that no provision for impairment 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. The financial position of the creditors will be closely monitored by the management of the Group and provision will be made as appropriate.

THE COMPANY

Other receivables of the Company represent prepayments as at 31 December 2014 and 30 June 2015.

25. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

THE GROUP

Pledged bank deposits

Pledged bank deposits of the Group represent deposits pledged for letters of credit and bank borrowings. The Group's pledged bank deposits carried interest at prevailing interest rates ranging from 0.35% to 0.50%, 0.35% to 2.84% and 0.35% per annum at 31 December 2012, 2013 and 2014, respectively.

Cash and bank balances

Cash and bank balances of the Group comprise cash and short-term bank deposits with an original maturity of three months or less. The Group's bank balances carried interest at prevailing interest rates ranging from 0.35% to 0.50%, 0.35%, 0.01% to 0.35% and 0.01% to 0.35% per annum at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

Pledged bank deposits and cash and bank balances were denominated in United States Dollar ("USD"), Australian Dollar ("AUD"), HKD, New Zealand Dollar ("NZD") and RMB. RMB is not a freely convertible currency in the international market. The exchange rate of RMB is regulated by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

Pledged bank deposits, and cash and bank balances of the Group that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
USD	40	94,175	29,085	381
AUD	5	—	—	—
HKD	—	—	18	198
NZD	3	—	—	—

THE COMPANY

The Company's bank balances of RMB13,912,000, RMB355,000 and RMB18,000 were dominated in RMB, USD and HKD, respectively, as at 31 December 2014. The Company's bank balances of RMB1,980,000, RMB328,000 and RMB197,000 were denominated in RMB, USD and HKD, respectively, as at 30 June 2015.

26. TRADE AND OTHER PAYABLES

THE GROUP

The credit period granted to the Group for the settlement of trade purchases is within 90 days. The following is an aged analysis of trade payables from invoice date at the end of each reporting period:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Trade payables:				
- 0 - 90 days	8,006	33,655	47,580	47,679
- 91 - 180 days	2,642	5,161	5	1,081
- over 181 days	733	828	617	3,342
	11,381	39,644	48,202	52,102
Payable for acquisition of property, plant and equipment	674	23,997	79,492	54,800
Payable to agency suppliers	30,630	18,743	5,073	—
Advance payments from customers	25,215	161,746	27,855	10,038
Advance payments from agency customers	20,239	27,895	1,849	8,818
Accrued staff costs	1,064	1,527	3,687	3,193
Interest payables	1,382	2,315	1,184	1,323
Consideration payable for acquisition of dairy farming assets *(note 28)*	—	—	12,000	—
Others	1,023	2,551	1,358	4,036
	91,608	278,418	180,700	134,310

THE COMPANY

Other payable of the Company represent payables to an independent third party as at 31 December 2014 and 30 June 2015. The balance is unsecured, interest free and repayable on demand.

27. BORROWINGS

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Bank borrowings	170,000	395,518	602,456	776,945
Debentures *(note i)*	20,000	20,000	—	—
	190,000	415,518	602,456	776,945
Unsecured borrowings	40,000	220,000	340,000	635,891
Guaranteed and unsecured borrowings *(notes i and ii)*	150,000	51,804	44,304	1,054
Secured borrowings *(note ii)*	—	93,714	118,152	50,000
Guaranteed and secured borrowings *(note ii)*	—	50,000	100,000	90,000
	190,000	415,518	602,456	776,945
Carrying amount repayable:				
Within one year	170,000	414,214	466,652	447,391
Between one to two years	20,000	500	44,500	104,500
Between two to five years	—	804	91,304	225,054
	190,000	415,518	602,456	776,945
Less: Amounts due within one year shown under current liabilities	(170,000)	(414,214)	(466,652)	(447,391)
Amounts due after one year	20,000	1,304	135,804	329,554
The borrowings comprise:				
Fixed-rate borrowings	140,000	333,714	170,000	265,891
Variable-rate borrowings	50,000	81,804	432,456	511,054
	190,000	415,518	602,456	776,945

The Group had available unutilised banking facilities of RMB100,000,000, RMB70,000,000, RMB111,848,000 and RMB134,109,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

Notes:

i. On 18 January 2011, ZhongDi Beijing issued debentures of RMB20,000,000 with maturity of three years. The debentures bear a fixed interest rate of 5.8% per annum and were fully repaid on 20 January 2014. The debentures were jointly guaranteed by Beijing Agriculture Guaranty Co., Ltd. ("Beijing Agriculture Guaranty") and Beijing Capital Investment & Guaranty Co., Ltd. (two independent financial guaranty companies, collectively the "Guarantors"). Mr. Zhang Jianshe and ZhongDi Genetics & Seeds Co., Ltd. (中地種業(集團)有限公司) ("ZhongDi Seeds"), a company controlled by Mr. Zhang Jianshe provided counter-guarantee to the Guarantors.

ii. At 31 December 2012, bank loans of RMB50,000,000 were jointly guaranteed by ZhongDi Seeds and Mr. Zhang Jianshe; a bank loan of RMB30,000,000 was guaranteed by Mr. Zhang Jianshe; and bank loans of RMB50,000,000 were guaranteed by ZhongDi Seeds.

At 31 December 2013, a bank loan of RMB50,000,000 was guaranteed by Mr. Zhang Jianshe and secured by certain dairy cows owned by the Group as set out in note 21; a bank loan of RMB1,804,000 was guaranteed by Beijing Agriculture Guaranty; a bank loan of RMB30,000,000 was guaranteed by Mr. Zhang Jianshe; and a bank loan of USD15,371,000 (equivalent to RMB93,714,000) was secured by the Group's pledged bank deposits of USD15,371,000 (equivalent to RMB93,714,000).

At 31 December 2014, bank loans of RMB43,000,000 were guaranteed by ZhongDi Seeds; a bank loan of RMB100,000,000 was jointly guaranteed by ZhongDi Seeds and Mr. Zhang Jianshe and secured by certain dairy cows of the Group as set out in note 21; a bank loan of RMB1,304,000 was guaranteed by Beijing Agriculture Guaranty; a bank loan of RMB50,000,000 was secured by the lease prepayments of the Group as set out in note 20 and certain dairy cows of the Group as set out in note 21; and a bank loan of USD11,138,000 (equivalent to RMB68,152,000) was secured by certain pledged bank deposits.

As at 30 June 2015, a bank loan of RMB90,000,000 was jointly guaranteed by ZhongDi Seeds and Mr. Zhang Jianshe and secured by certain dairy cows of the Group as set out in note 21; a bank loan of RMB1,054,000 was guaranteed by Beijing Agriculture Guaranty; a bank loan of RMB50,000,000 was secured by the lease prepayments of the Group as set out in note 20 and certain dairy cows of the Group as set out in note 21.

The effective interest rates of the bank borrowings, which are also equal to contracted interest rates, at the end of each reporting period, are as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	%	%	%	%
Effective interest rates (per annum):				
Fixed-rate bank borrowings	6.60-7.87	2.60-7.87	6.60-7.50	3.31-7.50
Variable-rate bank borrowings	6.60-7.87	6.60-7.22	6.60-8.61	5.61-8.40

Interest rate of the Group's variable-rate bank borrowings are based on the benchmark interest rates promulgated by the People's Bank of China ("PBOC").

28. OTHER NON-CURRENT PAYABLE

THE GROUP

In July 2013, the Group acquired dairy cows, certain dairy farming related property, plant and equipment, lease prepayments for land use rights and inventories from an independent dairy cow farming company at an aggregate cash consideration of RMB38,600,000. The Group made payments of RMB26,600,000 in December 2013. Pursuant to the purchase agreement, the remaining consideration of RMB12,000,000 is repayable in July 2018 and bears interest at annual rate of 10%. The interest is repayable annually.

The cash consideration of RMB38,600,000 was allocated to dairy cows as to RMB14,615,000, property, plant and equipment as to RMB13,114,000, lease prepayments as to RMB8,767,000 and inventories as to RMB2,104,000 based on their respective fair values upon initial recognition. The respective fair values of dairy cows, property, plant and equipment, lease prepayments and inventories upon acquisition were determined by the management of the Group.

In December 2014, the Group entered into a supplementary agreement with that independent dairy cow farming company pursuant to which the interests at annual rate of 10% on the remaining RMB12,000,000 were waived and in exchange, the remaining consideration of RMB12,000,000 was early repaid in January 2015. The interests accrued at 31 December 2013 of RMB500,000 were reversed and recorded as a gain from extinguishment of interest payable included in other gains and losses for the year ended 31 December 2014. The remaining consideration of RMB12,000,000 was included in trade and other payables as at 31 December 2014 and was repaid by the Group in January 2015.

29. DEFERRED INCOME

	Year ended 31 December			Six months ended 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
THE GROUP				
Deferred income in respect of government grants:				
- Balance at beginning of the year/period	23,575	27,616	30,539	21,735
- Addition	5,750	4,675	3,906	850
- Release to income - continuing operations	(1,409)	(1,415)	(3,197)	(539)
- Release to income - discontinued operaions	(300)	(337)	(169)	—
- Disposal of a subsidiary *(note 15)*	—	—	(9,344)	—
- Balance at end of the year/period	27,616	30,539	21,735	22,046

Deferred income arising from government grants of the Group represents the government subsidies obtained in relation to the construction of property, plant and equipment. Government grants are included in the consolidated statement of financial position as deferred income and are credited to the profit or loss on a systematic basis over the useful lives of the related assets.

30. CAPITAL AND RESERVES OF THE COMPANY

Issued and fully paid-up:

	As at 31 December 2014 and 30 June 2015
	USD'000
Share capital of USD0.00001 each	18

	As at 31 December 2014 and 30 June 2015
	RMB'000
Presented as:	
Ordinary shares	69
Convertible preferred shares	41
	110

	As at 31 December 2014 and 30 June 2015
Number of shares:	
Fully paid ordinary shares	1,107,800,000
Fully paid convertible preferred shares	673,680,000
	1,781,480,000

Ordinary shares

	Authorised shares		Issued capital	
	Number of shares	Share Capital	Number of shares	Share Capital
	'000	RMB'000		RMB'000
Balance at the date of incorporation	5,000,000	306	1	—
Issue of ordinary shares	—	—	1,107,799,999	69
Balance at 31 December 2014 and 30 June 2015	5,000,000	306	1,107,800,000	69

Convertible preferred shares

	Authorised shares		Issued capital	
	Number of shares	Share Capital	Number of shares	Share Capital
	'000	RMB'000		RMB'000
Balance at the date of incorporation	—	—	—	—
Increase of authorised capital and transfer of convertible preferred shares from financial liability to equity	673,680	41	673,680,000	41
Balance at 31 December 2014 and 30 June 2015	673,680	41	673,680,000	41

On 24 April 2014, the Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability with an authorised share capital of USD50,000 divided into 5,000,000,000 ordinary shares with par value of USD0.00001 each. Upon incorporation, one ordinary share was subscribed, credited as fully paid at par as initial capital of the Company.

On 29 April 2014, an aggregate of 595,377,999 ordinary shares were allotted and issued, credited as fully paid, to a number of entities owned by the beneficial owners of the then shareholders of ZhongDi Beijing.

On 8 July 2014, 89,800,000 ordinary shares were allotted and issued to the then sole shareholder of Kaixin Peak Ring (a then shareholder of ZhongDi Beijing), which was in consideration for all issued share capital of Kaixin Peak Ring being transferred to ZhongDi Hong Kong.

On 18 June 2014, an aggregate of 422,622,000 ordinary shares were allotted and issued at cash consideration of USD14,422,800 (equivalent to RMB90,143,000) to entities owned by the beneficial owners of the remaining then shareholders of ZhongDi Beijing. The cash consideration was received in August 2014 and subsequently fully paid out to the same group of shareholders or their beneficial owners for transfer of their equity interests in ZhongDi Beijing to the Group.

On 14 July 2014, 568,420,000 convertible preferred shares with par value of USD0.00001 per share were issed to a series of independent third-party investors at an aggregate consideration of RMB540,000,000.

On 22 August 2014, 105,260,000 convertible preferred shares with par value of USD0.00001 per share were issed to an independent third-party investor at an aggregate consideration of RMB100,000,000.

Reserves

	Share Premium	Capital Reserve	Accumulated Loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At the date of incorporation	—	—	—	—
Loss for the year	—	—	(23,441)	(23,441)
Issue of ordinary shares pursuant to the Group Reorganisation	—	(69)	—	(69)
Transfer of convertible preferred shares from financial liability to equity	653,433	—	—	653,433
At 31 December 2014	653,433	(69)	(23,441)	629,923
Loss for the period	—	—	(9,157)	(9,157)
At 30 June 2015	653,433	(69)	(32,598)	620,766

31. CONVERTIBLE PREFERRED SHARES

On 14 July 2014, pursuant to the Series A Preferred Share Purchase Agreement (the "Series A Agreement") entered into among a number of independent investors (the "Series A Investors"), the Company, ZhongDi Hong Kong and ZhongDi Beijing, the Company issued an aggregate of 568,420,000 convertible preferred shares (the "Series A Preferred Shares") at an aggregate consideration of RMB540,000,000.

On 22 August 2014, pursuant to the Series B Preferred Share Purchase Agreement (the "Series B Agreement")(the Series A Agreement and the Series B Agreement are collectively referred to as the "Agreements") entered into among an independent investor (the "Series B Investor") (the Series A Investors and the Series B Investor are collectively referred to as the "Investors"), the Company, ZhongDi Hong Kong and ZhongDi Beijing, the Company issued an aggregate of 105,260,000 convertible preferred shares (the "Series B Preferred Shares") (the Series A Preferred Shares and the Series B Preferred Shares are collectively referred to as the "Preferred Shares") at an aggregate consideration of RMB100,000,000.

The key terms related to the Preferred Shares are as follows:

I. **Conversion**

The conversion price on which each Preferred Share is convertible into ordinary shares of the Company (the "Conversion Price") shall initially be the issue price of the Preferred Shares (RMB0.95 each) and is subject to adjustments as detailed below. The number of ordinary shares to be converted is determined by dividing the total issue price by the Conversion Price at the time in effect.

Additionally each Preferred Share shall automatically be converted into ordinary shares, at applicable conversion price upon (i) the closing of a qualified initial public offering (the "Qualified IPO"), or (ii) the election of holders of at least 50% of the then issued and outstanding Preferred Shares.

II. **Adjustments to applicable conversion price for dilutive issuance**

If the Company issues new securities after the date of issuance of the Preferred Shares for a consideration per share which is less than the Conversion Price of the Preferred Shares, the Conversion Price shall automatically be reduced, concurrently with such issue, to such lower price, unless such adjustment of Conversion Price is waived by the holders of at least fifty percent (50%) of the Preferred Shares.

III. **Dividends**

Any dividend payable by the Company shall be paid on a pro rata basis to all ordinary shares and all Preferred Shares (on an as-converted basis). The Investors shall also be entitled to receive any non-cash dividends declared by the Company's board on an as converted basis.

IV. **Liquidation preference**

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, or any of the following deemed liquidation events (the "Trade Sale Events") of (i) any acquisition of any of the Group's companies by another entity by means of any transaction or series of related transactions (including, without limitation, any share acquisition, reorganisation, merger or consolidation) other than a transaction or series of transactions in which the holders of the voting securities of such Group's company outstanding immediately prior to such transaction continue to retain (either by such voting securities remaining outstanding or by such voting securities being converted into voting securities of the surviving entity) more than fifty percent (50%) of the total voting power represented by the voting securities of such Group's company or such surviving entity outstanding immediately after such transaction or series of transaction, (ii) a sale, transfer, lease or other disposition of all or substantially all of the assets (including intellectual property) of any of the Group's companies (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of any of the Group's companies), or (iii) the exclusive licensing of all or substantially all of any of the Group's companies' intellectual property to a third party, the Investors are first entitled to be paid, prior to and in preference of any distribution to the other Shareholders, an amount per Preferred Share equal to the greater of (i) RMB0.95, being the issue price of the Preferred Shares and subject to adjustment for any share splits, share dividends, combinations, recapitalizations or similar transactions, and (ii) the amount each Preferred Share shall be entitled to if the whole proceeds from the deemed liquidation event shall be distributed to the holders of ordinary shares and Preferred Shares on pro rata and as-converted basis.

The Company may be required to issue variable number of its ordinary shares upon conversion of the Preferred Shares in the events of: (i) adjustments to conversion price for dilutive issuance, and (ii) Trade Sale Events as mentioned above. Therefore, the Preferred Shares are accounted for as non-derivative financial liabilities in its entirety and are measured at fair value on a recurring basis.

V. **Waiver of the rights by the Investors**

On 31 October 2014, the Investors waived their rights in relation to the adjustments to applicable conversion price for dilutive issuance and the liquidation preference in the events of Trade Sale as set out above.

Upon the waiver of these clauses on 31 October 2014, the Preferred Shares were accounted for as equity instruments of the Group.

The movement of the Preferred Shares are as follows:

	RMB'000
At 1 January 2012, 31 December 2012 and 2013	—
Issue of the Preferred Shares	640,000
Changes in fair value *(note)*	13,474
Transfer of the Preferred Shares from financial liability to equity	(653,474)
At 31 December 2014 and 30 June 2015	—

Note:

It represents the fair value change of Preferred Shares of RMB0.95 per share upon issuance to RMB0.97 per share upon transfer to equity. Fair value of RMB0.97 per share is based on the fair value assessment of the Preferred Shares as at 31 October 2014 performed by management using the Black Scholes Option Pricing Model. The inputs used for the fair value assessment are as follow:

Equity value	RMB2,161 million
Conversion price	RMB640 million
Risk-free rate	3.43%
Dividend yield	nil
Volatility	40%
Discount rate	14%

Equity value is estimated base on discounted cash flow projections of the Group.

Risk-free interest rate is estimated based on the market yield of China International Government Bond with similar maturity as of the valuation date.

The volatility of the underlying shares during the life of the conversion options was estimated based on average historical volatility of comparable companies for the year before the valuation date with lengths similar to the expected terms of the conversion options.

The dividend yield was estimated by the Company based on its expected annual dividend of the Preferred Shares divided by the fair values of the equity of the Group.

32. AMOUNTS DUE FROM/TO A SUBSIDIARY

The Company's amounts due to a subsidiary are interest free, unsecured and repayable on demand.

The Company's amount due from a subsidiary is unsecured, repayable on demand and bears interests at Hong Kong Inter-Bank Offerred Rate. In the opinion of the Directors, the amount due from a subsidiary is expected to be settled after twelve months from the end of the reporting period and classified as non-current asset.

33. RETIREMENT BENEFIT PLANS

The PRC employees of the Group are members of a state-managed retirement benefit plan operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the Track Record Periods are disclosed in notes 12 and 15.

34. CAPITAL COMMITMENTS

At the end of each reporting period, the Group had the following capital commitments:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Capital expenditures in respect of acquisition of property plant and equipment:				
- contracted but not provided for	107,278	288,632	464,563	358,618

35. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had commitment to make future minimum lease payments in respect of office and farm land rented under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	7,110	23,597	32,830	31,466
In the second to fifth year inclusive	25,100	90,523	129,317	120,639
Over five years	58,240	234,932	312,850	258,878
	90,450	349,052	474,997	410,983

Operating lease payments primarily represent rentals payable by the Group for leasing of office and farm land which are negotiated for terms ranging from 2 years to 20 years and rentals are fixed or with a fixed rate/amount periodic rent adjustments.

The minimum lease payments under operating lease recognised as expenses during the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 are approximately RMB6,414,000, RMB21,913,000, RMB31,939,000 , RMB15,566,000 (unaudited) and RMB16,475,000, respectively.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged during the Track Record Periods.

The capital structure of the Group consists of net debt, which included borrowings as disclosed in note 27, net of cash and bank balances and equity attributable to owners of the Company, comprising capital, reserves and retained earnings as disclosed in the consolidated statements of changes in equity.

The management of the Group review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through new share issues as well as the issue of new debts or the redemption of existing debts.

37. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP				THE COMPANY	
	As at 31 December			As at 30 June	As at 31 December	As at 30 June
	2012	2013	2014	2015	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Loan and receivables .	221,373	306,862	230,813	149,985	626,260	614,498
Financial liabilities						
Amortised cost	235,090	514,769	749,765	889,206	194	194

Financial risk management objectives and polices

The Group's major financial instruments include cash and bank balances, pledged bank deposits, trade and other receivables, trade and other payables, borrowings and other non-current payable. The Company's major financial instruments include cash and bank balances, amount due from a subsidiary, other payables and amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The management of the Group manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged during the Track Record Periods.

Credit risk

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The amounts presented in the consolidated statements of financial position are net of allowances for doubtful receivables, if any, estimated by the Group's management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group consider that the Group's credit risk is significantly reduced.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, 53%, 64%, 93% and 92% of the Group's trade receivables were from the sales of raw milk. During the Track Record Periods, the Group only transacted with limited number of customers for sales of raw milk. Therefore, there is concentration of credit risk arising from the Group's trade receivables from raw milk customers. Management of the Group consider the risk is low because the Group only transacts with credit-worthy customers and there is no history of default of these customers. In addition, the Group had concentration of credit risk arising from amounts due from related parties as at 31 December 2014.

The credit risk on receivables from agency customers is limited as the Group is not obligated to make payments to the corresponding agency suppliers until the Group receives the payments from the agency customers.

The credit risk on liquid funds of the Group is limited because the counterparties are authorized banks in the PRC.

Other than amounts due from a subsidiary, the Company does not have significant exposure to credit risk as at 31 December 2014 and 30 June 2015.

Interest rate risk

The Group is exposed to cash flow interest rate risk due to fluctuations in the prevailing market interest rates on bank balances, pledged bank deposits and borrowings which carry interest at variable interest rates.

The Group's fair value interest rate risk relates primarily to other non-current payable and fixed-rate borrowings. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Company is exposed to cash flow interest rate risk on the amount due from a subsidiary.

Interest rate sensitivity analyses

The sensitivity analyses below have been determined based on the exposure to benchmark interest rates promulgated by the PBOC for its bank borrowings at the end of each reporting period. The sensitivity analyses below have been determined based on the exposure to interest rates for variable interest rate bank borrowings. Bank balances and pledged bank deposits are excluded from the sensitivity analyses as a reasonably possible change in the interest rate would not have a significant effect on the Group's and the Company's post-tax profit during the Track Record Periods. The analyses are prepared assuming the variable interest rate bank borrowings outstanding at the end of each reporting period were outstanding for the whole year/period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on variable interest rate borrowings had been 50 basis points higher and all other variables were held constant (without taking into account the effect of interest capitalisation), the potential effect on post-tax profit of the Group is as follows:

	Year ended 31 December			Six months ended 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Post-tax profit would decrease by	250	409	2,162	1,278

If interest rate on the amount due from a subsidiary had been 50 basis points higher and all other variables were hold constant, the Company's post-tax profit would increase by RMB3,060,000 and RMB1,530,000 for the year ended 31 December 2014 and the six months ended 30 June 2015, respectively.

There would be an equal and opposite impact on the above post-tax results, should the aforesaid interest rates be lower in the above sensitivity analyses.

Foreign currency risk

The Group undertakes certain purchase and agency payment transactions in foreign currencies, which expose the Group to foreign currency risk. The Group does not use any derivative contracts to hedge its exposure to currency risk. The management of the Group manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arises.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets (pledged bank deposits, bank balances and trade and other receivables) and monetary liabilities (bank borrowings and trade and other payables) at the end of each reporting period are as follows:

	THE GROUP				THE COMPANY	
	As at 31 December			As at 30 June	As at 31 December	As at 30 June
	2012	2013	2014	2015	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
USD	4,467	98,424	29,085	381	355	328
AUD	5	—	—	—	—	—
NZD	3	—	—	—	—	—
HKD	—	—	18	198	18	197
	4,475	98,424	29,103	579	373	525
Liabilities						
USD	28,980	109,671	68,152	5,891	—	—

Foreign currency sensitivity analyses

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The Group was primarily subject to foreign currency risk from the movement of the exchange rates between RMB and USD during the Track Record Periods. At the end of each reporting period, if the exchange rate had been strengthen in RMB against USD by 5% and all other variables were held constant, the Group's post-tax profit for each reporting period would increase as follow:

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
USD denominated monetary assets and monetary liabilities against RMB	1,226	562	1,953	276

For a 5% weakening of the RMB against USD, there would be an equal and opposite impact on the post-tax profit.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposure does not reflect the exposure during the year/period. The Group's trade and other receivables and trade and other payables denominated in USD which were resulted from purchase or agency payment transactions were volatile during the Track Record Periods.

The Company was not subject to significant foreign currency risk during the Track Record Periods and no sensitivity analysis is presented.

Liquidity risk

The Group had available unutilised banking facilities of RMB134,109,000 as at 30 June 2015.

Having considered the unutilised banking facilities available as at 30 June 2015, subsequently obtained banking facilities, a letter of intent from a PRC bank to provide additional loan facilities of RMB200,000,000, the expected future cash generated from operation and other cash flow requirements, the management of the Group is of the view that the Group is able to meet its financial obligations as they fall due for the foreseeable future. To mitigate any liquidity issues that might be faced by the Group, the Group may curtail or defer its expansion plans based on the availability of sufficient funds.

The following table sets out the Group's remaining contractual maturity for its non-derivative financial liabilities as at the end of each reporting period. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the reporting period.

	Interest rates	On demand or less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	Total undiscounted cash flows	Carrying amounts
Non-derivative financial liabilities							
As at 31 December 2012							
Trade and other payables		15,805	7,516	21,769	—	45,090	45,090
Fixed interest rate borrowings	5.80 - 7.87	828	21,568	105,140	20,064	147,600	140,000
Variable interest rate borrowings	6.60 - 7.87	50,258	—	—	—	50,258	50,000
		66,891	29,084	126,909	20,064	242,948	235,090
As at 31 December 2013							
Trade and other payables		54,544	32,707	—	—	87,251	87,251
Other non-current payable	10.00	—	—	1,200	16,800	18,000	12,000
Fixed interest rate borrowings	2.60 - 7.87	21,529	94,478	227,293	—	343,300	333,714
Variable interest rate borrowings	6.60 - 7.22	459	30,856	51,591	1,436	84,342	81,804
		76,532	158,041	280,084	18,236	532,893	514,769
As at 31 December 2014							
Trade and other payables		127,131	20,178	—	—	147,309	147,309
Fixed interest rate borrowings	6.60 - 7.50	991	1,886	176,524	—	179,401	170,000
Variable interest rate borrowings	6.60 - 8.61	32,846	25,242	280,567	161,476	500,131	432,456
		160,968	47,306	457,091	161,476	826,841	749,765
As at 30 June 2015							
Trade and other payables		94,390	17,871	—	—	112,261	112,261
Fixed interest rate borrowings	3.31 - 7.50	71,494	2,864	199,808	—	274,166	265,891
Variable interest rate borrowings	5.61 - 8.40	82,861	5,371	124,365	379,984	592,581	511,054
		248,745	26,106	324,173	379,984	979,008	889,206

The Company's financial liabilities include other payables and an amount due to a subsidiary at 30 June 2015, which are repayable on demand.

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognised in the statements of financial position approximate their fair values at the end of each reporting period.

38. FAIR VALUE MEASUREMENTS

Biological assets measured at fair value on a recurring basis

The following table presents the fair values of the Group's biological assets measured at fair value on a recurring basis at the end of each reporting period after initial recognition, categorised into the three-level fair value hierarchy as defined in IFRS 13 "Fair value measurement". In estimating the fair value of the biological assets, the highest and best use of the biological assets is their current use.

	As at 31 December 2012			
Recurring fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cows held for sale	—	—	29,342	29,342
Heifers and calves	—	—	106,041	106,041
Milkable cows	—	—	107,090	107,090
Commodity hogs	—	—	3,552	3,552
Breeder hogs	—	—	2,433	2,433
Total biological assets	—	—	248,458	248,458

	As at 31 December 2013			
Recurring fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cows held for sale	—	—	100,348	100,348
Heifers and calves	—	—	146,770	146,770
Milkable cows	—	—	164,970	164,970
Commodity hogs	—	—	4,656	4,656
Breeder hogs	—	—	2,340	2,340
Total biological assets	—	—	419,084	419,084

	As at 31 December 2014			
Recurring fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cows held for sale	—	—	44,152	44,152
Heifers and calves	—	—	612,489	612,489
Milkable cows	—	—	275,320	275,320
Alfalfa	—	—	2,582	2,582
Total biological assets	—	—	934,543	934,543

Recurring fair value	As at 30 June 2015 Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cows held for sale	—	—	6,640	6,640
Heifers and calves	—	—	676,260	676,260
Milkable cows	—	—	336,110	336,110
Total biological assets	—	—	1,019,010	1,019,010

The reconciliations from the beginning balances to the ending balances for fair value measurements of the above biological assets are disclosed in note 21.

Valuation techniques used in fair value measurements

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 unobersvable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Biological assets Heifers and calves (including self-reproduced heifers/calves held for sale)	The fair value of 14 months old heifers is determined by reference to the local market selling price.	Average local market selling prices of the heifers of 14 months old were estimated at RMB22,000, RMB20,500, RMB21,000 and RMB21,500 per head at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.	An increase in the estimated local market selling price used would result in a smaller percentage increase in the fair value measurement of the heifers and calves, and vice versa.
	The fair values of heifers and calves at age-group less than 14 months are determined by subtracting the estimated feeding costs required to raise the cows from their respective age at the end of each reporting period to 14 months plus the margins that would normally be required by a raiser. Conversely, the fair values of heifers at age group older than 14 months are determined by adding the estimated feeding costs required to raise the heifers from 14 months old to their respective age at the end of each reporting period plus the margins that would normally be required by a raiser.	Estimated average feeding costs per head plus margin that would normally be required by a raiser for heifers and calves younger than 14 months old are RMB15,449, RMB14,175, RMB15,546 and RMB15,292 at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively; average estimated feeding costs per head plus margin that would normally be required by a raiser for heifers older than 14 months old are RMB10,294, RMB8,512, RMB9,348, and RMB9,123 at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.	An increase in the estimated feeding costs plus the margin that would normally be required by a raiser used would result in a smaller percentage increase/decrease in the fair value measurement of the heifers and calves older/younger than 14 months old, and vice versa.

Type	Valuation technique	Significant unobersvable 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.	The estimated feed costs per kg of raw milk used in the valuation process are RMB2.3, RMB2.4, RMB2.4 and RMB2.2 for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively, based on the historical average feed costs per kg of raw milk after taking into consideration of inflation.	An increase in the estimated feed costs per kg of raw milk used would result in a higher percentage decrease in the fair value measurement of the milkable cows, and vice versa.
		A milkable cow could have as many as six lactation cycles. Estimated average daily milk yield at each lactation cycle is ranged from 20kg to 24.7kg for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, depending on the number of the lactation cycles and the individual physical condition.	An increase in the estimated daily milk yield per head used would result in a slight higher percentage increase in the fair value measurement of the milkable cows, and vice versa.
		Estimated local future market prices for raw milk are RMB4,400, RMB4,750, RMB4,650 and RMB4,390 and per tonne at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.	A slightly increase in the estimated average selling price of raw milk used would result in a significant percentage increase in the fair value measurement of the milkable cows, and vice versa.
		Discount rate for estimated future cash flow used is 15.3%, 15.0%, 14.0% and 14.0% at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.	An increase in the estimated discount rate used would result in a higher percentage decrease in the fair value measurement of the milkable cows, and vice versa.
Cows held for sale (excluding self-reproduced heifers/calves for sale)	The fair value for cows held for sales is mainly determined based on the estimated local market selling prices, subtracting estimated feeding costs of these cows.	Estimated local market selling prices per head of the heifers were RMB22,499, RMB16,302 and RMB24,369 at 31 December 2012, 2013 and 2014, respectively.	An increase in the estimated local market selling price used would result in a similar percentage increase in the fair value measurement of the cows held for sale, and vice versa.

Type	Valuation technique	Significant unobersvable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Alfalfa	The fair values of alfalfa are determined based on the estimated planting costs adjusted for the remaining expected life. Expected useful lives are currently four years.	Costs incurred for planting costs are RMB15,657,000 for the year ended 31 December 2014.	An increase in the estimated planting costs would result in a similar percentage increase in the fair value measurement of alfalfa, and vice versa.
Commodity hogs	The fair value of commodity hogs is mainly determined by reference to estimated local market selling prices of pork, subtracting the feeding costs required to raise the commodity hogs to be sold.	The estimated local market selling prices with reference to the average historical price per kg are RMB16.11 and RMB14.01 at 31 December 2012 and 2013, respectively.	An increase in the estimated local market selling price for pork would result in a smaller percentage increase in the fair value measurement of commodity hogs, and vice versa.
Breeder hogs	The fair value of breeder hogs is determined by reference to estimated local market selling price of hogs of similar breed and genetic merit less costs to sell.	The estimated local market selling prices with reference to the average historical price per head are RMB2,608 and RMB3,184 at 31December 2012 and 2013, respectively.	An increase in the estimated local market selling price for breeder hogs would result in a smaller percentage increase in the fair value measurement of breeder hogs, and vice versa.

39. RELATED PARTY TRANSACTIONS

(a) Related parties of the Group

The management of the Group consider that the following entities are related parties of the Group:

Name	Relationship
Mr. Zhang Jianshe	executive director and a substantial shareholder (as defined in the Listing Rules) of the Company
ZhongDi Seeds	entity controlled by Mr. Zhang Jianshe
ZhongDi Grass (Ulanqab) Co., Ltd. (烏蘭察布市中地草業有限公司) ("ZhongDi Grass") *(note)*	entity controlled by Mr. Zhang Jianshe
Beijing ZhongDi Agriculture Technology Development Co., Ltd (北京野穀農業技術開發有限公司) ("ZhongDi Agriculture") *(note)*	entity controlled by Mr. Zhang Jianshe

Name	Relationship
Urban Construction	entity controlled by a family member of Mr. Zhang Jianshe
ZhongDi Meijia	entity controlled by a family member of Mr. Zhang Jianshe

Note: The English name is for identification purpose only.

(b) **Related party transactions**

The Group had the following significant transactions with related parties during the Track Record Periods:

The transactions were carried out in accordance with the terms and conditions mutually agreed by the contracting parties.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of feeds:					
- ZhongDi Meijia	N/A	N/A	6,123	N/A	2,638
Purchases of goods from:					
- ZhongDi Seeds	—	—	77	—	—
Lease prepayments made to:					
- ZhongDi Grass	—	—	8,800	8,800	—
Purchases of property, plant and equipment from:					
- ZhongDi Grass	—	—	2,027	2,027	—
- ZhongDi Seeds	1,370	30,000	—	—	—
Provision of construction services by:					
- Urban Construction	32,950	160,706	249,923	—	108,285
Rental charges by:					
- ZhongDi Seeds	1,763	1,686	2,053	776	776

Saved as disclosed above, as set out in note 15, the Group disposed of its 100% equity interest in ZhongDi Meijing to Urban Construction at a cash consideration of RMB13,565,000 in August 2014. The Group made a loan of RMB12,128,000 to ZhongDi Meijia subsequent to the disposal during the year ended 31 December 2014. The loan to ZhongDi Meijia were interest free, unsecured and had no fixed terms of repayment and was fully settled in the six months ended 30 June 2015.

(c) **Balances with related parties**

The Group has the following significant balances with related parties as at the end of each reporting period:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for construction services to:				
- Urban Construction	25,745	—	20,000	16,106
Trade and other payables to:				
- Urban Construction	—	22,262	76,411	52,940
- ZhongDi Agriculture	20	20	—	—
- ZhongDi Grass	113	—	—	—
- ZhongDi Seeds	—	500	—	776
Trade and other receivables from:				
- Urban Construction	—	—	13,565	70
- ZhongDi Meijia	—	—	32,579	838

The above trade and other receivables/payables are unsecured, interest-free and repayable on demand.

(d) **Guaranties provided by related parties**

The borrowings of the Group (note 27) with the following carrying amounts were guaranteed by:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhang Jianshe				
- Directly *(note i)*	80,000	80,000	100,000	90,000
- Indirectly *(note ii)*	20,000	20,000	—	—
ZhongDi Seeds				
- Directly *(note i)*	100,000	—	143,000	90,000
- Indirectly *(note ii)*	20,000	20,000	—	—

Notes:

i. ZhongDi Seeds and Mr. Zhang Jianshe have provided guarantees for the Group's bank borrowings (note 27).

ii. ZhongDi Seeds and Mr. Zhang Jianshe have provided counter-guarantee to the independent financial guaranty companies for certain of the Group's borrowings (note 27).

(e) **Operating lease commitment**

At the end of each reporting period, the Group had commitment to make future minimum lease payments to ZhongDi Seeds in respect of office rented under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,097	1,553	1,553	776
In the second to fifth year inclusive	3,106	1,553	—	—
	4,203	3,106	1,553	776

The above future minimum lease payments to ZhongDi Seeds are included in the future minimum lease payments of the Group as disclosed in note 35.

(f) **Compensation to key management personnel**

The remuneration of the Directors and other members of key management of the Group during the Track Record Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, bonuses and other benefits	1,883	2,746	3,292	1,259	2,179
Retirement benefit scheme contributions	42	84	82	41	50
	1,925	2,830	3,374	1,300	2,229

The remuneration of key management is determined with reference to the performance of individuals and market trends.

40. ACQUISITION OF A SUBISIDIARY

Acquisition of Luannan Hua Yuan

In January 2014, the Group acquired 100% of the paid-in capital of Luannan Hua Yuan for consideration of RMB16,600,000. Luannan Hua Yuan had ceased operation at the time of acquisition. The acquisition has been accounted for as acquisition of assets and liabilities. The consideration of RMB16,600,000 is allocated to individual assets and liabilities on the basis of their relative fair values at the date of acquisition.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Assets	
Property, plant and equipment	3,221
Lease prepayments	13,367
Cash and bank balances	221
	16,809
Liabilities	
Trade and other payables	209

	RMB'000
Cash consideration paid	16,600
Less: cash and cash equivalent balances acquired	(221)
	16,379

A. DIRECTORS' EMOLUMENTS

Saved as disclosed in this report, no other remuneration has been paid or is payable by the Company or any of its subsidiaries to the Directors during the Track Record Periods.

Under the arrangement presently in force, the aggregate amount of the directors' remuneration, excluding discretionary bonus, for the year ending 31 December 2015 is estimated to be approximately RMB3,630,000.

B. SUBSEQUENT EVENTS

On 17 November 2015, the Company entered into cornerstone investment agreements with certain independent third party investors, pursuant to which the cornerstone investors have agreed to subscribe ordinary shares of the Company upon Listing. Details of the cornerstone investment agreements are set out in section headed "Our Cornerstone Investors" of the Prospectus.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any of the companies now comprising the Group in respect of any period subsequent to 30 June 2015.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix was prepared in accordance with Rule 4.29 of the Listing Rules and is for information purposes only and does not form part of the Accountants' Report prepared by the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, as set out in Appendix I.

For illustrative purposes only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to provide prospective investors with further financial information on how the proposed Global Offering might have affected the net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on 30 June 2015.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Global Offering been completed on 30 June 2015 or at any future dates.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of 30 June 2015 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, adjusted as described below. It has been prepared in accordance with Rule 4.29 and for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Global Offering been completed on 30 June 2015 or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of 30 June 2015	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**HK$**
	(note 1)	*(note 2)*		*(note 3)*	*(note 4)*
Based on an Offer Price of HK$1.20 per Share	1,491,227	344,858	1,836,085	1.22	1.49
Based on an Offer Price of HK$1.30 per Share.	1,491,227	375,850	1,867,077	1.25	1.52

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as of 30 June 2015 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of 30 June 2015 of RMB1,491,227,000.

2. The estimated net proceeds from the Global Offering are based on indicative Offer Prices of HK$1.20 and HK$1.30 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company (excluding those expenses which had been recognised in profit or loss in the periods up to 30 June 2015) and takes no account of any Shares that may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme. The estimated net proceeds from the Global Offering are converted to RMB at an exchange rate of HK$1 to RMB0.8213 as set out in the section headed "INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING — EXCHANGE RATE" to this prospectus. No representation is made that HK$ amount has been, could have been or may be converted to RMB amount, or vice versa, at that rate or at any other rates or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 1,498,856,000 Shares are in issue assuming that the Global Offering had been completed on 30 June 2015 but takes no account of any Preferred Shares or any effects of the automatic conversion feature of the Preferred Shares as set out in the section headed "HISTORY, DEVELOPMENT AND REORGANISATION". Had the conversion of the Preferred Shares been taken into account by adjusting the total number of shares were in issue upon completion of the Global Offering to 2,172,536,000 Shares, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share would decrease to RMB0.85 (equivalent to HK$1.03) based on the Offer Price of HK$1.20 per Share and to RMB0.86 (equivalent to HK$1.05) based on the Offer Price of HK$1.30 per Share. The unaudited pro forma adjusted consolidated net tangible assets of the Group also takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme. No dividend was paid to shareholders by the Company subsequent to the Track Record Period and up to the Latest Practicable Date.

4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted to HK$ at the rate of RMB0.8213 to HK$1 as set out in the section headed "INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING — EXCHANGE RATE" to this prospectus. No representation is made that the RMB amount has been, could have been or may be converted to HK$ amount, or vice versa, at that rate or at any other rates or at all.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China ZhongDi Dairy Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2015 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 20 November 2015 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Global Offering (as defined in the Prospectus) on the Group's financial position as at 30 June 2015 as if the proposed Global Offering (as defined in the Prospectus) had taken place at 30 June 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for each of the three years ended 31 December 2014 and the six months ended 30 June 2015, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 20 November 2015

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS LAW

1 Memorandum of Association

The Memorandum of Association was conditionally adopted on October 28, 2015 and effective on the Listing Date and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection as referred to in the paragraph headed in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents available for inspection" in Appendix V to this prospectus.

2 Articles of Association

The Articles of Association were conditionally adopted on October 28, 2015 and effective on the Listing Date and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares and preferred shares. The authorised share capital of the Company at the date of adoption of the Articles of Association is US$50,000 divided into 5,000,000,000 Shares of a par value of US$0.00001 each.

2.2 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum of Association and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the articles of association of the Company expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the articles of association of the Company or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the articles of association of the Company and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the articles of association of the Company, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum of Association or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;

(c) the election of Directors in place of those retiring;

(d) the appointment of auditors;

(e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

(f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and

(g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other moneys payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANIES LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on April 24, 2014 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 **Dividends and Distributions**

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 **Shareholders' Suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 **Protection of Minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 **Disposal of Assets**

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 **Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 **Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 **Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

   (i) on or in respect of the shares, debentures or other obligations of the Company; or

   (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from May 13, 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 **Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 **General**

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands companies law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on April 24, 2014. Our registered office is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our Company has established a principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on October 10, 2014. Ms. Ng Sin Yee, Clare and Ms. Cheng Pik Yuk have been appointed as the authorized representatives of our Company for the acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, our corporate structure and the Articles of Association are subject to relevant laws of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and the Articles of Association is set out in Appendix III to this prospectus.

2. Changes in the Share Capital of Our Company

As at the date of our incorporation, our authorized share capital was US$50,000, divided into 5,000,000,000 Ordinary Shares of a par value of US$0.00001 each.

The following changes in the share capital of our Company have taken place since the date of our incorporation and up to the date of this prospectus:

(1) on April 24, 2014, one Ordinary Share was subscribed, credited as fully paid by Mapcal Limited, which was subsequently transferred at par to YeGu Investment on the same day;

(2) on April 29, 2014, our Company allotted and issued (i) 350,777,999 Ordinary Shares to YeGu Investment, (ii) 147,040,000 Ordinary Shares to Tai Shing, (iii) 61,460,000 Ordinary Shares to SiYuan Investment; and (iv) 36,100,000 Ordinary Shares to Tianfu Investment, respectively;

(3) on June 18, 2014, our Company allotted and issued (i) 42,622,000 Ordinary Shares to ZhongDi Brothers Investment, (ii) 172,500,000 Ordinary Shares to Agriculture Investment, (iii) 84,300,000 Ordinary Shares to New Century, (iv) 18,100,000 Ordinary Shares to Vertex Venture Capital, (v) 69,000,000 Ordinary Shares to Beyond Dawn Investment; and (vi) 36,100,000 Ordinary Shares to Golden Avenue Investment, respectively, at an aggregate consideration of RMB90,142,500;

(4) on June 18, 2014, our Company allotted and issued 89,800,000 Ordinary Shares to Peak Ring Holding, which was in consideration of the transfer of one ordinary share of Kaixin Peak Ring, being its total issued share capital, from Peak Ring Holding to ZhongDi Hong Kong;

(5) on June 26, 2014, 1,000,000,000 Ordinary Shares in our authorized share capital were re-designated and re-classified as Series A Preferred Shares of a par value of US$0.00001 each, as a result of which our authorized share capital became US$50,000 divided into 5,000,000,000 Shares of a par value of US$0.00001 each consisting of (a) 4,000,000,000 Ordinary Shares of a par value of US$0.00001 each and (b) 1,000,000,000 Series A Preferred Shares of a par value of US$0.00001 each;

(6) on July 14, 2014, pursuant to the Series A Share Purchase Agreement, our Company allotted and issued (i) 315,790,000 Series A Preferred Shares to Green Farmlands Group; (ii) 105,260,000 Series A Preferred Shares to Jingm Investment Company Limited; (iii) 100,000,000 Series A Preferred Shares to Chingford Holdings Ltd.; (iv) 38,950,000 Series A Preferred Shares to Optimum Result Developments Ltd.; and (v) 8,420,000 Series A Preferred Shares to Swift Achiever Limited, respectively, at an aggregate consideration of RMB540,000,000;

(7) on August 21, 2014, 500,000,000 Ordinary Shares in our authorized share capital were re-designated and re-classified as Series B Preferred Shares of a par value of US$0.00001 each, as a result of which our authorized share capital became US$50,000 divided into 5,000,000,000 Shares of a par value of US$0.00001 each consisting of (a) 3,500,000,000 Ordinary Shares of a par value of US$0.00001 each, (b) 1,000,000,000 Series A Preferred Shares of a par value of US$0.00001 each, and (c) 500,000,000 Series B Preferred Shares of a par value of US$0.00001 each; and

(8) on August 22, 2014, pursuant to the Series B Share Purchase Agreement, our Company allotted and issued 105,260,000 Series B Preferred Shares to the Series B Investor at a consideration of RMB100,000,000.

Immediately after the Global Offering (assuming the Over-allotment Option and the options which may be granted pursuant to the Post-IPO Share Option Scheme are not exercised), the authorized share capital of our Company will be US$50,000, divided into 5,000,000,000 Ordinary Shares of US$0.00001 each, with 2,624,692,000 Ordinary Shares remaining unissued.

Save as disclosed above, there has been no alteration in the share capital of our Company since our incorporation.

3. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

PRC subsidiaries

(a) *ZhongDi Beijing*

On February 12, 2014, ZhongDi Beijing was converted from a foreign-invested joint stock limited company to a sino-foreign equity joint venture (with limited liability).

On April 25, 2014, Mr. Zhang Jianshe transferred his entire equity interest in ZhongDi Beijing (representing approximately 9.34% of the then registered capital of ZhongDi Beijing) to YeGu Agriculture at a consideration of RMB30,000,000. On the same day, Ms. Lin Ling transferred her entire equity interest in ZhongDi Beijing (representing approximately 3.26% of the then registered capital of ZhongDi Beijing) to Tianyou Xingye at a consideration of RMB30,000,000. Upon completion of the equity transfers, ZhongDi Beijing was owned by SinoFarm Group, Agriculture Investment Fund, YeGu Agriculture, Kaixin Peak Ring, ZhongDi Brothers, CITIC Capital, Beyond Dawn, Tianyou Xingye, Jincan Golden Avenue and Vertex Investment as to approximately 37.37%, 15.57%, 9.34%, 8.11%, 7.62%, 7.61%, 6.23%, 3.26%, 3.26% and 1.63%, respectively.

On July 10, 2014, the registered capital of ZhongDi Beijing was increased from RMB110,780,000 to RMB450,780,000, the increased amount of which was fully subscribed and paid up by ZhongDi Hong Kong. On the same day, each of SinoFarm Group, Agriculture Investment Fund, YeGu Agriculture, ZhongDi Brothers, CITIC Capital, Beyond Dawn, Tianyou Xingye, Jincan Golden Avenue and Vertex Investment transferred their entire equity interest in ZhongDi Beijing (representing approximately 37.37%, 15.57%, 9.34%, 7.62%, 7.61%, 6.23%, 3.26%, 3.26% and 1.63% of the then registered capital of ZhongDi Beijing) to ZhongDi Hong Kong. Upon completion of the capital increase and equity transfers, ZhongDi Beijing was owned by ZhongDi Hong Kong and Kaixin Peak Ring as to approximately 98.01% and 1.99%, respectively.

On August 22, 2014, Kaixin Peak Ring transferred its entire equity interest in ZhongDi Beijing (representing approximately 1.99% of the then registered capital of ZhongDi Beijing) to ZhongDi Hong Kong at a consideration of RMB8,980,000. Upon completion of the equity transfer, ZhongDi Beijing was wholly-owned by ZhongDi Hong Kong.

On October 20, 2014, the registered capital of ZhongDi Beijing was increased from RMB450,780,000 to RMB700,000,000, the increased amount of which was fully subscribed by ZhongDi Hong Kong.

On September 14, 2015, the registered capital of ZhongDi Beijing was increased from RMB700,000,000 to RMB1,200,000,000, the increased amount of which was fully subscribed by ZhongDi Hong Kong.

(b) *ZhongDi Technology*

On August 20, 2014, the registered capital of ZhongDi Technology was increased from RMB30,000,000 to RMB31,000,000, the increased amount of which was fully subscribed and paid up by SinoFarm Group, YeGu Agriculture, ZhongDi Brothers and Tianyou Xingye. Upon completion of the capital increase, ZhongDi Technology was owned by ZhongDi Beijing, SinoFarm Group, YeGu Agriculture, ZhongDi Brothers and Tianyou Xingye as to approximately 96.77%, 2.10%, 0.52%, 0.42% and 0.18%, respectively.

On August 25, 2014, each of SinoFarm Group, YeGu Agriculture, ZhongDi Brothers and Tianyou Xingye transferred their entire equity interest in ZhongDi Technology (representing approximately 2.10%, 0.52%, 0.42% and 0.18% of the then registered capital of ZhongDi Technology) to ZhongDi Beijing at a consideration of RMB650,600, RMB162,542, RMB130,121 and RMB56,737, respectively. Upon completion of the equity transfers, ZhongDi Technology was wholly-owned by ZhongDi Beijing.

(c) *Luannan Huayuan*

On January 23, 2014, ZhongDi Beijing acquired the entire equity interest in Luannan Huayuan from Mr. Yang Xiaoshan, Mr. Li Weidong and Mr. Yao Xingrui at an aggregate consideration of RMB15,000,000, upon completion of which Luannan Huayuan was wholly-owned by ZhongDi Beijing. As of the Latest Practicable Date, Luannan Huayuan has a registered capital of RMB3,000,000.

(d) *Zhangye ZhongDi Farming Co., Ltd. (張掖中地生態牧場有限公司) ("**ZhongDi Zhangye**")*

On February 26, 2014, ZhongDi Zhangye was established in the PRC as a limited liability company with a registered capital of RMB30,000,000, which was fully paid up by ZhongDi Beijing at the time of its establishment.

Offshore subsidiaries

(a) *ZhongDi Hong Kong*

On May 9, 2014, ZhongDi Hong Kong was incorporated under the laws of Hong Kong with an issued share capital of HK$10,000 divided into 10,000 shares, which were allotted and issued as fully paid to our Company.

(b) *Kaixin Peak Ring*

On July 8, 2014, Peak Ring Holding transferred its one share in Kaixin Peak Ring to ZhongDi Hong Kong, following which Kaixin Peak Ring became a wholly-owned subsidiary of ZhongDi Hong Kong and therefore an indirect wholly-owned subsidiary of our Company.

Save as disclosed above, there has been no alteration in the share capital or registered capital of our subsidiaries within the two years immediately preceding the date of this prospectus. For more details, please see the section headed "History, Development and Reorganization" in this prospectus.

4. Resolutions in Writing of All Our Shareholders passed on October 28, 2015

Pursuant to the resolutions in writing of all our Shareholders passed on October 28, 2015:

(1) our Company approved and adopted the Memorandum of Association and Articles of Association, which will come into effect upon Listing;

(2) upon completion of the Global Offering and after the conversion of 568,420,000 Series A Preferred Shares of par value of US$0.00001 each and 105,260,000 Series B Preferred Shares of par value of US$0.00001 each, being all the Series A Preferred Shares and all the Series B Preferred Shares in issue, into 568,420,000 and 105,260,000 Ordinary Shares of par value of US$0.00001 each, respectively, pursuant to the automatic conversion provisions as set out in our Company's then Articles of Association (and deemed converted immediately prior to completion of the Global Offering), all the unissued 1,000,000,000 Series A Preferred Shares of par value of US$0.00001 each and 500,000,000 Series B Preferred Shares of par value of US$0.00001 each be redesignated as unissued Ordinary Shares of par value US$0.00001 each, so that the authorized share capital of our Company shall become US$50,000 divided into 5,000,000,000 Ordinary Shares of US$0.00001 each;

(3) conditional upon (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue, Shares to be issued (pursuant to the Global Offering, the exercise of the Over-allotment Option and the options which may be granted pursuant to the Post-IPO Share Option Scheme); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Global Coordinator) (on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:

(i) the Global Offering and Over-allotment Option were approved and our Directors were authorized to effect the same and to allot and issue new Shares pursuant to the Global Offering and the exercise of the Over-allotment Option;

(ii) the proposed Listing was approved and our Directors were authorized to implement the Listing; and

(iii) the rules of the Post-IPO Share Option Scheme, the principal terms of which are set forth in the paragraph headed "— D. Other Information — 1. Post-IPO Share Option Scheme" in this appendix, were approved and adopted with effect from the Global Offering and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of the options which may be granted pursuant to the Post-IPO Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the Post-IPO Share Option Scheme;

(4) a general unconditional mandate was granted to our Directors to, inter alia, allot, issue and deal with Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering.

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue, any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, specific authority granted by the Shareholders in a general meeting or upon the exercise of the Over-allotment Option, and the options which may be granted pursuant to the Post-IPO Share Option Scheme. Such mandate will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders passed at a general meeting;

(5) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (excluding Shares which may be allotted and issued upon the exercise of the Over-allotment Option, and the options which may be granted pursuant to the Post-IPO Share Option Scheme).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders passed at a general meeting; and

(6) the general unconditional mandate as mentioned in paragraph (4) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (5) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted pursuant to the Post-IPO Share Option Scheme).

5. Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. For further details, please see the section headed "History, Development and Reorganization" in this prospectus.

6. Repurchase of Shares by Our Company

This section sets forth information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own Shares.

(1) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

(*Note:* Pursuant to the resolutions in writing of all our Shareholders passed on October 28, 2015, a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following completion of the Global Offering (excluding Shares which may be issued upon the exercise of the Over-allotment Option, or the options which may be granted pursuant to the Post-IPO Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws or the Articles of Association to be held or when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders passed at a general meeting, whichever is the earliest.)

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

(iii) *Trading restrictions*

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after completion of the Global Offering, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted pursuant to the Post-IPO Share Option Scheme. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) *Status of repurchased Shares*

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under the Companies Law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

(v) *Suspension of repurchase*

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information is made publicity available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half year, quarterly or other interim period (whether or not required under the Listing Rules); and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting requirements*

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) *Core connected person*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(2) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and our assets and/or our earnings per Share.

(3) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

Any payment for the repurchase of Shares will be drawn from the profits of our Company or from the proceeds of a fresh issue of Shares made for the purpose of the purchase or, if authorized by the Articles of Association and subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to the Companies Law, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or our gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate is exercised in full.

(4) Share capital

Exercise in full of the Repurchase Mandate, on the basis of 2,172,536,000 Shares in issue immediately after the listing of the Shares (but taking no account of Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted pursuant to the Post-IPO Share Option Scheme), could accordingly result in up to 217,253,600 Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws or the Articles of Association to be held; or

(iii) the date on which the Repurchase Mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders passed at a general meeting,

whichever is the earliest.

(5) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined under the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of the Cayman Islands, the Memorandum of Association and the Articles of Association. Our Company has not repurchased any Shares since our incorporation.

No core connected person (as defined under the Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of the increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

If the Repurchase Mandate is fully exercised immediately following completion of the Global Offering, then, taking no account of any Shares which may be and issued upon the exercise of the Over-allotment Option or the options which may be granted pursuant to the Post-IPO Share Option Scheme, the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be 217,253,600 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). The percentage shareholding of the Controlling Shareholders will increase to approximately 44.75% of the issued share capital of our Company immediately following the full exercise of the Repurchase Mandate. The above-mentioned increase of shareholdings will give rise to an obligation for the Controlling Shareholders to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue may only be implemented with the approval of the Stock Exchange to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members our Group within the two years preceding the date of this prospectus and are or may be material:

(1) an agreement entered into among (i) the Villagers' Group of Che Lu Jiang Village of the Villagers' Committee of Hailu Village, Fucheng County, Yinhai District, Beihai City (北海市銀海區福成鎮海陸村民委員會車路江村民小組), the First Villagers' Group of Hailu Village of the Villagers' Committee of Hailu Village, Fucheng County, Yinhai District, Beihai City (北海市銀海區福成鎮海陸村民委員會海陸村第一村民小組), the Second Villagers' Group of Hailu Village of the Villagers' Committee of Hailu Village, Fucheng County, Yinhai District, Beihai City (北海市銀海區福成鎮海陸村民委員會海陸村第二村民小組) (collectively, the "**Hailu Villagers' Groups**"), (ii) ZhongDi Beijing and (iii) the People's Government of Fucheng County, Yinhai District, Beihai City (北海市銀海區福成鎮人民政府) on May 26, 2014, pursuant to which ZhongDi Beijing agreed to donate an annual amount of RMB41,004.00 to the Hailu Villagers' Groups for the period commencing from May 6, 2014 during which ZhongDi Beijing uses the land collectively owned by the Hailu Villagers' Groups;

(2) an agreement dated May 26, 2014 and entered into among the Hailu Villagers' Groups, SinoFarm Group and ZhongDi Beijing, pursuant to which, among other things, SinoFarm Group assigned and novated to ZhongDi Beijing all its rights and obligations under the land lease agreement dated January 10, 2004 and entered into between the Hailu Villagers' Groups and SinoFarm Group;

(3) the Series A Share Purchase Agreement;

(4) the First Shareholders Agreement;

(5) a director indemnification agreement dated June 26, 2014 and entered into between our Company and Ms. Wang Ying, our former non-executive Director, pursuant to which our Company agreed to indemnify Ms. Wang Ying, among other things, against third-party claims or derivative actions arising from her directorship held in our Company;

(6) a letter of commitment and non-competition dated June 26, 2014 and executed by Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai in favor of our Company, pursuant to which each of Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai undertakes to, among other things, commit to the management of our Group and not to engage in any business activities in competition with our Group;

(7) a capital increase agreement dated June 30, 2014 and entered into among ZhongDi Hong Kong, SinoFarm Group, Agriculture Investment Fund, YeGu Agriculture, ZhongDi Brothers, CITIC Capital (Tianjin) Equity Investment Partnership (Limited Partnership) (中信資本(天津)股權投資合夥企業(有限合夥)) ("**CITIC Capital**"), Shanghai Beyond Dawn Equity Investment Development Center (Limited Partnership) (上海秉原旭股權投資發展中心(有限合夥)) ("**Beyond Dawn**"), Beijing Tianyou Xingye Investment Company Limited (北京天佑興業投資有限公司) ("**Tianyou Xingye**"), Hangzhou Jincan Golden Avenue Equity Investment Partnership (Limited Partnership) (杭州金燦金道股權投資合夥企業(有限合夥)) ("**Jincan Golden Avenue**"), Vertex Phase I Private Equity Fund (Shanghai) Partnership (Limited Partnership) (祥恩一期股權投資基金(上海)合夥企業(有限合夥)) ("**Vertex Investment**"), Kaixin Peak Ring and ZhongDi Beijing, pursuant to which ZhongDi Hong Kong agreed to inject an additional capital equivalent to an amount of RMB340,000,000 into the registered capital of ZhongDi Beijing;

(8) an equity transfer agreement dated June 30, 2014 and entered into between Jincan Golden Avenue and ZhongDi Hong Kong, pursuant to which Jincan Golden Avenue agreed to transfer 0.8012% equity interest in ZhongDi Beijing to ZhongDi Hong Kong at a consideration of RMB7,010,500;

(9) an equity transfer agreement dated June 30, 2014 and entered into between CITIC Capital and ZhongDi Hong Kong, pursuant to which CITIC Capital agreed to transfer 1.8702% equity interest in ZhongDi Beijing to ZhongDi Hong Kong at a consideration of RMB16,364,250;

(10) an equity transfer agreement dated June 30, 2014 and entered into between SinoFarm Group and ZhongDi Hong Kong, pursuant to which SinoFarm Group agreed to transfer 9.1837% equity interest in ZhongDi Beijing to ZhongDi Hong Kong at a consideration of RMB80,388,875;

(11) an equity transfer agreement dated June 30, 2014 and entered into between ZhongDi Brothers and ZhongDi Hong Kong, pursuant to which ZhongDi Brothers agreed to transfer 1.8726% equity interest in ZhongDi Beijing to ZhongDi Hong Kong at a consideration of RMB16,385,250;

(12) an equity transfer agreement dated June 30, 2014 and entered into between YeGu Agriculture and ZhongDi Hong Kong, pursuant to which YeGu Agriculture agreed to transfer 2.2953% equity interest in ZhongDi Beijing to ZhongDi Hong Kong at a consideration of RMB20,083,875;

(13) an equity transfer agreement dated June 30, 2014 and entered into between Vertex Investment and ZhongDi Hong Kong, pursuant to which Vertex Investment agreed to transfer 0.4006% equity interest in ZhongDi Beijing to ZhongDi Hong Kong at a consideration of RMB3,505,250;

(14) an equity transfer agreement dated June 30, 2014 and entered into between Agriculture Investment Fund and ZhongDi Hong Kong, pursuant to which Agriculture Investment Fund agreed to transfer 3.8264% equity interest in ZhongDi Beijing to ZhongDi Hong Kong at a consideration of RMB33,481,000;

(15) an equity transfer agreement dated June 30, 2014 and entered into between Beyond Dawn and ZhongDi Hong Kong, pursuant to which Beyond Dawn agreed to transfer 1.5310% equity interest in ZhongDi Beijing to ZhongDi Hong Kong at a consideration of RMB13,396,250;

(16) an equity transfer agreement dated June 30, 2014 and entered into between Tianyou Xingye and ZhongDi Hong Kong, pursuant to which Tianyou Xingye agreed to transfer 0.8012% equity interest in ZhongDi Beijing to ZhongDi Hong Kong at a consideration of RMB7,010,500;

(17) an instrument of transfer dated July 8, 2014 and executed by Peak Ring Holding Limited as the transferor and ZhongDi Hong Kong as the transferee in relation to the transfer of one share in Kaixin Peak Ring at a consideration of HK$1.00;

(18) the bought and sold notes dated July 8, 2014 and executed by Peak Ring Holding Limited as the transferor and ZhongDi Hong Kong as the transferee in relation to the transfer of one share in Kaixin Peak Ring at a consideration of HK$1.00;

(19) an equity transfer agreement dated August 4, 2014 and entered into between Kaixin Peak Ring and ZhongDi Hong Kong, pursuant to which Kaixin Peak Ring agreed to transfer 1.993% equity interest in ZhongDi Beijing to ZhongDi Hong Kong at a consideration of RMB8,980,000;

(20) a capital increase agreement dated August 11, 2014 and entered into among SinoFarm Group, YeGu Agriculture, ZhongDi Brothers, Tianyou Xingye, ZhongDi Beijing and ZhongDi Technology, pursuant to which SinoFarm Group, YeGu Agriculture, ZhongDi Brothers and Tianyou Xingye agreed to inject an additional capital of an aggregate amount of RMB124,556,000 in ZhongDi Technology, of which RMB1,000,000 was credited to the registered capital of ZhongDi Technology;

(21) the ZhongDi Meijia Disposal Agreement;

(22) the Series B Share Purchase Agreement;

(23) the Second Shareholders Agreement;

(24) an equity transfer agreement dated August 25, 2014 and entered into between SinoFarm Group and ZhongDi Beijing, pursuant to which SinoFarm Group agreed to transfer 2.099% equity interest in ZhongDi Technology to ZhongDi Beijing at a consideration of RMB650,600;

(25) an equity transfer agreement dated August 25, 2014 and entered into between YeGu Agriculture and ZhongDi Beijing, pursuant to which YeGu Agriculture agreed to transfer 0.524% equity interest in ZhongDi Technology to ZhongDi Beijing at a consideration of RMB162,542;

(26) an equity transfer agreement dated August 25, 2014 and entered into between ZhongDi Brothers and ZhongDi Beijing, pursuant to which ZhongDi Brothers agreed to transfer 0.420% equity interest in ZhongDi Technology to ZhongDi Beijing at a consideration of RMB130,121;

(27) an equity transfer agreement dated August 25, 2014 and entered into between Tianyou Xingye and ZhongDi Beijing, pursuant to which Tianyou Xingye agreed to transfer 0.183% equity interest in ZhongDi Technology to ZhongDi Beijing at a consideration of RMB56,737;

(28) the deed of non-competition undertakings dated November 12, 2015 given by the Controlling Shareholders in favor of our Company as described in the section headed "Relationship with Our Controlling Shareholders" in this prospectus;

(29) the deed of indemnity dated November 12, 2015 given by the Controlling Shareholders in favour of our Company, in respect of certain indemnities given by the Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) as described in the paragraph headed "D. Other Information — 2. Estate Duty, Tax and Other Indemnities — (2) Tax and Other Indemnity" in this appendix;

(30) a deed of lock-up undertaking dated November 12, 2015 given by Tianfu Investment Company Limited, ZhongDi Brothers Investment Company Limited, Agriculture Investment, Vertex Venture Capital Management Company Limited, Beyond Dawn Limited, Golden Avenue Investment Limited, Peak Ring Holding Limited, Jingm Investment Company Limited, Fortune Hero Investments Limited and New Century Husbandry Limited (collectively, the "**Minority Shareholders**") in favor of our Company and Morgan Stanley Asia Limited (the "**Deed of Lock-up Undertaking**"), pursuant to which the Minority Shareholders undertake to each of our Company and Morgan Stanley Asia Limited, among other things, not to dispose of its Shares at any time after the date of the Deed of Lock-up Undertaking and up to and including the date falling six months after the Listing Date;

(31) a cornerstone placing agreement dated November 17, 2015 entered into among our Company, Beijing FuguoDatong Asset Management Co., Ltd. (北京富國大通資產管理有限公司) and the Sole Global Coordinator as described in the section headed "Our Cornerstone Investors" in this prospectus;

(32) a cornerstone placing agreement dated November 17, 2015 entered into among our Company, Hongkong Hengyuan Investment Limited and the Sole Global Coordinator as described in the section headed "Our Cornerstone Investors" in this prospectus;

(33) a cornerstone placing agreement dated November 17, 2015 entered into among our Company, ICH Gemini Asia Growth Fund Pte. Ltd. and the Sole Global Coordinator as described in the section headed "Our Cornerstone Investors" in this prospectus; and

(34) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of our Group

Trademarks

(1) *Trademarks for which registration has been granted*

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class [(1)]	Valid Period
1.		Hong Kong	302930247	ZhongDi Beijing	5, 29, 43 and 44	March 19, 2014 to March 18, 2024
2.		PRC	14486118	ZhongDi Beijing	31	June 14, 2015 to June 13, 2025
			14486341	ZhongDi Beijing	43	June 14, 2015 to June 13, 2025
			14486023	ZhongDi Beijing	29	June 14, 2015 to June 13, 2025
3.	中地乳业	Hong Kong	302930265	ZhongDi Beijing	5, 29, 43 and 44	March 19, 2014 to March 18, 2024
4.	ZHONG DI DAIRY	Hong Kong	302930256	ZhongDi Beijing	5, 29, 43 and 44	March 19, 2014 to March 18, 2024

(1) For details of the classification of goods for trademarks, please refer to the paragraph headed "— B. Further Information About Our Business — 2. Intellectual Property Rights of our Group — Trademarks — (2) Classification of goods for trademarks" in this appendix.

(2) *Classification of goods for trademarks*

The table below sets forth the classification of goods for trademarks (the detailed classification in relation to the relevant trademarks depends on the details set out in the relevant trademark certificates and may differ from the list below):

Class Number	Goods
5	Pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; dietetic food and substances adapted for medical or veterinary use, food for babies; dietary supplements for humans and animals; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.
29	Meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs; milk and milk products; edible oils and fats.
43	Services for providing food and drink; temporary accommodation.
44	Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services.

Domain Names

As of the Latest Practicable Date, we have registered the following domain names:

Domain Name	Registrant	Expiry Date
sinofarm.com.cn	ZhongDi Beijing	August 9, 2022
zhongdidairy.hk	ZhongDi Beijing	October 30, 2019
zd-dairy.hk.	ZhongDi Beijing	October 30, 2019

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(1) Disclosure of interest — interests and short positions of our Directors and the Chief Executive Officer in the Shares, underlying Shares and debentures of our Company

Immediately following completion of the Global Offering, assuming that the Over-allotment Option and the options which may be granted pursuant to the Post-IPO Share Option Scheme are not exercised, the interest or short position of our Directors or chief executives of our Company in the Shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once the Shares are listed, are as follows:

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding
Zhang Jianshe [(1)]	Interest in controlled corporation/Interest of concert parties	875,068,000	40.28%
Zhang Kaizhan [(1)]	Interest in controlled corporation/Interest of concert parties	875,068,000	40.28%
Liu Dai [(1)]	Interest in controlled corporation/Interest of concert parties	875,068,000	40.28%

(1) As of the Latest Practicable Date, Mr. Zhang Jianshe was the sole shareholder of YeGu Investment which directly held 350,778,000 Shares and indirectly held, through its shareholdings in Green Farmlands Group, 315,790,000 Shares. Accordingly, Mr. Zhang Jianshe is deemed to be interested in the 666,568,000 Shares held, directly and indirectly by YeGu Investment under the SFO. In addition, as of the Latest Practicable Date, Mr. Zhang Kaizhan and Mr. Liu Dai, through their respective holding company (namely SiYuan Investment and Tai Shing), indirectly held 61,460,000 Shares and 147,040,000 Shares, respectively.

Pursuant to the Concert Parties Arrangement, which was recorded and supplemented by the letter of confirmation and undertakings dated April 15, 2015, Mr. Zhang Jianshe agreed to take the lead in the decision-making, operation and management of our Group, while Mr. Zhang Kaizhan and Mr. Liu Dai agreed to support Mr. Zhang Jianshe in this regard by acting in concert in relation to the exercise of their voting rights at the meetings of the shareholders and the board of directors of the then members of our Group. In addition, our Ultimate Controlling Shareholders have further undertaken that during the period when they remain interested in, directly or indirectly, the Shares, they will continue to act in accordance with the Concert Parties Arrangement.

As such, immediately following completion of the Global Offering (assuming the Over-Allotment Option and the options which may be granted pursuant to the Post-IPO Share Option Scheme are not exercised), our Ultimate Controlling Shareholders will, through their respective holding companies, together hold 875,068,000 Shares, representing approximately 40.28% of our enlarged issued share capital. As a result of the Concert Parties Arrangement, each of our Ultimate Controlling Shareholders is deemed to be interested in such 40.28% of our enlarged issued share capital under the SFO.

(2) Particulars of service contracts and letters of appointment

Each of Mr. Zhang Jianshe and Mr. Zhang Kaizhan, being our executive Directors, has entered into a service contract with our Company on September 28, 2014. Each service contract is for an initial term of three years commencing from the Listing Date.

Each of Mr. Liu Dai, Mr. Li Jian, Prof. Li Shengli, Dr. Zan Linshen and Mr. Joseph Chow, being our non-executive Directors and independent non-executive Directors, has entered into a letter of appointment with our Company on September 28, 2014. Each of Mr. Du Yuchen and Ms. Yu Tianhua, being our non-executive Director, has entered into a letter of appointment on March 27, 2015. Each letter of appointment is for an initial term of three years commencing from the Listing Date.

(3) Directors' remuneration

An aggregate of approximately RMB1,028,000, RMB1,452,000, RMB2,009,000 and RMB1,355,000 was paid to our Directors as remuneration for each year ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively (including fees, salaries, contribution to pension schemes, housing allowances, other allowances and benefits-in-kind and discretionary bonuses).

Our non-executive Directors and independent non-executive Directors have been appointed for a term of three years. Our Company intends to pay a director's fee of HK$150,000 and HK$200,000 per annum to each of the non-executive Directors and independent non-executive Directors, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration payable by our Group to our Directors for the year ending December 31, 2015 will be approximately RMB3,629,860.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

Further details of the terms of the above service contracts are set forth in the paragraph headed "— C. Further Information about Our Directors And Substantial Shareholders — 1. Directors — (2) Particulars of service contracts" in this appendix.

2. Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Global Offering (but without taking into account the exercise of the Over-allotment Option and the Shares to be issued pursuant to the exercise of the options which may be granted pursuant to the Post-IPO Share Option Scheme), the following persons (other than our Directors and the chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Our Company

Name	Capacity	Number of Shares	Approximate percentage of shareholding
Li Jingtao (李景濤) (1)	Interest of spouse	875,068,000	40.28%
YeGu Investment	Beneficial owner/Interest of concert parties	875,068,000	40.28%
Zhang Fanghong (張芳紅) (2)	Interest of spouse	875,068,000	40.28%
SiYuan Investment	Beneficial owner/Interest of concert parties	875,068,000	40.28%
Yang Shulan (楊淑蘭) (3)	Interest of spouse	875,068,000	40.28%

Name	Capacity	Number of Shares	Approximate percentage of shareholding
Tai Shing	Beneficial owner/Interest of concert parties	875,068,000	40.28%
Green Farmlands Group	Beneficial owner/Interest of concert parties	875,068,000	40.28%
Shanghai Jingmu(4)	Interest in controlled corporation	277,760,000	12.79%
Goldstone Agri-Investment Funds Management Center (Limited Partnership) (北京金石農業投資基金管理中心（有限合伙）)(4)	Interest in controlled corporation	277,760,000	12.79%
Agriculture Investment Fund(4)	Interest in controlled corporation	277,760,000	12.79%
Beijing Jianye Fengde Investment Consulting Co., Ltd. (北京建業豐德投資諮詢有限公司)(4)	Interest in controlled corporation	277,760,000	12.79%
Agriculture Investment (4)	Beneficial owner	172,500,000	7.94%

(1) Ms. Li Jingtao is the spouse of Mr. Zhang Jianshe and is therefore deemed to be interested in the same number of Shares in which Mr. Zhang Jianshe is interested under the SFO.

(2) Ms. Zhang Fanghong is the spouse of Mr. Zhang Kaizhan and is therefore deemed to be interested in the same number of Shares in which Mr. Zhang Kaizhan is interested under the SFO.

(3) Ms. Yang Shulan is the spouse of Mr. Liu Dai and is therefore deemed to be interested in the same number of Shares in which Mr. Liu Dai is interested under the SFO.

(4) Shanghai Jingmu is the sole shareholder of both Agriculture Investment and Jingm Investment Company Limited and is therefore deemed to be interested in their Shares (being 277,760,000 Shares in total). Agriculture Investment Fund is the limited partner of Shanghai Jingmu holding approximately 75.05% of its registered capital, while Goldstone Agri-Investment Funds Management Center (Limited Partnership) is the general partner of Shanghai Jingmu holding approximately 0.11% of its registered capital. Accordingly, each of Agriculture Investment Fund and Goldstone Agri-Investment Funds Management Center (Limited Partnership) is deemed to be interested in the 277,760,000 Shares held by Agriculture Investment and Jingm Investment Company Limited under the SFO. Furthermore, Beijing Jianye Fengde Investment Consulting Co., Ltd., the general partner of Goldstone Agri-Investment Funds Management Center (Limited Partnership), is also deemed to be interested in the 277,760,000 Shares referenced above under the SFO.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

4. Disclaimers

Save as disclosed herein:

(1) none of our Directors or the chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO

or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;

(2) none of our Directors or experts referred to under paragraph headed "— D. Other Information — 10. Qualification of Experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(3) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant to the business of our Group;

(4) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(5) taking no account of Shares which may be taken up under the Global Offering, none of our Directors or chief executives knows of any person (not being a Director or chief executives of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(6) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally adopted by the resolutions in writing of all our Shareholders passed on October 28, 2015.

(1) Purpose

The purpose of the Post-IPO Share Option Scheme is to enable our Company to grant options to selected participants and provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants. Our Directors consider the Post-IPO Share Option Scheme, with its broadened basis of participation, will enable our Group to reward selected participants for their contributions to our Group. Given that our Directors are entitled to determine, on a case-by-case basis, the minimum period(s) for which an option must be held and the minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and given also that the subscription price per Share upon the exercise of the option shall be determined by our Directors and shall not be less than the thresholds stipulated under the Listing Rules, it is expected that the grantees of an option will make an effort to contribute to the development of our Group, in order to bring about an increased market price of the Shares and capitalize on the benefits of the options granted.

(2) Who may join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorized committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, has contributed or will contribute to our Group, to take up options to subscribe for Shares (collectively the "**Eligible Participants**"):

(i) any directors (including our executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of our Group; and

(ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group.

For the purposes of the Post-IPO Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of options under the Post-IPO Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

(3) Maximum number of Shares

(i) The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Group at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the issued share capital of our Company from time to time (the "**Scheme Limit**"). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Scheme Limit being exceeded.

(ii) Subject to paragraphs (iii) and (iv) below, the total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) adopted by our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not in aggregate exceed 10% of the aggregate of the Shares in issue on the date on which trading of the Shares commences on the Stock Exchange and any Shares which may be allotted and issued by our Company pursuant to the Over-allotment Option (the "**Scheme Mandate Limit**"). Options which have lapsed in accordance with the terms of the Post-IPO Share Option Scheme (or any other share option scheme(s) of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit.

(iii) Our Company may refresh the Scheme Mandate Limit at any time subject to prior approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. The Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as of the date of the aforesaid approval by the Shareholders in general meeting. Options previously granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed. Our Company shall send a circular to the Shareholders in connection with the meeting at which their approval will be sought, and the circular shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Our Company may seek separate approval of the Shareholders in a general meeting for granting options beyond the Scheme Mandate Limit to participants specifically identified by our Company before the aforesaid Shareholders' meeting where such approval is sought. In such event, our Company shall send a circular to Shareholders containing a generic description of the identified participants, the number and terms of the options to be granted, the purpose of granting options to the identified participants, how the options serve such purpose and all other information as required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(4) Maximum entitlement of each participant

Unless approved by the Shareholders in the manner set out in section (3) above, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the "**Individual Limit**"). Any further grant of options to a selected participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of the Shareholders in general meeting with such participant and his close associates abstaining from voting. A circular shall be sent to the Shareholders disclosing the identity of such participant (or his associates if the participant is a connected person), the number and terms of the options granted and to be granted and all other information as required under the Listing Rules. The number and terms (including the subscription price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant shall be the date of grant for the purpose of calculating the subscription price of the Shares upon the exercise of the option under note (1) to Rule 17.03(9) of the Listing Rules.

(5) Grant of options to connected persons

(i) Each grant of options under the Post-IPO Share Option Scheme to a Director, chief executive or substantial Shareholder of our Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

(ii) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(1) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(2) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of each grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange);

such further grant of options shall be subject to prior approval by our Shareholders (voting by way of poll) in a general meeting. Our Company shall send a circular to its Shareholders no later than the date on which our Company gives notice of the general meeting to approve the Post-IPO Share Option Scheme. The grantee, his associates and all core connected persons of our Company must abstain from voting at such general meeting, except that they may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(iii) Any change in the terms of the option granted to any grantee who is a substantial Shareholder or an independent non-executive Director (or any of their respective associates) must be approved by the Shareholders in a general meeting.

(6) Time of acceptance and exercise of option

The offer of the grant of an option shall remain for acceptance by a participant to whom the offer is made for a period of 5 business days from the date on which the letter containing the offer is delivered to that participant, provided that no such offer shall be open for acceptance after the period of ten years commencing from the Listing Date (the "**Scheme Period**") or after the Post-IPO Share Option Scheme has been terminated in accordance with the provisions thereof, whichever is earlier.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee at the time of making an offer, which period shall commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised.

(7) Performance targets

Unless our Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Post-IPO Share Option Scheme can be exercised.

(8) Subscription price for Shares and consideration for the option

The subscription price per Share under the Post-IPO Share Option Scheme shall be determined by our Directors, but shall not be less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant.

A nominal consideration of HK$1 is payable upon acceptance of the grant of an option.

(9) Ranking of Shares

(i) Shares allotted and issued upon the exercise of an option will be identical to the then existing issued Shares and subject to all the provisions of the Memorandum and Articles of Association and will rank pari passu in all respects with other fully paid Shares in issue on the date the name of the grantee is registered on the register of members of our Company or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**"), save that the grantee of the option shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

(ii) Unless the context otherwise requires, references to "Shares" in this paragraph include references to Shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(10) Restrictions on the time of grant of options

(i) No offer for the grant of options shall be made and no option shall be granted to any participants after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of:

(1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's quarterly, interim or annual results or its results for any other interim period (whether or not required under the Listing Rules); and

(2) the deadline for our Company to publish an announcement of our quarterly, interim or annual results or our results for any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no option may be granted. Such period will also cover any period of delay in the publication of any results announcement.

(ii) No offer for the grant of options shall be made and no option shall be granted to any participant in circumstances prohibited by the Listing Rules or at a time when the participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or laws.

(11) Period of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Post-IPO Share Option Scheme is adopted.

(12) Personal rights to the grantee

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of the Post-IPO Share Option Scheme. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee without incurring any liability on the part of our Company.

(13) Rights on ceasing employment

In the event that the grantee of the option (being an employee or a director of any member of our Group) ceases to be an Eligible Participant for any reason other than death or one or more of the grounds of termination of employment or engagement specified in paragraph (19)(iv) below, the grantee shall have the right to exercise those options then already vested in accordance with the terms of the Post-IPO Share Option Scheme at any time prior to or on the date of cessation unless the Board otherwise determines, in which event the option shall be exercisable to the extent and within such period as the Board may determine. The date of cessation of employment of a grantee shall be the last actual working day on which the grantee was physically at work with the relevant member of our Group, whether salary is paid in lieu of notice or not.

(14) Rights on death

In the event that the grantee of the option ceases to be an Eligible Participant by reason of his death before exercising the option in full, and none of the events for termination of employment under paragraph 19(iv) below then exists with respect to such grantee, the personal representative(s) of the grantee shall be entitled to exercise the option (to the extent not already exercised) as at the date of death within a period of 12 months from the date of death of the grantee.

(15) Rights on a general offer, a compromise, arrangement and winding up

(i) If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement referred to in sub-paragraph (iii) below) is made to all the Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, our Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, at any time within such period as shall be notified by our Company.

(ii) In the event of a compromise or arrangement, other than a scheme of arrangement referred to in sub-paragraph (iii) below, between our Company and our members and/or creditors being proposed in connection with a scheme for the reconstruction of our Company or our amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice thereof to all grantees on the same day as it first gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a scheme or arrangement and the grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(iii) If a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith give notice thereof to the grantee and the grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company.

(iv) In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee (or in the case of the death of the grantee, his personal representatives(s)) may at any time within such period as shall be notified by our Company, subject to the provisions of all applicable laws, exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed general meeting, allot, issue and register in the name of the grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(v) Upon the occurrence of any of the events referred to in sub-paragraphs (i), (ii), (iii) and (iv) above, our Company may in its discretion and notwithstanding the terms of the relevant option give notice to a grantee that his or her option may be exercised at any time within such period as shall be notified by our Company and/or to the extent (not being more than the extent to which it could then be exercised in accordance with its terms) notified by our Company. If our Company gives such notice that any option shall be exercised in part only, the balance of the option shall lapse.

(16) Adjustments to the subscription price

(i) In the event of an alteration in the capital structure of our Company whilst any option remains exercisable by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the share capital of our Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party), such corresponding alterations (if any) shall be made to:-

(1) the number or nominal amount of Shares comprised in each option so far as unexercised; and/or

(2) the subscription price of the Shares upon the exercise of the option; and/or

(3) the method of exercise of the option,

or any combination thereof, as the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided always that any such adjustments should give each grantee the same proportion of the equity capital of our Company as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Share to be issued at less than its nominal value. In respect of any such adjustments, other than any adjustments made on a capitalization issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, but not limited to, the "Supplementary Guidance on Main Board Listing Rule 17.03(13) and the Note immediately after the Rule" attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes).

(ii) If there has been any alteration in the capital structure of our Company as referred to in sub-paragraph (i) above, our Company shall, upon receipt of a notice from a grantee, inform the grantee of such alteration and shall either inform the grantee of the adjustment to be made in accordance with the certificate of the auditors or the financial adviser obtained by our Company for such purpose or, if no such certificate has yet been obtained, inform the grantee of such fact and instruct the auditors or the financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with sub-paragraph (i) above.

(17) Cancellation of options and issuance of new options

Any options granted but not exercised may be cancelled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the Post-IPO Share Option Scheme (excluding the cancelled options) and in compliance with the terms of the Post-IPO Share Option Scheme.

(18) Termination of the Post-IPO Share Option Scheme

Our Company by an ordinary resolution passed at a general meeting or the Board may at any time resolve to terminate the operation of the Post-IPO Share Option Scheme prior to the expiry of the Scheme Period and in such event no further options will be offered or granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the Post-IPO Share Option Scheme and remain unexercised and unexpired immediately prior to the termination of the operation of the Post-IPO Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-IPO Share Option Scheme.

(19) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the period of ten years starting from the date on which the option was granted;

(ii) the expiry of the periods or dates referred to in paragraphs (13), (14) and (15) above;

(iii) the date on which the grantee commits a breach of the matters set out in paragraph (11) above;

(iv) the date on which the grantee (being an employee or a director of any member of our Group) ceases to be an Eligible Participant by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;

(v) the date on which the grantee joins a company which the Board believes in its sole and reasonable opinion to be a competitor of our Company;

(vi) the date on which the grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally; and

(vii) unless the Board otherwise determines, and other than in the circumstances referred to in paragraphs (12) or (13) above, the date the grantee ceases to be an Eligible Participant (as determined by a Board resolution) for any other reason.

(20) Others

(i) The Post-IPO Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting or agreeing to grant approval of (subject to such condition as the Stock Exchange may impose) the listing of and permission to deal in such number of Shares to be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme, and the commencement of dealings in the Shares on the Stock Exchange.

(ii) Those specific provisions of the Post-IPO Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and no changes to the authority of the administrator of the Post-IPO Share Option Scheme in relation to any alteration of the terms of the Post-IPO Share Option Scheme shall be made, without the prior approval of Shareholders in a general meeting.

(iii) Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature, or any change to the terms of options granted, must also, to be effective, be approved by the Shareholders in general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme.

(iv) The Post-IPO Share Option Scheme so altered must comply with requirements under Chapter 17 of the Listing Rules.

(v) Any change to the authority of the Director or scheme administrators in relation to any alternation to the terms of the Post-IPO Share Option Scheme must be approved by the Shareholders in general meeting.

2. Estate Duty, Tax and Other Indemnities

(1) **Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

(2) **Tax and Other Indemnity**

Our Controlling Shareholders (together, the "**Indemnifiers**") have entered into a deed of indemnity in favour of our Group (being a material contract referred to in paragraph headed "B. Further Information about our Business — 1. Summary of Material Contracts" in this appendix) to provide indemnities on a joint and several basis in respect of, among other things, any penalty and loss resulting from the historical failure to pay the housing security fund contributions in accordance with the applicable PRC laws and regulations during the Track Record Period or any and all tax liabilities resulting from profits or gains earned, accrued or received, as well as any penalties imposed due to non-compliance with any applicable laws and regulations on or before the date when the Global Offering becomes unconditional.

3. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in this prospectus and so far as our Directors are aware, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our Group's results of operations or financial condition, taken as a whole.

4. Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees payable by us in respect of the Sole Sponsor's services as sponsor for the Listing is US$700,000.

5. Application for Listing

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue (including the Ordinary Shares in issue and the Ordinary Shares to be issued upon conversion of the Preference Shares upon Listing) and to be issued pursuant to the Global Offering, the exercise of the Over-allotment Option and the exercise of any options that may be granted under our Post-IPO Share Option Scheme as mentioned in this prospectus. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

6. No Material Adverse Change

Our Directors have confirmed that there has been no material adverse change in our financial or trading position since June 30, 2015 (being the date on which our latest audited consolidated financial statements was made up) up to the date of the prospectus.

7. Preliminary Expenses

Our preliminary expenses are estimated to be approximately US$3,800 and are payable by our Company.

8. Promoter

We do not have any promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given nor are any proposed cash, securities or other benefits to be paid, allotted or given to any promoters.

9. Taxation of Holders of Shares

(1) Hong Kong

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(2) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(3) Consultation with professional advisers

Potential investors in the Global Offering are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Sole Global Coordinator or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

10. Qualification of Experts

The followings are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualifications
Morgan Stanley Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, acting as the Sole Sponsor of the Global Offering
Deloitte Touche Tohmatsu	Certified public accountants
Maples and Calder	Legal advisers to our Company as to the Cayman Islands laws
Zhong Lun Law Firm	Legal advisers to our Company as to PRC laws
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Biological assets valuer
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

11. Consents of Experts

Each of Morgan Stanley Asia Limited, Deloitte Touche Tohmatsu, Maples and Calder, Zhong Lun Law Firm, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of values and/or valuation certificates and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

14. Miscellaneous

(1) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries had been under option or agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iv) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(2) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(3) save as disclosed in this prospectus, none of the persons named in the sub-paragraph headed "— D. Other Information — 10. Qualification of Experts" in this appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;

(4) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(5) no company within our Group is listed on any stock exchange or traded on any trading system and at present, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange; and

(6) there is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix IV to this prospectus; and

(c) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 11. Consents of Experts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Paul Hastings at 21-22/F, Bank of China Tower, 1 Garden Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and the Articles of Association;

(b) the accountants' report of our Group for each of the three years ended December 31, 2014 and the six months ended June 30, 2015 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(c) the reporting accountants' assurance report on the compilation of pro forma financial information issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;

(d) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix IV to this prospectus;

(e) the PRC legal opinions issued by Zhong Lun Law Firm, our PRC legal advisers, in respect of our general matters and property interests;

(f) the letter of advice prepared by Maples and Calder, our legal advisers as to the laws of the Cayman Islands, summarizing certain aspects of the Cayman Islands Companies Law as referred to in Appendix III to this prospectus;

(g) the rules of the Post-IPO Share Option Scheme;

(h) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant, in respect of the dairy farming industry and the related import trading business in China;

(i) the valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, our biological assets valuer, in respect of the fair value of our biological assets;

(j) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 11. Consents of Experts" in Appendix IV to this prospectus;

(k) the service contracts and the letters of appointment referred to in the section headed "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Directors — (2) Particulars of service contracts and letters of appointment" in Appendix IV to this prospectus; and

(l) the Companies Law.

中國中地乳業控股有限公司
China ZhongDi Dairy Holdings Company Limited