中國輝山乳業控股有限公司

China Huishan Dairy Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

stock code : 06863

ANNUAL REPORT 2016

ABOUT US

We are a leading and the most vertically integrated dairy company in China. Our business model covers the entire dairy value chain from plantation and processing of alfalfa and supplementary feeds and processing of concentrated feeds to dairy farming and manufacturing and sales of dairy products under the "Huishan" brand. Currently, we are the largest company in China capable of supplying 100% of raw milk required for the production of our own brand of liquid milk and milk powder products by using raw milk produced by our own self-operated farms. Our excellent product safety records and high quality products stand behind a reliable brand in China.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Li Kar Cheung

Independent Non-Executive Directors

Mr. Kan Yu Leung Peter (appointed on August 28, 2015)
Mr. Song Kungang
Mr. Gu Ruixia
Mr. Tsui Kei Pang

SENIOR MANAGEMENT

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

STOCK CODE

Hong Kong Stock Exchange 6863

INVESTOR RELATIONS CONTACT

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PUBLIC RELATIONS CONSULTANT

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Admiralty Centre I
18 Harcourt Road
Hong Kong

Annual Results Highlights

FINANCIAL HIGHLIGHTS

Operating results

	Years ended March 31,			
	2016		2015[1]	
	Results before biological fair value adjustments RMB'000	**Results after biological fair value adjustments RMB'000**	Results before biological fair value adjustments RMB'000	Results after biological fair value adjustments RMB'000
Revenue	**4,526,533**	**4,526,533**	3,923,384	3,923,384
Gross profit margin	**56.0%**	**20.8%**	57.6%	22.7%
Profit from operations	**1,583,382**	**1,420,613**	1,281,318	1,250,705
Profit for the year attributable to equity shareholders of the Company	**824,644**	**661,875**	899,469	868,856
Earnings per share (RMB)[2]		**0.05**		0.06
Proposed dividend per share (RMB)		**1.25cents**		1.53cents

- Revenue was RMB4,526.5 million, representing an increase of 15.4% as compared to the corresponding period in 2015
- Gross profit margin (before biological fair value adjustments) was 56.0%
- Profit from operations (before biological fair value adjustments) was RMB1,583.4 million, representing an increase of 23.6% as compared to the corresponding period in 2015
- Profit for the year attributable to equity shareholders of the Company (before biological fair value adjustments) was RMB824.6 million, representing a decrease of 8.3% as compared to the corresponding period in 2015

(1) The effect of the business combination under common control for the acquisition of renewable energy companies and the effect of the change in accounting policy led to the restatement of figures of the corresponding period in 2015.

(2) Please refer to Note 14 on page 115 for calculation of earnings per share.

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Huishan Dairy Holdings Company Limited (the "Company"), together with its subsidiaries (the "Group" or "Huishan"), I am pleased to present the audited consolidated annual results of the Group for the year ended March 31, 2016 (the "Reporting Year") to all shareholders ("Shareholders").

BUSINESS REVIEW

Last year was an extraordinary year for China's dairy industry as the domestic dairy product industry experienced drastic changes and raw milk prices spiraled down under the continuous impact of low-priced imported milk powders, delivering yet another severe blow to China's dairy industry, which was in its recovery and growing stage. Profound adjustment of the whole dairy industry in China continued and the dairy product industry is experiencing formidable transformation. Facing industry shock and market downturn, instead of reducing business scale, we, on the contrary, rose to the challenges, took the blow on the chin and launched "counter-offensives" amidst crisis. We never forget our original intention to uphold quality; we advanced with perseverance and commitment and promoted our grand cause by improving quality through focusing on the establishment of fully vertically integrated industry chain and facilitating industrial integration.

During the Reporting Year, market prices of raw milk in China declined and selling prices of the Group's raw milk were affected; the new liquid milk processing factory has just commenced production and production and sales of liquid milk products, especially pasteurized milk products, were slightly affected by relocation of equipment and initial running-in in the second quarter of 2015; affected by depreciation of RMB, exchange loss arose from the Group's foreign currency borrowings. However, leveraging on our pioneering operational model of fully vertically integrated industry chain from scale plantation of forage grass and feeds, customized feeds processing, scientific milk cow breeding, sophisticated dairy products production to wholly self-control delivery of high freshness dairy products, our Group managed to achieve revenue of RMB4,526.5 million (the corresponding period in 2015: RMB3,923.4 million), representing a year-on-year growth of 15.4%. The overall gross profit margin has reached 56.0% which is above the average level in the industry. According to the report of Frost & Sullivan, in 2015, market share of our liquid milk products in the northeastern area of the PRC in terms of retail sales increased from 20.9% in 2014 to 21.9%, which further consolidated our ace status in the northeastern area. As for the ranking of liquid milk in China in terms of market retail value, we continue to maintain a good result at fifth place.

Quality of dairy products starts from the source. During the Reporting Year, we continued to focus on establishing the vertically integrated industry chain, broke the traditional pattern in northeastern region of ploughing in spring and harvesting in autumn, inputted highly efficient modern farming machinery and equipment, pioneered double cropping of oats and corn silage in one year, adjusted and optimized feeds formula with sufficient resources, guaranteed the quality of raw milk from the source and strived to become the most trustworthy dairy product brand in China. We have become a role model of vertically integrated industry chain establishment in China. At the D20 Summit, the highest-level meeting in China's dairy industry, we were invited to deliver a speech under the theme of "Insisting on industrial integration; facilitating modern dairy industry establishment". Our self-operated farm and the vertically integrated industry chain model were highly regarded by our peers, scholars and professionals.

"Let every Chinese enjoy safe and quality dairy products" is our persistent pursuit. We signed a joint venture agreement with Friesland, which is a world-renowned dairy company; we produce IMF powders which meet international standard by leveraging on the quality raw milk of Huishan's self-operated farms and contribute to the healthy growth of Chinese babies. In April 2015, our dairy products city project in Shenbei New District, Shenyang city was officially launched with aggregate designed production capacity of liquid milk reaching 620,000 tonnes per year. Leveraging the resource advantage of getting all milk sources from our self-operated farms, we once again put greater efforts in optimizing product mix by high-quality, high-protein dairy products and fresh low temperature products, expand competitive advantages of differentiation and provide quality Huishan dairy products to more consumers through multi-channel market expansion and brand marketing enhancement. In view of the expanding production scale, we started to graft the industry chain on to areas outside northeastern areas. During the Reporting Year, our vertically integrated industry chain project in Yancheng, Jiangsu was also officially launched. In the future, we will powerfully cover the eastern China market with quality and high-end liquid milk products.

During the Reporting Year, we extended the industry chain vertically, optimized the industry structure and promoted corporate sustainable development by circular economy. We acquired a renewable energy company which produces biogas and compressed natural gas and organic fertilizers using cow manure and used it as a vehicle to reach preliminary cooperation intention with CGN Energy Service Co., Ltd. ("CGN Energy") and Yingde (Shanghai) Equity Investment Partnership (Limited Partnership) ("Yingde Shanghai"). Leveraging the resources and industry experience possessed by CGN Energy and the capital advantage of Yingde Shanghai, we will capture the strategic opportunities brought by rapid development of the biomass gas industry and further realize the added value within the vertical industry chain. Meanwhile, we install solar panels in cowsheds, awnings and open space of dairy farms without occupying any extra land, carry out research on photovoltaic projects and undertake industrial responsibilities of developing circular economy while bringing steady and continuous revenue to the Group in the future.

OUTLOOK

Along with the continuous increase in per capita consumption level of Chinese residents, acceleration of urbanization and further relaxation of the two-child policy, China's dairy product market will once again usher in an explosive growth. Outstanding enterprises are now expanding and strengthening in high gear and intensive competitions are unavoidable.

We believe Chinese residents' consumption in the dairy industry is upgrading. Consumers' demand for dairy products has transformed from "drink milk" to "drink good milk". The whole industry is experiencing the transition from "market-oriented" to "resource-oriented" models, which means whoever obtains upstream dairy farming resources could lead the dairy industry. Only enterprises with high-level integrated industry value chain and abundant resources could withstand market challenges and occupy more market shares and bargaining power in the new round of competition.

Based on the solid integrated industry value chain which guarantees absolutely safe milk source, we will continue to launch more scientific, nutritious and market competitive products with high value, face great market changes with constant innovation, turn upstream resource advantages into market opportunities with consolidated resource base, strong brand appeal and swift and accurate execution. We will also actively unleash production capacity, provide consumers with healthier products and create higher value for shareholders.

Milk source is scarce renewable resource. We will continue to facilitate the progress of industrial integration, insist on the sustainable development model of "planting-breeding combination" and develop core competitiveness with milk source advantages of low cost and high quality. We will further consolidate the unshakeable strong position of low temperature liquid milk products in the northeastern market and provide Chinese consumers with more extensive high-quality dairy products through technology and product innovation to satisfy diversified market demands. Along with the successful replication of the integrated industry value chain project in Jiangsu, we will put efforts in building up business presence in East China market where high-end liquid milk occupies higher consumption proportion, in an endeavor to upgrade products and expand our profit margins. With "Huishan Dairy; Rock-solid Quality" as core and in line with the strategic plan of entering the national market, we will further enhance brand promotion and realize improvement in both market performance and brand image. We will keep on reforming and upgrading our marketing model, establish a new dairy product cross-sector marketing system in the "Internet+" era and blaze a trail in the innovation of the dairy industry through the cross-sector marketing model.

APPRECIATION

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

Yang Kai
Chairman and Chief Executive Officer

Hong Kong, June 29, 2016

INDUSTRY OVERVIEW

In general, China's dairy industry continued to make profound adjustment in 2015. Due to the long term reliance on imported high-protein feeds, such as alfalfa, inefficient farming management, high production costs of domestic raw milk, and the lack of competitiveness of raw milk prices in the international market, a portion of the dairy beverages and yogurt products used imported whole-milk powder as their ingredient. Price of domestic raw milk continued to decline, adversely impacting the farming and processing industry. While huge number of small-scale farms closed down, some of the large-scale farms experienced over-production of raw milk and profitability appeared to be declining. Under the pressing need to transform and upgrade the dairy farming industry in China, the problem of how to lower the cost of feeds to the greatest extent in order to raise the marginal profit of raw milk has gained much attention in the dairy farming industry.

Among various dairy products, liquid milk products remain as the major type consumed by Chinese urban residents. Chinese customers are now characterized by higher level of education, increasing openness to new information and rising health awareness. With the continuous growth of disposable income per capita in China, more Chinese consumers are capable and willing to spend more money on dairy products with better brand image and higher quality. Affected by factors such as the macro-economy, the growth in consumption of domestic dairy products has slowed down, making it necessary to devote continuous efforts in market development in the future and further adjustment of the dairy products structure. Affected by weak consumption environment, dairy enterprises have substantially increased the production and consumption ratio of yogurt and lactic acid bacteria beverages, which in turn provided strong momentum to the growth of operating results. Due to the increasing volume of imported liquid milk (mainly UHT milk), the volume of imported liquid milk products on the shelves of supermarkets in the 1st- and 2nd-tier cities of China has increased substantially, exerting noticeable impact on the domestic liquid milk market.

In recent years, the emergence of online shopping for overseas products and the shift to cross-border e-commerce have upset the status quo in terms of market channels, pricing system and competition landscape, resulting in more severe market competition in China's milk powder industry. E-commerce remained on a fast track of development with market share already surpassing that of the traditional retail stores and supermarkets; the category of mother-and-baby channel recorded the most significant growth and continued to have a dominant market share; overseas direct and indirect purchase developed at a pace that cannot be overlooked and the continuous shrink of the traditional channels of retail stores and supermarkets has placed greater pressure on domestic brands relying on such channels. On the other hand, the declining price of ingredient milk powder, the emergence of various new milk powder brands and the launch of new products by existing market players for greater market share have all heated up the competition in the industry. The substantial discount offered by online e-commerce channels and the promotion and discounts campaigns launched by offline retailers have affected the selling prices of main-stream milk powder products to different degrees.

In October 2015, the Food Safety Law of the People's Republic of China, which was described as the ever strictest regulation, has been put into effect. According to the law, Infant Milk Formula ("IMF") products have been placed under the supervision as "special food". In addition, the formula of IMF products will be subject to registration instead of filing in the past, which implies that IMF products have been placed at same level of regulation as drugs. As a measure to further supplement and implement the Food Safety Law, the Regulation of Registration of the Formula of Infant Milk Formula Powder issued by China Food and Drug Administration in June 2016 and to be effective on October 1, 2016 further clarifies the aforesaid registration of formula, under which the domestic and imported milk powder products will be treated equally and the numbers of formulas and brands of IMF products are subject to heavy restriction in order to encourage enterprises to streamline their product series and focus on brand operation and management.

Although dairy enterprises have successively stepped into e-commerce starting from a few years ago, in the beginning, internet was mainly used to promote corporate brands and products. However, over the past two years, internet is more often used for a combination of "promotion + channelling". Nowadays, dairy enterprises increasingly embrace the internet and explore new marketing models such as setting up retail accounts and ordering services on Wechat platform, and combining with offline approaches such as offline KA channels, traditional points of sale, exclusive stores and home delivery.

Huishan Dairy,

The Most **Original**

BUSINESS OVERVIEW

We are a leading and the most vertically integrated dairy company in China. In contrast to dairy farming and dairy product processing companies which focus on a single area along the dairy value chain, our business model covers the entire dairy value chain from plantation of alfalfa and supplementary feeds, processing of concentrated feeds to dairy farming and manufacturing and sales of dairy products under the "Huishan" brand. This "fully vertically integrated" business model maximizes the value throughout the upstream and downstream dairy value chain by effectively integrating each segment while ensuring the safety of raw materials and products, enabling us to enjoy leading profitability in the dairy industry. Currently, we are the largest self-sustaining company in China capable of supplying 100% of raw milk required for the production of liquid milk and milk powder products under our own brand by using raw milk from self-operated farms. Our excellent product safety records and high quality products forge our reliable brand in China.

During the Reporting Year, the Group's selling prices of raw milk were affected by the drop in domestic market prices of raw milk; as our new liquid milk processing plant had just commenced operation, the production and sales of liquid milk products, especially pasteurized dairy products, were slightly affected in the second quarter of 2015 due to equipment relocation and the initial run-in; the depreciation of Renminbi resulted in unfavourable foreign exchange loss on the Group's borrowings denominated in foreign currencies. Nevertheless, by leveraging on our pioneered vertically integrated and self-controlled business model, spanning from large-scale feeds plantation, customized feeds processing, scientific dairy farming, fine dairy production to highly-fresh dairy delivery, our Group managed to achieve revenue of RMB4,526.5 million (the corresponding period in 2015: RMB3,923.4 million), representing a year-on-year growth of 15.4%. The overall gross profit margin has reached 56.0% which is above the average level in the industry.

During the Reporting Year, we made progress amidst difficulties and continued to strengthen and broaden the development model of our fully vertically integrated value chain. With industrial integration as the core, we pursued in-depth vertical development and continued to innovate on the basis of the existing agricultural planting, concentrated feeds processing, large-scale dairy farming and dairy products processing and selling; we also further extended our industrial chain to renewable energy segments such as biogas compressed natural gas and organic fertilizer.

Breaking the bottleneck of production capacity of liquid milk and increasing our market share by differentiated products

During the Reporting Year, our new liquid milk processing plant in Shenbei New District officially commenced production, increasing the design capacity of liquid milk to an aggregate of 620,000 tonnes per year. The new plant broke the bottleneck of restricted production capacity of liquid milk and enriched our product range. It was not only a great force to strengthen our foothold of liquid milk in China's Northeastern market, but also laid a solid foundation for the Group to build up business presence for Huishan's liquid milk products in key markets all over the country. Leveraging on the advantage of Huishan being the top brand in the Northeastern region, we continued to increase the number of home delivery customers by innovative campaigns such as the "Fresh Milk Festival" and further secured the leading position of our pasteurized dairy products in the Northeastern region and built barriers by creating products and sales channel which cannot be replicated by our competitors. Besides adopting the product promotion ideology of "Only 1% Dairy Cows Qualify for Jersey Farm Milk", we also upgraded and optimized the packaging by pioneering the use of Tetra Brik Aseptic Edge packaging equipment in China, using high protein products in the "Jersey Farm" products series produced from milk of our Jersey cows as our key products under our differentiated competition strategy. According to the Frost & Sullivan report, in terms of retail sales, the market share of our liquid milk products in Northeastern China increased from 20.9% in 2014 to 21.9% in 2015, while the market share of low-temperature yogurt was 33.0% and that of pasteurized dairy products even reached 39.5%.

Improving our brand awareness and actively penetrating the retail market

Based on the brand proposition of "Drinking milk, grateful for its source; good milk sources make great milk" ("飲奶思源， 好奶源成就好牛奶"), we launched Huishan's source-tracking campaign entitled "Drinking milk, grateful for its source" with the enthusiastic participation of over a hundred cities which lasted for six months. Mr. HU Qiaohua ("Hua Shao") (華少), dubbed the "Tongue of China" (中國好舌頭) and the spokesperson of Huishan, visited the operation in Huishan with some netizens from Sina and media professionals to explore the good milk sources of China. The visit further defines the concept of origin that we insisted on and opens a new chapter on the standard of healthy consumption of milk, which in turn substantially enhances the reputation and the influence of the "Huishan" brand all over the country. We engaged Ms. LIU Tao ("Ms. LIU"), a famous film and television actress, as the spokesperson of "Huishan" milk powder products and broadcasted TV commercials starring Ms. LIU on TV and online media channels in our focus regions such as Liaoning, Chongqing, Shandong and Henan in order to raise the influence and awareness of our brand. Facing the ever-changing trend of consumption, we established the new marketing model in the "Internet+" era and improved the experience of consumers by innovative services in order to optimize the consumption experience while delivering high-quality dairy products and strengthening the emotional connection between the brand and the consumers.

Laying the solid foundation to build up a nationwide market with whole-hearted focus

During the Reporting Year, several operating companies under the joint venture project in Jiangsu were established, marking the complete launch of the project of vertically-integrated dairy value chain in Eastern China. The construction of our liquid milk processing plant in Yancheng, Jiangsu, with a design capacity of 180,000 tonnes per year, commenced at the end of March 2015 and obtained the production permit in May 2016. Products from the new plant would be focusing on the pasteurized milk markets of Shanghai, Jiangsu, Zhejiang and Anhui. The successful replication of the fully vertically integrated value chain business model in Jiangsu Province symbolizes the implementation of our strategic plan in relation to entering and expanding into markets other than Northeastern China and serves as an important milestone of our transformation from a regional brand to a national dairy enterprise.

During the Reporting Year, we completed the joint venture agreement with FrieslandCampina (Royal FrieslandCampina N.V., hereafter referred to as "FrieslandCampina"). The joint venture leverages on the high quality and safe sources of milk from Huishan, the successful management and marketing experience in relation to IMF products of FrieslandCampina and their supreme marketing channels in China; the joint venture perfectly combined our existing high-quality domestic supply chain and the century-old professional management experience of FrieslandCampina. The whole process of purchasing, production, promotion and sales will be under the full control of the joint venture in order to ensure that the most stringent quality control standards are adopted during the production of IMF products and provide quality guarantee to Chinese consumers. The joint venture passed two audits by SGS and was accredited with the compliance certificate of food safety system certification standard FSSC22000:2013. The campaign of domestic originated IMF products with international quality for Chinese consumers will be launched in 2016.

Deeply exploiting potential efficiency along extended fully vertically integrated value chain

With industry integration as the core, we pursued in-depth vertical development and continued to innovate on the basis of the existing agricultural planting, concentrated feeds processing, large-scale dairy farming and dairy products processing and selling, contributing to further extension of our industrial chain to renewable energy segments such as biogas compressed natural gas and organic fertilizer. Considering the significant, stable and growing revenue and gains that renewable energy can potentially contribute to the Group and the possibility of broadening future sources of income for the Group, and building immunity to cyclical changes of dairy industry, we completed the acquisition of all equity interest of a renewable energy company held by our controlling shareholder and his son in October 2015 (details of which are set out in the announcement of the Company dated September 29, 2015). In February 2016, we entered into a non-legally binding letter of intent ("letter of intent") with CGN Energy and Yingde Shanghai with the intention to set up a company engaging in biomass gasification in China (details of which are set out in the announcement of the Company dated February 23, 2016). CGN Energy is a wholly-owned subsidiary of China General Nuclear Power Corporation, a mega-size state-owned clean energy enterprise in the PRC. CGN Energy is primarily engaged in businesses including but not limited to the research and development, project development, investment and operation of technology related to conversion of biomass to natural gas and utilization of energy from waste resources. Leveraging on the resources and industry experience possessed by CGN Energy in the field of biomass gasification and the financial strength of Yingde Shanghai, we would take advantage of the strategic opportunities arising from the rapidly developing biomass gasification industry and further realize the added-value in the vertical industry chain.

Furthermore, we have started conducting research on installing solar energy panels on our dairy farms, e.g. roof of barns, awnings and vacant ground, without occupying additional land resources. By leveraging the abundant solar energy resources in Liaoning Province, we will be able to develop an innovative "agri-solar" energy project, which is an efficient and eco- friendly consolidation of dairy farming and solar energy. Such initiative can enhance the profitability of solar energy project through the efficient use of dairy farming resources, therefore, contributing a significant and stable income to the Group.

During the Reporting Year, we mainly operated three major businesses: (i) the dairy farming business, under which we primarily produced and sold raw milk; (ii) the liquid milk business, under which we primarily produced and sold liquid milk products; and (iii) the milk powder business, under which we primarily produced and sold milk powder products and dairy ingredients.

Dairy Farming

- Herd size

	At March 31, 2016 Head	At March 31, 2015 Head
Milkable cows	**96,339**	74,389
Heifers	**70,624**	79,951
Calves	**33,929**	25,991
	200,892	180,331

As at March 31, 2016, we operated China's largest number of dairy farms in Liaoning Province, China with 82 standardized dairy farms (March 31, 2015: 69 standardized dairy farms) and a total herd size of 200,892 dairy cows (March 31, 2015: 180,331 dairy cows) of which, 48.0% were milkable cows (March 31, 2015: 41.3%).

- Milk yield

We produced a total of 743,000 tonnes of raw milk during the Reporting Year, an increase of 23.5% from 601,600 tonnes for the corresponding period in 2015, attributing to the increase in number of milkable cows and more advanced and effective herd management. With the growing production capacity of liquid milk, the internal sales of raw milk increased to 482,900 tonnes (the corresponding period in 2015: 365,300 tonnes), accounting for 68.9% of the total sales of raw milk, up from 63.3% for the corresponding period in 2015.

It is our target to ensure that every drop of raw milk can deliver the greatest economic benefit. Without comprising the outstanding quality of our raw milk, we maximize the marginal benefit between the feeding cost of milkable cows and milk yield through a spate of measures: striving for a comprehensive balance between the milk yield of milkable cows and feeding cost of dairy cows on the basis of the market environment and demand and supply of raw milk; making reference to the professional proposals of American nutritionists and implementing long-term tracking and fine-tuning of feeding through building up a database and making use of internet technology and professional softwares; and continuously adjusting and innovating our dairy cow feeds formula by leveraging on our abundant feeds and forage grass resources. During the Reporting Year, the average yield of each milkable cow was 8.6 tonnes; although lower than that of the corresponding period in 2015, the cost of raw milk was also effectively reduced to RMB2,026 per tonne for the Reporting Year from RMB2,161 per tonne for the corresponding period in 2015.

- **Average selling price of raw milk**
  We are highly experienced in dairy cow breeding and feeding management. Moreover, we have abundant high quality self-produced feeds and advanced feed formula. The geographical locations of our dairy farms are superior; therefore, the quality of our raw milk far exceeds the average level of the industry. Notwithstanding the continuously low prices of imported whole-milk powder and the continuous drop of domestic raw milk prices, the average selling price of our raw milk still reached RMB4,415 per tonne (the corresponding period in 2015: RMB4,873 per tonne) under the adverse market environment.

- **Forage grass, feeds growing and concentrated feeds processing**
  "Excellent grass breeds healthy cows which produce high-quality milk" is a well-recognized fact in the dairy industry. We were the pioneer to plant alfalfa in extensive area among the domestic dairy enterprises. We successfully implemented the ground breaking model of two-harvest cultivation of oat and corn silage in Northeastern China, which was further applied on 88,000 mu of land. Our innovative model of "integrating plantation and farming" effectively improves the efficiency of land use and lowers the rental of land in unit cost. More importantly, the diversity of crops of planting feeds provided more possibility for improving the economic efficiency of daily feeds formula for dairy cows and provided better room for reducing the feeding costs of dairy cows. As a result, we realize the modernized farming model of "integration of grass and farm" in China ahead of other market players.

Liquid Milk

The level of competition in the market of domestic dairy products, especially liquid milk products, has intensified due to the continuously low prices of imported whole-milk powder. In response to this market environment, we strengthened our differentiated competitiveness by continuously optimizing our product mix through high-protein dairy products with outstanding quality and fresh low-temperature products, which is made possible by our resources advantages brought about by self-operated farms. At the same time, we continued to enrich the category of UHT sterilized milk (which is ultra-high temperature milk and hereinafter referred to as "UHT" milk) to increase market share, strengthen our No. 1 position in the liquid milk market in Northeastern China and ratchet up our market development efforts in Northern China. We also spent increasing efforts in respect of research and development and launched new products of lactobacillus beverage in order to gain market share with such beverage characterized by the milk source of Huishan.

During the "false alarm" Hebei high calcium milk incident from mid to late September 2015, thanks to our excellent public relations crisis management skills, we responded instantaneously with high efficiency, we openly and transparently disclosed information, supported ourselves with conclusive and credible evidence and tackled the incident in a professional and rigorous manner. We rationally and powerfully gave appropriate responses. Not only are we confident in the quality of our products, we are also responsible towards the public. Our courage to be outspoken, righteous and accountable for the future development of Chinese dairy industry has won us respect from government organizations and the dairy industry and even reputation of premium product quality among consumers. According to the 2015 consumer satisfaction assessment of the national liquid milk industry organized by the Users Committee of China Association for Quality, we ranked among top three in terms of brand image out of 27 brands under national and local assessments, which is a strong testament to the wide consumer recognition of our liquid milk products. Our "Jersey Farm" organic pure milk was accredited the "Outstanding New Products Award" of 2015 by China Dairy Industry Association in its dairy industry awards.

Our liquid milk processing plant in Shenbei New District, Shenyang, commenced production in April 2015, raising the overall production capacity of liquid milk to 620,000 tonnes per year. Facing intensive market competition, we created differentiated competitive strengths through pasteurized dairy products. We upgraded the package volume of pasteurized milk while maintaining steady selling price in order to attract more UHT milk consumers to purchase pasteurized milk so as to raise the proportion of pasteurized milk in our sales. At the early stage of production of the new liquid milk processing plant, the production and sales of liquid milk products, especially pasteurized dairy products, were slightly affected in the second quarter of 2015 due to equipment relocation and the initial run-in. However, the above adverse effects had been gradually eliminated since the third quarter of 2015 and the sales of pasteurized dairy products have been increasing steadily. During the Reporting Year, sales volume of pasteurized milk was 103,182 tonnes (corresponding period in 2015: 91,244 tonnes), representing an increase of 13.1%.

As a result of the adjustment in enhancing product structure and market expansion, the overall sales volume of our liquid milk products reached 397,541 tonnes during the Reporting Year (corresponding period in 2015: 293,337 tonnes) despite the downward market trend, representing a year-on-year growth of 35.5%. The sales of liquid milk products reached RMB3,090.3 million in the Reporting Year (corresponding period in 2015: RMB2,421.7 million), representing an year-on- year growth of 27.6%.

- Strengthening product mix and optimizing product structure

  Our product structure was optimized and upgraded by innovation of technology based on our differentiated competitiveness of high quality self-provided milk source with focus on strengthening the quality of pasteurized milk, optimizing the quality of yogurt, maximizing the sales of UHT milk and improving the productivity of milk beverages.

  Our pasteurized dairy products under the brand "Dr. Fresh" (鮮博士) continued to promote freshness and high quality with fresh milk source. With the gradually increasing sales of pasteurized milk, we introduced "Dr. Fresh" products to mass consumers paying high attention to healthy and fresh lifestyle through the annual 'Fresh Milk Festival". We developed the "Jersey Farm" pasteurized milk from the scarce milk source of Jersey cows with 3.6 grams of protein through the pasteurization treatment, which can not be easily duplicated by our competitors. The "Jersey Farm" pasteurized milk enriched our product range under pasteurized milk category, created a luxurious taste of pasteurized milk and became another star product within our dominant market of low-temperature products in the Northeastern region. Our short shelf-life and additives-free low temperature yogurt products, "10 Days" and "10 Days Kids", now represent the terms "trendy" and "healthy". Such products accomplished brand rejuvenation with their refreshing and outstanding design, attracting a lot of customers and future consolidating our dominant market position in low-temperature dairy products in the Northeastern region.

As the endorsed brand of our self-operated farms, "Jersey Farm" plays a leading role in promoting high quality and healthy dairy products and serves as an important medium for promoting and channelling our high-quality source of milk. Leveraging on the foundation of the parent "Huishan" brand, we promote our brand under the slogan of "Only 1% Dairy Cows Qualify for Jersey Farm Milk" and produce high-end UHT dairy products of "Jersey Farm" with utmost care and passion. Packaging of the brand has adopted the Tetra Brik Aseptic Edge technology and has also been carefully designed with unique, full page printing to create an advantage in expressive ability and brand awareness on the shelf. In order to impress the customers and build memorable image, the official account of "Jersey Farm" on Wechat was set up during the period of Mid-Autumn Festival and National Day with a view to drive up sales through combining online and offline promotion campaigns. During the Chinese New Year, we raised the coverage of "Jersey Farm" in retail stores and supermarkets by additional display in stores and advertisements via various media platforms, which succeeded in increasing sales volume for a single month that went beyond our expectation and achieved a stage breakthrough.

Lactobacillus beverage can fulfill the integrated consumer demand for beverages and healthiness and satisfy the need for nutrition and functionality of young consumers. As such product can be conveniently consumed under different environment and easily cater to the specific needs of the customers, it is developing into an essential item boasting the fastest growth among the series of products of dairy enterprises. During the Reporting Year, we developed 3 new beverage products, namely UHT Zhenguoshu (珍果蔬), an ambient lactobacillus beverage with real fruits and vegetables juice, the low-temperature lactobacillus beverage Jinxiaoshun (今小順) characterized by cleanness, freshness and sweetness and UHT Wolingka (沃靈卡), a brown room temperature yogurt product with an exotic taste for the unique demand of customers longed for new products. These new products were presented at the 94th China Food & Drinks Fair (第94屆全國糖酒商品交易會) (the "CFDF") in March 2016. During the period of exhibition, these products attracted overwhelming response due to their unique advantage of milk source from our self-operated dairy farms and the brand slogan of "Sources make a great difference". Besides, after assessing our new products in terms of packaging, taste, attraction and proposition, the visitors gave strong appreciation to these future star products and expressed strong intentions to enter into contracts with us. We will integrate the special design and publication, online and offline, together with new display in various sales channels to create a boom of sales after the launch of the new products.

- **Strengthening brand marketing and expanding markets via different channels**

  During the Reporting Year, we targeted at 3 aspects, namely brand promotion, promotion of key products and increase in sales volume of liquid milk products. We realized a consolidated development of products, channels and operation with big data as support, innovation as means, experience as core, an integrated platform as foundation and a mindset of internet. Based on our mindset of "integration of resources", we formulated our own strategy and joined hands with distributors at different locations to build up the brand image of "Huishan" rapidly. To create sales amidst adversities, we shifted from traditional price war to precise marketing by differentiation, and later on to the new model of "Internet +", which led to a sales miracle of our liquid milk in the sluggish market of dairy products. According to the Frost & Sullivan report of 2015, in terms of retail sales, the market share of our liquid milk products in the Northeastern region increased from 20.9% in 2014 to 21.9%, ranking 1st in that region, while we ranked the 5th in terms of retail sales of liquid milk in China.

We integrated marketing and communication resources, established the brand proposition of "Drinking milk, grateful for its source; good milk sources make great milk" and organized the "Caravan" national roadshow with special focus. We created a WeChat interactive platform to complement traditional media communication, and announced and promoted our activities beforehand. We fully utilized advertising effects of social media platform to generate traffic flow for the roadshow. Along with our offline activities, such as setting up image stores and experience stores simultaneously and conducting sales in rural mass markets, the invitation of Hua Shao, dubbed "the Tongue of China" as our spokesperson and an ample amount of interactive activities successfully enhanced the promotion of concept of quality milk sources, increased our brand popularity and enhanced consumers' awareness of the "source value". The "Caravan" national roadshow went through more than a hundred cities in seven provinces, including Jilin, Heilongjiang, Shandong, Hebei, Tianjin and so on. The roadshow successfully attracted numerous strategic cooperation partners and led to multi-channel strategic cooperation.

To further consolidate our leading position in the Northeastern market and to raise the proportion of pasteurized milk sales in overall liquid milk, we held the second international fresh milk festival with the theme "Fresh Life, Fresh Experience", to raise consumers' awareness for dairy products, help consumers understand more about pasteurized milk in a more detailed and scientific manner and start a healthy style of consuming milk. We forged a new sales and marketing model suited for the "Internet+" era and initiated the O2O fresh milk sales system, which along with "Huishan Fresh Delivery", the exclusive milk delivery service for households, enable consumers to share the freshness and nutrients of pasteurized milk without having to set foot out of home. Through innovation of sales and services, ordering milk online has become more convenient. By continuously eliminating consumers' inconvenience in purchasing and storing pasteurized milk, the sales volume of pasteurized milk has been pushed up continuously.

As at March 31, 2016, our marketing network comprised 360 distributors and 400 direct retailers, while milk delivery customers increased to 230,000 households (corresponding period in 2015: approximately 100,000 households). We will continuously enhance the layout of the markets in new areas such as Jiangsu, Shandong, Hebei and Henan. With the kick off of the fully vertically integrated value chain project in Yancheng, Jiangsu, we will be able to fully supply the supreme and low-temperature products with the same quality as the Northeastern region to Shanghai, Jiangsu, Zhejiang and Anhui in the future.

Milk Powder — IMF Products, Adult Milk Powder and Dairy Ingredients

Leveraging on our unique advantage of resources from the fully vertically integrated value chain and scientific formula, the advanced technique of one-off powdering from fresh milk, the safety and quality of our milk powder and the IMF products under our own brands are extensively recognized by customers all over China. We launched new products under the 5 main brands of Golden Queen, Gold Label (金裝), 5A, Red Label (紅裝) and Supreme Label (優裝). With these 5 brands, we consolidated our market position during the process of building business presence in key markets all over the country. Meanwhile, we adopted a triumviral marketing model by integrating the three marketing channels, namely retail stores and supermarkets, mother-and-baby stores and electronic commerce, in order to build up the image of "Huishan" brand in the huge social network of mothers. To fulfill the sales demand of customers at different ages and in different regions of market, we continued to launch new products under our brand of adult milk powder and extended their reach to customers. As the national regulatory policy was implemented more extensively, the quality of products, as the foundation of a brand, is subject to close attention of distributors and customers. All registered IMF enterprises in China were placed on the list of "key random checks" according to the Notice of the List of Food Production Enterprises under the Key Random Checks by the Food and Drug Administration 2016 (No.64 of 2016) promulgated by China Food and Drug Administration. Accordingly, we will publish the result of the monthly random checks of our IMF products every month. The quality and strength of our IMF products were proved by the recommendation from the industrial association as part of the "National Team of Milk Powder Manufacturers", recognition by the Ministry of Industry and Information Technology of China as one of the companies under the first batch of pilot enterprises with traceability of safety and quality of milk powder, and the accreditation of "Best New Product" to our IMF products named "Huishan Golden Queen" in the industrial assessment in 2015.

- **Enriching the product mix, strengthening the brand image and expanding the marketing network**

  The major markets of our IMF products are the Northeastern region and the Central China and follow up efforts were made in extending our coverage in Eastern China, Southern China, Northwestern and Southwestern regions. As at March 31, 2016, our sales network covered 22 provinces and 3 municipalities with approximately 1,522 distributors and a network of 9,705 retail stores. In addition to the consolidation of our existing markets, we boosted support to directly operated mother-and-baby stores by launching a series of IMF products under the brand of "Huishan Supreme Label" (輝山優裝) with high-end "Super Huizhi" (超級輝智) as the supplemental products to such sales channel in order to enhance the competitiveness of such channel. Furthermore, we also expanded our coverage to not only the stores in counties, but also the markets of villages, where the above 2 new brands were welcomed by the retail stores. During the Reporting Year, the sales amount of our IMF products reached RMB375.9 million (corresponding period in 2015: RMB299.8 million), representing a year-on-year growth of 25.4%.

Since 2015, we launched several new adult milk powder products such as the "Quanjiafu" (全家福) series, "Milk Powder rich in calcium and vitamin for Elderly" (中老年高鈣多維), "Huishan Strong Teenager" (輝山少年強), "Jersey Golden Queen" (傑茜金皇后) and "Colostrum Nutrients Milk Formula Powder" (牛初乳營養配方奶粉) to broaden our product range. We also completed the initial market layout of KA channels, traditional channels and special sales channels. As at March 31, 2016, our sales network of adult milk powder covered 19 provinces, 2 municipalities with approximately 184 distributors and a network of 2,547 retail stores. During the Reporting Year, the sales amount of our adult milk powder products reached RMB50.4 million (corresponding period in 2015: RMB11.2 million).

We signed contract with Ms. LIU, a popular film and television actress, for her engagement as the spokesperson of our IMF products. Our products built up a strong impression amongst consumers fairly quickly as Ms. LIU's positive persona and high popularity match our brand concept of "Give more, satisfy more". The large-scale promotional campaigns "The Journey of Quality with Ms. LIU Tao" (相約劉濤品質之旅) and "The Huge Vigor of Huishan in the Golden Autumn" (輝範氣勢，重磅金秋) held in a hundred of cities were appreciated by the retailers and customers. The above campaigns were launched in cities in Henan, Anhui and Jiangsu, covering 80% of cities all over the country, while the accumulated sales amount resulted from the campaigns reached a record high for the year. In order to build up a dominating market position in the Northeastern region and speed up the expansion to markets in new regions, we established a new sales model named as the "War of A Hundred Regiments" (百團大戰), covering 56 cities and 800 retail stores. The model helped to manage retail stores sales well and attract new club members so that our safe IMF products with high quality were introduced to the great mass of consumers. The "War of A Hundred Regiments" campaign secured the sales of our IMF products at the utmost top position in Shenyang and propelled us into the top 3 in Liaoning and Jilin, in which a stable growth in the market of Hebei region was achieved.

- **Cooperating with the well-known Mother-and-baby Chain Stores and Opening up the New Era of Competition of Differentiation**
  In March 2016, we established the strategic partnership with Bei Bei La Mu Mother-and-baby Chain Stores of China ("Bei Bei La Mu") (貝貝拉姆孕嬰童用品全國連鎖機構), one of the largest mother-and-baby chains in China, pursuant to which Bei Bei La Mu shall promote "Huishan Huizhi" (輝山輝智) and "Super Huizhi" (超級輝智) as their key products in their stores. Bei Bei La Mu has a widespread influence to mother-and-baby supplies industry all over the country, good reputation among the parental consumers and outstanding results regarding expansion of sales channels. Leveraging on Bei Bei La Mu's influence through their channels, we will swiftly establish cooperation with the top 10 retail chains in China. Through building channels with professional platforms and constructing innovative means for cooperation, we will turn a new page of the parental market to the era of competition of differentiation.

- **Our Joint Venture Passed SGS Audits and Set a New Benchmark for High-quality Domestic IMF Products**
  Our joint venture established with FrieslandCampina started various businesses smoothly according to the existing development plan. Besides, it passed 2 audits conducted by SGS, the leading global institution for inspection, appraisal, testing and accreditation, and obtained the certificate of compliance according to the FSSC22000:2013 standard under the food safety system accreditation which covered the production of various series of IMF products, whole-milk powder, skimmed milk powder, modified milk powder and non-dairy creamer. FSSC22000 is a global and auditable standard under food safety management system, which is developed for food safety accreditation by the Dutch Foundation and supported by the EU Alliance of Food and Beverage Industries, and served as a standard with global recognition for food enterprises. Passing the audits reflected that we have established a comprehensive management system and fully fulfilled the demand for food safety of customers and industrial regulation. The accreditation also demonstrated that our products were in line with the international standard and we have gained the trust from global markets. It is significant for the domestic milk powder brands to build up international image and revive the confidence of customers. The domestically produced IMF products specifically made for Chinese consumers with international quality will be launched in 2016.

- **Dairy Ingredients "Made in China" are stepping into the baking industry**
  The baking and catering industries require dairy ingredients made with high quality raw milk with stable supply, guaranteed quality and excellent application. However, there is a lack of big brand of this kind of products in China. We strived to realize the domestic bulk supply of supreme and deeply processed dairy ingredients. With reference to a thorough understanding and analysis to the demand of baking and catering industries, we decided to supply the deeply processed domestic dairy ingredients produced by Huishan which were made with our own high quality milk source to industries such as baking, catering and food processing.

  "Senscious" (淳軒), the in-house-developed new brand of whipping cream and liquid milk products targeting bakery, catering and food processing enterprises, was officially launched in the market, marking the feat of becoming the first domestic manufacturer of low-temperature, whole-milk fat whipping cream with long shelf life. Our nationwide network of distribution and transportation has fully commenced operation, and the selling prices of such products were fixed at the same rate all over the country. Our high-quality milk sources and special design of craftsmanship guaranteed our products a 9-month shelf life under general conditions of refrigeration, which fulfilled the needs of our clients. Our "Senscious" brand was also widely recognized by the industry insiders and clients in a series of international exhibitions such as the 18th Food Ingredients, Health Ingredients Asia-China, China Bakery and Ice Cream China. In addition, the brand was also awarded "The Pioneer Enterprise of China's Bakery Food Industry 2016" by the China Association of Bakery & Confectionery Industry.

Quality Control

Our mission is to "supply high quality and safe milk for daily consumption to our nationals". Our milk sources are 100% originated from our self-operated dairy farms in order to ensure the safety and quality of our end production lines. In the aspect of quality management, the coverage of our industry chain, no matter in terms of its width or depth, was greater than our counterparts which also led to much more operational difficulties. We endeavored to continuously enhance the quality of our milk source, ensure quality of products, improve ourselves and to set up a comprehensive quality control system for the fully vertically integrated value chain. With the effective implementation of the systems of quality control and food safety, we are confident to achieve the goal of "Zero risk in the fully vertically integrated value chain and zero incident related to food safety".

We combined our quality traceability system with our ERP system to achieve two-way traceability enquiries and build the database of production process spanning from raw materials to finished products, which also enables two-way counter enquiries. This helps to monitor and manage the production technique and quality strictly as well as improving the production efficiency and quality in order to supply dairy products up to the satisfaction of customers. Meanwhile, we can create reports through analysis by business intelligence which assists us in making decisions and exerting timely adjustments in response to market changes. The Group has become one of the first batch of six pilot enterprises with traceability system for milk powder products; 31 items of information, including product standards, labels and passed test reports, of our series of IMF products such as "Huishan Golden Queen" (輝山金皇后) could be found on the national traceability public services platform.

We have kicked off and operated "Freshness by stability" (鮮得穩) project, in relation to quality enhancement of pasteurized milk, with an aim to improve the product quality management along the fully vertically integrated value chain, thus raising the satisfaction level of customers. We were accredited as the "National Benchmark Enterprises with Quality and Honesty" by the China Association for Quality and Inspection, the "Best 10 Cases of National Innovative Management Measures of Food Safety in 2015" and the "Best 10 Enterprises of the 13th China Food Safety Annual Committee" by the China Food Safety Annual Committee. In the future, with our continuous endeavor and commitment to quality and safety, we will forge the corporate image of "The most trustworthy dairy brand in China" and "The New Safety Power for China's Dairy Industry".

Brand Building

Branding reflects the core value of an enterprise. We targeted to supply our products to all over the nation aiming at enhancing the national confidence on dairy products. The awareness of customers is the first hurdle in achieving such goal. The first step of brand building is to increase market competitiveness and enhance the brand value of trustworthiness, safety and high quality with our advantage of resources from our fully vertically integrated value chain. We signed the contract with Hua Shao (HU Qiaohua), a well-known TV presenter, for his engagement as our spokesperson in order to promote our products all over the country. Meanwhile, we also appointed LIU Tao, a famous actress, as the spokesperson of our milk powder products in order to deeply impress the consumers and further enhance the popularity and reputation of our brand. The TV commercial performed by LIU Tao has been shown on TV in Liaoning, Chongqing, Shandong and Henan as well as the relevant internet media to raise the influence of our brand.

For both distributors and consumers, it is essential for them to have a field experience of our fully vertically integrated value chain to have a personal understanding of Huishan's operation strategy of developing "A New Safety Power for China's Dairy Industry" from the origin and get to know our products and the brand culture of "Quality at the utmost priority" thoroughly. During the Reporting Year, we invited several groups of customers and distributors to visit our plantation field of alfalfa, large-scale self-operated dairy farms and advanced production plant. We built a modernized exhibition corridor in our newly opened dairy products processing plant in Shenbei. The corridor, which was up to the standard of the top milk museum in China in terms of outline, details of our design and technological level, vividly illustrated each sector of the development of the fully vertically integrated value chain of Huishan. It enables consumers to understand directly how every drop of safe milk of Huishan is produced and its traceability and allows distributors to have a personal experience of how our commitment of "every single drop of original fresh milk comes from our 100% self-operated dairy farm" withstands tests and trials. As a result, the trust and reputation of "Huishan" brand was raised, the confidence of our distributors towards our products was boosted and such confidence was spread to more consumers.

The Ministry of Industry and Information Technology has announced the List of Model Enterprises of Industrial Brand Nurturing 2015 which aimed at instructing enterprises implementing brand strategy to build a complete brand nurturing management system, improve the ability and efficiency of brand nurturing and enhance brand value and competitiveness. The Group is the only dairy enterprise on the list and the only representative of Liaoning in 2015. The accreditation as the "Model Enterprises of Industrial Brand Nurturing" was a recognition to our achievements made by insisting in the construction of our fully vertically integrated value chain and ensuring safe consumption of dairy products; it is also an acknowledgement of our brand image of "The New Safety Power for China's Dairy Industry".

The list of the 500 Most Valued Brands in China, which was based on analysis of financial parameters, consumer behavior and performance of brand, was announced during the 12th World Brand Summit in 2015 and the Press Release of 500 Most Valued Brands in China, and reflected the utmost strength of Chinese enterprises' branding. As the only representative of Liaoning dairy products enterprises on the list, we were selected for our mature operation model of fully vertically integrated value chain.

We are the only dairy products partner in the 14th Summer Special Olympics ("Special Olympics") which would provide nutrients support of dairy products to all Chinese representatives participating in the games during their training. Meanwhile, we undertake to make donations in the next 5 years to support the development of Special Olympics in China and provide nutrient support during the competition of Special Olympics in different locations of the country. This would substantially enhance the awareness and influence of the "Huishan" brand all over the nation.

FINANCIAL OVERVIEW

Revenue

The following table sets out the breakdown of our revenue by each operating segments for the years ended March 31, 2016 and 2015:

	Years ended March 31,					
	2016			2015		
	External Sales RMB'000	**Internal Supplies RMB'000**	**Subtotal RMB'000**	External Sales RMB'000	Internal Supplies RMB'000	Subtotal RMB'000
Dairy farming business	**947,203**	**2,146,530**	**3,093,733**	1,028,336	1,783,966	2,812,302
Liquid milk business	**3,090,251**	**—**	**3,090,251**	2,421,709	—	2,421,709
Milk powder business	**489,079**	**—**	**489,079**	473,339	—	473,339
Consolidated revenue	**4,526,533**			3,923,384		

Our revenue increased by 15.4% from RMB3,923.4 million for the year ended March 31, 2015 to RMB4,526.5 million for year ended March 31, 2016, primarily due to an increase in our sales of liquid milk business and milk powder business.

- **Dairy farming business**

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

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

	Years ended March 31,					
	2016			2015		
	Sales Amount RMB'000	**Sales Volume Tonne**	**ASP RMB/Tonne**	Sales Amount RMB'000	Sales Volume Tonne	ASP RMB/Tonne
Raw Milk						
External Sales	**947,203**	**217,936**	**4,346**	1,028,336	211,769	4,856
Internal Supplies	**2,146,530**	**482,850**	**4,446**	1,783,966	365,302	4,884
Total	**3,093,733**	**700,786**	**4,415**	2,812,302	577,071	4,873

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

- **Liquid milk business**

  Revenue from our liquid milk business increased by 27.6% from RMB2,421.7 million for the year ended March 31, 2015 to RMB3,090.3 million for the year ended March 31, 2016, which accounted for 68.3% and 61.7% of our consolidated revenue for the years ended March 31, 2016 and 2015.

  The growth of our liquid milk business was primarily due to the increase in the sales volume of liquid milk products. In order to increase our market share across the country, we carry on to enrich our liquid milk product mix by launching new milk beverage products such as Zhenguoshu and Jinxiaoshun as well as yogurt products such as Wolingka. During the Reporting Year, the sales volume of our liquid milk products increased by 35.5% to 397,541 tonnes for the year ended March 31, 2016 from 293,337 tonnes for the year ended March 31, 2015.

  Influenced by the fluctuation in dairy industry, the average selling price of each type of liquid milk products, excluding yogurt, for the Reporting Year was lower than that in the last financial year. The overall average price of liquid milk products decreased from RMB8,256/tonne for the last financial year to RMB7,773/tonne for the Reporting Year, which was mainly attributable to the initiative of increasing the volumes of pasteurized dairy products in each pack without changing the prices to attract more customers.

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

	Years ended March 31,					
	2016			2015		
	Sales Amount RMB'000	**Sales Volume Tonne**	**ASP RMB/Tonne**	Sales Amount RMB'000	Sales Volume Tonne	ASP RMB/Tonne
Liquid Milk Products						
Fresh Milk	**776,293**	**103,182**	**7,524**	746,043	91,244	8,176
UHT	**1,071,961**	**176,068**	**6,088**	792,517	123,707	6,406
Yogurt	**1,125,144**	**87,668**	**12,834**	870,548	75,257	11,568
Milk Beverage	**116,853**	**30,623**	**3,816**	12,601	3,129	4,027
Total	**3,090,251**	**397,541**	**7,773**	2,421,709	293,337	8,256

- Milk powder business

Revenue from milk powder business increased by 3.3% from RMB473.3 million for the year ended March 31, 2015 to RMB489.1 million for the year ended March 31, 2016, which was mainly due to a surge in the sales volume of IMF products and adult milk powder.

Dairy ingredients products are primarily tailor-made for industrial customers to meet their specific needs. During the Reporting Year, our dairy ingredients mainly included demineralised whey protein powder and whipping cream products, which were different from the production of non-dairy creamer and whole-milk powder in the last financial year. Therefore, the average selling prices of dairy ingredients for the two years are not comparable.

The revenue of milk powder accounted for 10.8% and 12.1% of the consolidated revenue for the years ended March 31, 2016 and 2015, respectively.

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

	Years ended March 31,					
	2016			2015		
	Sales Amount RMB'000	**Sales Volume Tonne**	**ASP RMB/Tonne**	Sales Amount RMB'000	Sales Volume Tonne	ASP RMB/Tonne
IMF Products	**375,949**	**2,891**	**130,041**	299,811	2,704	110,877
Adult Milk Powder	**50,421**	**1,205**	**41,843**	11,244	234	48,051
Dairy Ingredients	**62,709**	**4,751**	**13,199**	162,284	12,987	12,496
Total	**489,079**	**8,847**	**55,282**	473,339	15,925	29,723

Gross profit and gross profit margin

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

	Years ended March 31,			
	2016		2015	
	Gross Profit RMB'000	**Gross Profit Margin**	Gross Profit RMB'000	Gross Profit Margin
Dairy farming business				
Before elimination	**1,673,985**	**54.1**	1,565,528	55.7
After elimination	**515,051**	**54.4**	577,116	56.1
Liquid milk business				
Before elimination	**873,002**	**28.3**	716,150	29.6
After elimination	**1,729,257**	**56.0**	1,467,334	60.6
Milk powder business				
Before elimination	**159,058**	**32.5**	141,089	29.8
After elimination	**288,536**	**59.0**	216,195	45.7

- Dairy farming business

  Gross profit of our dairy farming business (before elimination of the relevant costs of sales of internal supplies of raw milk) increased by 6.9% from RMB1,565.5 million for the year ended March 31, 2015 to RMB1,674.0 million for the year ended March 31, 2016, primarily due to the rise of raw milk production and sales. Gross profit of our dairy farming business (after elimination of the relevant costs of sales of internal supplies of raw milk) decreased by 10.7% from RMB577.1 million for the year ended March 31, 2015 to RMB515.1 million for the year ended March 31, 2016, primarily due to the drop in average selling price of raw milk. During the Reporting Year, in view of the industry fluctuation in demand and supply, and taking advices from the farming experts, we have slightly decreased our milk yield while adjusting the feed mix in order to further reduce the unit cost of raw milk. By adopting such approach, we have to a certain extent achieved the dynamic balance between production and sales in line with the industry fluctuation in demand and supply while reducing the unit cost of raw milk.

  Gross profit margin of our dairy farming business (before elimination of the relevant costs of sales of internal supplies of raw milk) was 54.1% for the year ended March 31, 2016, representing a decrease to some extent as compared to 55.7% for the year ended March 31, 2015, primarily due to the drop in average selling price of raw milk.

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

	Years ended March 31,			
	2016		2015	
	Cost of Sales		Cost of Sales	
	RMB'000	**%**	RMB'000	%
Feed	**1,050,029**	**74.0**	946,110	75.9
Labour Cost	**95,119**	**6.7**	63,823	5.1
Depreciation	**46,923**	**3.3**	33,332	2.7
Veterinary Costs	**71,691**	**5.0**	71,562	5.7
Utility Costs	**57,028**	**4.0**	46,277	3.7
Others	**98,958**	**7.0**	85,670	6.9
Total	**1,419,748**	**100**	1,246,774	100

- Liquid milk business

  Gross profit of our liquid milk business (before elimination of the relevant costs of sales of internal supplies of raw milk) increased by 21.9% from RMB716.2 million for the year ended March 31, 2015 to RMB873.0 million for the year ended March 31, 2016, primarily due to the increase of liquid milk sales volume. Gross profit of our liquid milk business (after elimination of the relevant costs of sales of internal supplies of raw milk) increased by 17.9% from RMB1,467.3 million for the year ended March 31, 2015 to RMB1,729.3 million for the year ended March 31, 2016, primarily due to the rise of liquid milk sales volume.

  Gross profit margin of our liquid milk business (before elimination of the relevant costs of sales of internal supplies of raw milk) decreased from 29.6% for the year ended March 31, 2015 to 28.3% for the year ended March 31, 2016, primarily due to the initiative of increasing the volumes of pasteurized dairy products in each pack without changing the prices to attract more consumers.

- Milk powder business

  Milk powder business includes IMF products, adult milk powder products and dairy ingredients. Gross profit of our milk powder business (before elimination of the relevant costs of sales of internal supplies of raw milk) increased by 12.8% from RMB141.1 million for the year ended March 31, 2015 to RMB159.1 million for the year ended March 31, 2016. Gross profit of our milk powder business (after elimination of the relevant costs of sales of internal supplies of raw milk) increased by 33.4% from RMB216.2 million for the year ended March 31, 2015 to RMB288.5 million for the year ended March 31, 2016. The aforesaid increase was primarily due to the increase in sales volume of our IMF and adult milk powder products.

  Gross profit margin of our milk powder business (before elimination of the relevant costs of sales of internal supplies of raw milk) increased from 29.8% for the year ended March 31, 2015 to 32.5% for the year ended March 31, 2016. The increase was primarily due to the significant increase in the proportion of the sales volume of IMF and adult milk powder products with much higher gross profit margin compared with dairy ingredients over the total sales amount of milk powder business.

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

Our gain arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest increased by 4.0% from RMB1,789.7 million for the year ended March 31, 2015 to RMB1,861.1 million for the year ended March 31, 2016, primarily due to the increase in production volume of our raw milk.

The International Financial Reporting Standards ("IFRSs") require initial measurement of the harvested agricultural produce (mainly includes raw milk, alfalfa, oat, corn silage and other feed crops) at market fair value and recognition of profit and loss at the difference between market fair value and actual costs, while the consumed crops (primarily including raw milk, alfalfa, oat, corn silage and other feed crops) will be measured at market fair value and recognized as cost of sales in profit and loss statement. Vast area of our leased land is utilized for the plantation of alfalfa, oat, corn silage and other feed crops. The gain arising from crops initially recognized at fair value less costs to sell at the point of harvest can be regarded as the difference between market fair value and feeding and plantation costs of the raw milk, alfalfa, oat, corn silage and other feed crops produced and cultivated on our own, representing the cost saving arising from our own production and cultivation of raw milk, alfalfa, oat, corn silage and other feed crops instead of purchasing from external sources.

Changes in fair value less costs to sell of biological assets

We recorded net loss arising from changes in fair value less costs to sell of biological assets, which amounted to RMB431.2 million and RMB448.6 million for the years ended March 31, 2016 and 2015, respectively, primarily due to the culling of milkable cows with lower economic benefits of milk production level as compared to feeding costs on a regular and systematic basis, and drop in average selling price of raw milk.

Qualification and independence of the valuers

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

Other income

Other income includes government grants, investment income on wealth management products and other income. Government grants are generally obtained from our agricultural activities and listing. For the years ended March 31, 2016 and 2015, government grants recognized amounted to RMB102.9 million and RMB17.3 million, and investment income on wealth management products recognized amounted to RMB10.7 million and RMB16.2 million, respectively.

Operating expenses

	Years ended March 31,	
	2016	2015
	RMB'000	RMB'000
Distribution costs	**696,881**	595,037
Administrative expenses		
— Equity-settled share option expenses (non-cash)	**32,840**	70,759
— Others	**402,077**	347,661
Total operating expenses	**1,131,798**	1,013,457

Operating expenses increased from RMB1,013.5 million for the year ended March 31, 2015 to RMB1,131.8 million for the year ended March 31, 2016.

The distribution costs mainly include the labour costs relating to liquid milk and milk powder products, marketing expenses, sales channels fees, advertisement costs and transportation costs. The distribution costs for the Reporting Year was approximately RMB696.9 million, which was 17.1% more than approximately RMB595.0 million of the last financial year. The increase was mainly attributable to the rise in sales volume of raw milk, liquid milk and IMF and adult milk powder products and the corresponding increment of transportation cost, relevant labour costs and marketing and promotion expenses.

On September 27, 2013 and October 8, 2014, 680,085,000 share options and 33,750,000 share options were granted to our employees under employee share option scheme, respectively, and the equity-settled share option expenses included in administrative expenses during the Reporting Year and the corresponding period of last year amounted to RMB32.8 million and RMB70.8 million, respectively, according to the valuation by the independent third party valuers, namely, CBRE Limited and Crowe Horwath (HK).

Other expenses included in administrative expenses increased due to the additional labour costs, amortised depreciation costs and other tax expenses corresponding to the rise in number of administrative personnel as a result of the expansion in business and scale of our Company.

Net finance costs

	Years ended March 31,	
	2016 RMB'000	2015 RMB'000
Finance income — interest income	**(52,407)**	(101,131)
Bank loans and other borrowings interest	**534,170**	490,567
Less: interest expenses capitalized	**(29,440)**	(75,947)
Bank charges and other finance costs	**37,526**	10,468
Net foreign exchange loss/(gain)	**191,962**	(1,083)
Finance costs	**734,218**	424,005
Net finance costs	**681,811**	322,874

Our net finance costs increased by 111.1% from RMB322.9 million for the year ended March 31, 2015 to RMB681.8 million for the year ended March 31, 2016, primarily due to higher interest expenses of approximately RMB504.7 million (for the year ended March 31, 2015: RMB414.6 million) arising from rising bank loans and other borrowings during the Reporting Year, and the foreign exchange loss of approximately RMB192.0 million (for the year ended March 31, 2015: foreign exchange gains of RMB1.10 million) by translating loans denominated in USD and exchanging cash at bank in RMB to foreign currencies resulting from the depreciation of RMB during the Reporting Year.

Current ratio and debt ratio

As at March 31, 2016, the current ratio (current assets/current liabilities) of our Group was approximately 0.92 compared to 1.47 as at March 31, 2015. As at March 31, 2016, the debt ratio was 55.9% compared to 32.2% as at March 31, 2015. Debt ratio was calculated by net debt (aggregated bank loans and other borrowings net of cash and cash equivalents, term deposits, deposits of banks and restricted cash and amounts receivable from banks for wealth management products) over the equity attributable to owners of the Company.

Liquidity and capital resources

During the Reporting Year, we financed our operations primarily through net cash inflows from our daily operations, and proceeds from bank loans. As at March 31, 2016 and 2015, we had RMB2,185.3 million and RMB2,613.6 million in cash and cash equivalents, respectively, which were denominated in Renminbi, HK dollars and US dollars and primarily consisted of cash in hand and cash at bank.

Capital expenditures

We had capital expenditures of RMB1,697.3 million and RMB4,308.5 million for the years ended March 31, 2016 and 2015, respectively, which were primarily used in purchasing property, plant and equipment and lease prepayments.

Working capital

As at March 31, 2016, we had net current liabilities of RMB913.3 million (March 31, 2015: net current assets of RMB2,500.1 million).

Indebtedness

As at March 31, 2016, our outstanding short-term loans, including the current portion of long-term loans due within one year, amounted to RMB7,131.3 million at interest rates ranging from 2.48% to 8.88%. As at March 31, 2016, our outstanding long-term loans, net of amount due within one year, amounted to RMB5,729.2 million at interest rates ranging from 2.31% to 8.88%, inclusive of fixed-rate loans of approximately RMB4,028.0 million.

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

For the year ended March 31, 2016, our Group was not subject to significant exposure to interest rate risk. Hence, no financial instrument for hedging was employed.

The book value of our lease prepayments and property, plant and equipment that were used as guarantees was RMB2,992.1 million as at March 31, 2016. In addition, certain of our long-term loans were guaranteed by our related parties or other third parties.

Contingent liabilities

As at March 31, 2016 and 2015, we did not have significant contingent liabilities.

Loan agreements with specific performance covenant of the controlling shareholders

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

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

On October 26, 2015, the Company, as borrower, signed a term loan facility agreement (the "Syndicated Facility Agreement") pursuant to which the Company may borrow up to an aggregate amount of US$200,000,000 (equivalent to approximately HK$1,560,000,000) divided into a US dollar tranche of up to US$180,000,000 and a Hong Kong dollar tranche of up to HK$156,000,000 (the "Loan") from The Hongkong and Shanghai Banking Corporation Limited, China CITIC Bank International Limited, Hang Seng Bank Limited, Bank of Shanghai (Hong Kong) Limited, China Merchants Bank., Ltd., Hong Kong Branch and Chong Hing Bank Limited (collectively, "the Lenders") for the general corporate funding purposes of the Group. The Loan has a tenure of 3 years. Under the Syndicated Facility Agreement, it is a covenant that, during the term of the Loan (i) Mr. Yang will remain as the chairman of the Company or able to act in such capacity; (ii) Ms. Ge will remain as an executive Director of the Company or able to act in such capacity; and (iii) Mr. Yang and Ms. Ge together will continue to own, directly and indirectly, at least 30% of the issued share capital of the Company, remain as the single largest shareholder of the Company and continue to have management control over the Company. In the case of any breach of the abovementioned covenant, the Lenders may, among others, cancel the facility granted to the Company under the Syndicated Facility Agreement or any part thereof and/or require immediate repayment of the Loan together with all other sums due under the Syndicated Facility Agreement. Details of the Syndicated Facility Agreement have been published in the Company's announcement dated October 26, 2015.

Capital commitments

Details of capital commitments are set out in Note 40 to the Financial Statements.

Foreign currency risk

The Group mainly operates in Mainland China and Hong Kong in RMB and HKD. As at March 31, 2016, the Group was mainly exposed to the foreign currency risk from RMB and USD. Details of the foreign currency risk related information was set out in Note 39(d) to the Financial Statements. We would continuously focus on the fluctuation of foreign currency exchange rate and use the instruments like foreign currency exchange future contracts at appropriate time to hedge such risk.

Use of Proceeds from Listing

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on September 27, 2013. Net proceeds from the global offering amounted to approximately HK$7,544.6 million (approximately RMB5,983.7 million).

As at March 31, 2016, such net proceeds have been applied in the same manner as disclosed in the prospectus of the Company dated September 13, 2013. Approximately 9% for leasing lands for feeds plantation, approximately 9% for constructing liquid milk production plant and purchasing relevant machinery and equipment, and approximately 3% for funding our working capital and other corporate purposes have already been fully used. RMB2,063.1 million was used in importing dairy cows and constructing cow farms, RMB119.4 million in constructing feeds processing plants, milk powder production plants and purchasing relevant machinery and equipment, and RMB796.1 million in marketing and expanding distribution network. The balances have been deposited with banks and licensed financial institutions in Hong Kong and Mainland China. Currently, the Company does not have any intention to change its plan for the use of proceeds as stated in the prospectus of the Company dated September 13, 2013.

HUMAN RESOURCES

We had approximately 12,136 employees in Mainland China and Hong Kong as at March 31, 2016 (March 31, 2015: 12,076 employees). During the Reporting Year, total staff costs, including the portion accounted for in the statement of profit or loss and capitalised to assets but excluding independent non-executive Directors' fees, were approximately RMB680.1 million (the corresponding period in 2015: RMB625.4 million).

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

Our remuneration policies aim to attract, retain and incentivize talents to ensure competency of our team in implementing our business strategies and to maximize value for our shareholders. We will regularly review our remuneration policies and employee benefits with reference to market practices and performance of individual employees. The Company has maintained a Share Option Scheme and a Share Award Scheme, details of which are set out in the sections headed "SHARE OPTION SCHEME" and "SHARES AWARD SCHEME" in the Director's Report.

Our fully vertically integrated production chain business model has been widely recognized by our industry and the society in recent years, while the importance of strategic development of talents has been lifted to a new level. During the course of accomplishing our grand mission and dreams, we became aware that attracting and developing like-minded management talents and professionals would contribute to the everlasting motivating force driving our Group's progress, and it would also be one of the core competitiveness supporting the expansion and enhancement of a modernized corporation. We recruit, develop and nurture talents through various talents development projects.

Nurturing leadership in our Group has been placed at our top priority. We offer a systematic platform for leadership enhancement to our middle to senior management through jointly carrying out the "Key talents" nurturing project with AMA and "Voyage to leadership" project with Schouten China ("Schouten"). These two leadership nurturing programs which integrate with the Company's strategy of developing talents and incorporate the advanced international concept of nurturing, initiate the leadership development efforts of the Company. The Company and Schouten entered into official strategic cooperation agreement at the business banquet during the visit of the King of the Netherlands to China, further implementing the strategy of talents nurturing of Huishan and establishing stable partnership of strategic cooperation.

Our excellent employer's image has gained us the prize of the Best Strategy of Recruitment and Retaining Talents of the Best Corporation Model of Human Resources 2015. In recognition of our human resources management model with Huishan characteristics such as brand building of employer in colleges, training and development of employees, we were honored the 100 Best Employers in China 2015.

CORPORATE SOCIAL RESPONSIBILITY

Social responsibility is the foundation of an evergreen development and the necessary social commitment for an enterprise with respect to resources, environmental protection and general public. Only when the enterprise can give back all the resources obtained from the society can it achieve long-term development. On one hand, with our ideology to "build the most trustworthy dairy brand in China", we attempt to resolve the core safety issue of dairy products from the origin and keep in mind our original intention to breed dairy cows well, produce milk of good quality, and take the lead in ensuring the quality of domestic milk sources. On the other hand, we organize charitable activities for years, pay attention to environmental protection, perform social responsibility with great efforts, understand our own and social responsibility more thoroughly and emphasize the materialization of community welfare, which gain awareness and reputation for our brand.

We never stop putting corporate social responsibility into practice. With benevolent and charitable work as essential components of corporate social responsibility, we provide special groups in society with all help we possibly can through practical actions. We provided numerous donations of milk, milk powder and cash to the elderly in rest homes, children in welfare institutes and poor primary school students. We also sent our products to sanitation workers and traffic police who work on the frontline in summer heat and inclement winter in order to express our solicitude.

Our aim is to be the practitioner of milk of conscience in China and make every single drop of milk safe and nutritious. We aim at being the founder of the safety of the fully vertically integrated value chain, forging quality raw milk project in China and providing consumers with high value-added products. Our goal is also to be the builder of a credible society and take care of mothers and children as well as the elderly. In December 2015, in recognition of our performance in corporate social responsibility, we were awarded with the "Excellent Enterprise Award" for the Eighth "Corporate Social Responsibility Ranking in China" by China Business News and became the only dairy enterprise which was awarded with this honor during the year.

OUTLOOK

The past year was a challenging year for the dairy industry in China with a glut of raw milk, consumer market demand changing and market competition intensifying. However, with the performance of China's economy to improve, there is still enormous room for improvement in the dairy consumer market in China. According to the report of Frost & Sullivan, total retail sales of the dairy market in China increased from RMB194.5 billion in 2010 to RMB360.1 billion in 2015. Penetration of dairy products will continue to rise with advancing urbanization and escalating residents' health awareness. More and more consumers consider milk as daily consumption products. Retail sales of liquid milk in China increased from RMB99.7 billion in 2010 to RMB174.5 billion in 2015. According to the forecast of Frost & Sullivan, the size of the retail market of liquid milk in China will further grow steadily and reach RMB294.0 billion in 2020. Nowadays, consumers constantly pursue higher living standard and their requirements for food safety and quality have become higher. Only high protein, nutritious and tasty dairy products could satisfy consumers demand. A major trend of consumption upgrade emerges in the liquid milk market as shown by the increasing proportion of high-end liquid milk year by year and it is estimated that the retail sales will increase to RMB112.9 billion by 2020. In the future, consumption proportion of high-end dairy products will keep on increasing and facilitate further development of dairy products in China.

We take the lead in forging the most fully vertically integrated value chain of the dairy industry in China and maximizing the synergistic effects of each stage, which brought about significant cost advantages and resource advantages. Facing constant decline of international prices of raw milk powder and changes of market consumption environment in China, it is necessary for us to actively cope with the changes of market environment, realize rapid transformation and upgrade besides achieving innovation in multiple areas to ensure that we stand out among competitors. We will continue to insist on integrated industry-consolidation development, exert local market advantages, adjust product structure according to circumstances and healthily develop towards high-quality, high-efficiency, strong comprehensive utilization of resources and ecologically sustainable development using a mechanism that virtuously integrates economic interest. In the spirit of artisans, we will focus on the aim and responsibility of providing consumers with safe and high quality dairy products and formulate and implement core development strategies with the operational ideology of integrated industry-consolidation:

INSIST ON "PLANTING-BREEDING COMBINATION", EXPAND THE CORE COMPETITIVE ADVANTAGE OF LOW COSTS AND HIGH QUALITY RAW MILK

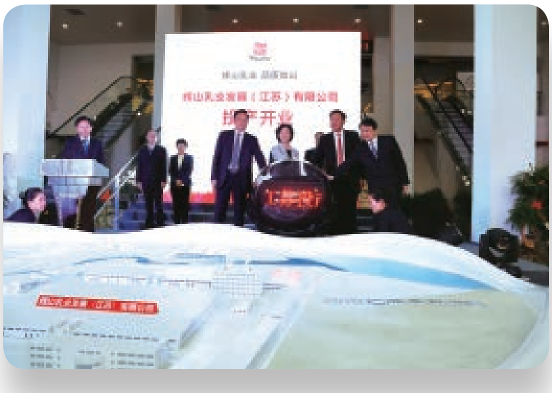
Recently, the Ministry of Agriculture of China revised the Identification of Reconstituted Milk in Pasteurized Milk and UHT Sterilized Milk (巴氏殺菌乳和UHT滅菌乳中復原乳的鑒定) and it has been implemented on April 1, 2016. The promulgation of the revised standard improved the identification standard of reconstituted milk in China and provided scientific basis for calling illegally adding reconstituted milk. Lately, China Dairy Farming Union (中國農墾乳業聯盟) considered and approved the Production and Quality Standards of Fresh Milk of China's Farms (中國農墾生鮮乳生產和品質標準) (hereafter the "New Standard") on the Joint Chairman Meeting. The New Standard is in line with international standards such as those adopted by Europe and the USA and is also the highest enterprise standard in China. Its aim is to guide dairy product production enterprises to use more raw milk as raw materials in order to raise consumers' confidence. The promulgation of the aforesaid policies fully illustrated that the dairy industry has started to develop from market-driven to milk source-driven. As milk source is the starting point of solving all problems, milk source advantages will become core competitiveness of dairy products in the future.

Imported whole milk powder and reconstituted milk are extensively used by dairy product processing enterprises. The root cause is long-term dependence on imported high protein feeds such as alfalfa, which resulted in higher raw milk production cost in China and uncompetitive raw milk price in the international market. The large scale dairy cow breeding pattern of "High input, high output" in China no longer adapted to the requirements of international competition. In 2016, the No. 1 document of the Central Government of the PRC emphasized on accelerating the development of feed farming and supporting the plantation of forage grass and feeds such as corn silage and alfalfa. This has fully demonstrated that only "planting-breeding combination" and "farming-breeding integration" are the most economic and sustainable development model for dairy cow breeding industry in China. While others in dairy industry thinking highly of short term interests to snatch market share, we focus on long term development, uphold the simple concept of "planting quality grass, breeding quality cows", pay attention to digging deep from source and are committed to exploration and implementation of contemporary farming techniques in upstream industry chain and promotion of industrial supply side reform through milk source upgrade. We will further expand land area for two-harvest cultivation, raise productivity of unit area through the way of double cropping, adjust and optimize feed formula for dairy cows with sufficient resources and lower production costs of raw milk without compromising the quality of milk source. Several key indicators of our raw milk are higher than the New Standard promulgated by China Dairy Farming Union. This implies that the raw milk produced by us does not only satisfy the demand of our self-operated processed dairy products but also provide consumers with more quality dairy products and is even expected to become an important raw material procurement source of other dairy product enterprises in China.

STRENGTHEN THE STRONG POSITION IN RESPECT OF LOW-TEMPERATURE PRODUCTS, DEVELOP NATIONAL MARKET WITH DIFFERENTIATION OF INNOVATIVE PRODUCTS

Development towards low-temperature products of the dairy products industry is one of the signs of modern development of a country's dairy industry and the best way to protect milk source in China is to develop low-temperature products. The government has formulated various food cold chain development policies and encouragement measures to support the development of pasteurized milk and low-temperature yogurt in China. At the same time, we raise public understanding and acceptance level towards pasteurized milk through multiple activities such as fresh milk festival. Consumption proportion of pasteurized milk among all liquid milk is anticipated to rise. Our absolute advantage in low-temperature products in the northeastern market is unshakeable. We will cater to consumers' healthy concepts such as safe milk source, freshness, additive-free and organic, focus on forging and promoting "Dr. Fresh" and "Jersey Farm" pasteurized dairy products by high quality raw milk which exceeds the European Union standard, intensively cultivate the market, enhance points-of-sale layout and continuously increase sales of pasteurized dairy products in order to consolidate the strong position in the low-temperature market and continually enhance product standard and profitability.

The economically developed eastern China market is one of the largest markets of dairy product consumption in China and its consumption proportion of high-end liquid milk is far higher than the average level in China. The construction of our dairy product processing factory in Yancheng, Jiangsu was completed in May 2016 which is the first time we successfully duplicated the fully vertically integrated value chain model of dairy industry in other place. Leveraging on the highest level of our milk source, we will start with low-temperature dairy products to demonstrate our advantage of milk source and establish the "Sources make a great difference" (源來大不同) brand image in the Eastern region. We will adopt a retailing system combining online and offline approaches to explore Jiangsu and Zhejiang markets first and gradually complete coverage over markets of other regions, such as Shanghai to satisfy the demand for quality pasteurized milk and other high-end dairy products in Eastern China.



A diversified profit structure of the liquid milk market is taking shape and generations born in the 1990s and the 2000s are gradually becoming major consumption groups. The demand for dairy products of these consumers has elevated from simple pursuit of safety and quality to requiring nutrition and character. We will forge the product connotation symbols of young, stylish and high-end by "Huayaozhenguoshu (花妖珍果蔬)", which is an ambient lactobacillus beverage combining the advantages of three products including "lactobacillus beverage, fruit and vegetable beverage and nutrient beverage", "Jinxiaoshun", a low temperature lactobacillus beverage which is produced by fermentation of 6 kinds of lactobacillus, and "Wolingka", a room temperature yoghurt product which is natural brown in color, to meet young people's palate and personality, lead innovation of the dairy products industry through cross-sector marketing model and powerful coverage of the national market.

IMF powder is our key product for building a national market presence. We will focus on the development of nutritious and special functional products and constantly enrich product categories to provide consumers with more options. We will draw support from the international cooperation platform with FrieslandCampina, leverage on high quality and safe milk source, adopt successful management experience, marketing experience and superior sales channels of FrieslandCampina in the IMF powder field to forge a domestic IMF brand with international quality for consumers in China.

COPE WITH CHANGES IN CONSUMPTION TREND, FORGE A NEW CROSS-SECTOR RETAILING SYSTEM OF THE "INTERNET+" ERA

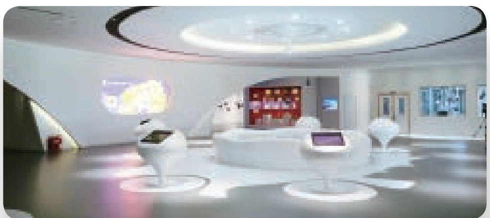
Under the background of Internet+, consumers do not only demand for quality products but also stress convenience and favorable purchasing experience. We will accelerate e-commerce development, carry out upgrade and improvement on product introduction, product purchase, payment method and product access, realize consumers' habit changes in purchasing dairy products from offline to online, achieve cooperation with major e-commerce platforms in China such as JD.com and Tmall through forging various liquid milk and milk powder products which are exclusively available on e-commerce platforms and allow consumers all over China to enjoy high quality Huishan dairy products leveraging its mature channels. We will put great efforts on building self-owned public Wechat platform and expand communication channels with consumers while providing online sales services in order to enhance brand influence.

Consumers decide the future of every enterprise. We view in consumers' perspectives and satisfy consumers' demand through constant innovation on products and channels. We will enhance multi-sectors cooperation with music, animated games, well-known websites and third party e-commerce platforms by "Huayaozhenguoshu", a characterized lactobacillus beverage product, and adopt the new "Internet+" marketing system, establish various marketing combination strategies including "brand cross-sectors upgrade", "product combination with milk source advantages", "deep alliance with distributors", "consumers education on freshness" and "all channels and multi-dimensions construction" in order to lead the development of the dairy industry by cross-sectors and innovative marketing model.

ENHANCE BRAND COMMUNICATION, ADVANCE "PARTNERSHIP MECHANISM" OF DISTRIBUTORS

In 2015, "Caravan" activity accumulated our brand awareness and consumers' understanding towards the "value of source". We will input more resources in brand promotion and dissemination, continue the journey of brand communication with "Drinking milk, grateful for its source; sources make a great difference" as our core, carry out ground breaking brand communication by our differentiation on industrial integration, product differentiation and strength of resources difference. Other initiatives include shaping our milk source value through online communication and on-site interaction, allowing consumers to understand our high quality milk source advantages through lively creation with self-operated fully vertically integrated value chain as offline experience, carrying out accurate cross-sectors communication using several exclusively-available products under "Drinking milk, grateful for its source" category and jointly promoting with the channels. We will build on perseverance and persistence of Huishan people and constantly demonstrate the brand's stylish and high-end temperament and Huishan's "value of source".

We will base on the changing trend of industry structure under the new norms, start from self-advantages and long-term development strategic plan of the enterprise and create innovative cooperation methods with distributors. We will establish the "partnership mechanism" of "create platforms, build alliance, share together" basing on the sales model, allowing distributors to operate their own specialties as the market owners and encourage the distributors to optimize self-control and promote their initiatives in expanding the market. We will prove the foresight of our operational strategies and development concepts again by successfully launching and implementing the "partnership mechanism".



EXECUTIVE DIRECTORS

Mr. YANG Kai (楊凱), aged 58, was appointed as Director on May 23, 2011 and re-designated as executive Director on September 5, 2013, and he is the Chairman of the Board and the Chief Executive Officer, who is principally responsible for the overall strategic planning and business development of our Group. In November 2002, Mr. Yang established Shenyang Longdi Foods Co., Ltd.* (瀋陽隆迪食品有限公司), the name of which was changed to Liaoning Huishan Dairy on September 14, 2012, and he was a chairman and president of Shenyang Longdi Foods Co., Ltd. between 2002 and 2006. Mr. Yang has 20 years of experience in the food and dairy industry. He worked as a vice chairman, director and general manager of Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司) (formerly known as Shenyang Zhongcheng Food Supplies and Products Limited* (瀋陽中成糧食製品有限公司)) between July 1992 and November 2002. Between June 2002 and January 2009, Mr. Yang served as a director and general manager of Shenyang Dairy. From January 2009 to February 2011, Mr. Yang served as the president of Liaoning Holdings. Mr. Yang received several awards and honorary titles since 1998, including the Certificate of the 6th session Outstanding Leading Cadre of Shenyang (第六屆瀋陽市優秀領導幹部證書), 2010 Headquarters Economy Sun Prize — Person of the Year Prize (2010年總部經濟太陽獎 — 年度人物獎), 2009 Top Ten People of Economy of Liaoning Province (2009年度遼寧十大經濟人物), the 1st session Outstanding Entrepreneur of Shenyang (瀋陽市第一屆傑出企業家), the 2nd session Pioneering Entrepreneur of Liaoning Province (遼寧省第二屆創業企業家), the National Advanced Worker in Quality Management of Township Enterprise (全國鄉鎮企業質量管理先進工作者), Model Worker of Shenyang (瀋陽市勞動模範), etc. Mr. Yang also held important positions in various organizations during such period, including vice chairman of the fifth session of China Dairy Industry Association (中國乳製品工業協會), vice chairman of Northeast Asia Economy and Culture Promotion Committee of Liaoning (遼寧東北亞經濟文化促進會), member of the Chinese National Committee of IDF (International Dairy Federation) (IDF中國國家委員會), executive member of the third session of executive committee of Shenyang People's Association for Friendship with Foreign Countries (瀋陽市人民對外友好協會), representative of the 14th and 15th session of People's Congress of Shenyang (瀋陽市第十四屆及第十五屆人民代表大會), member of the Economy Committee and Technology Committee of the 12th Committee of Shenyang's Political Consultative Conference (政協瀋陽市第十二屆委員會經濟委及科技委), etc. Mr. Yang was awarded the qualification of the Chinese Senior Management of Chinese-foreign Equity Joint Ventures and Chinese-Foreign Contractual Joint Ventures (中外合資合作企業中方高級管理人員業務) from Shenyang Economy and Trading Committee (瀋陽市經濟貿易委員會) in March 2000, and served as a member of the 2nd session of Court of Shandong University and visiting professor of Shenyang University respectively in 2010. Mr. Yang is a director of Champ Harvest Limited.

Ms. GE Kun (葛坤), aged 41, was appointed as Director on June 28, 2011 and re-designated as executive Director on September 5, 2013. Ms. Ge joined our Group in February 2011 as a vice president and was promoted to senior vice president in December 2012, and she is principally responsible for the Group's sales and branding, human resources and government affairs. Ms. Ge has over 15 years of experience in the food and dairy industry. She joined Liaoning Holdings as vice president in January 2009. Prior to 2009, Ms. Ge served as the secretary to general manager, deputy general manager and general manager in Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司) between November 1996 and October 2002. In November 2002, Ms. Ge joined Shenyang Longdi Foods Co., Ltd.* (瀋陽隆迪食品有限公司) as general manager and also served as a director. Ms. Ge was recognized as Pioneer Individual of Spark Scheme of Liaoning Province (遼寧省星火計劃先進個人) in 2003. In April 2012, Ms. Ge was awarded the honorary title of Model Worker of Shenyang (瀋陽市勞動模範). In January 2013, Ms. Ge was a representative of the 3rd session of People's Congress of Shenbei New District, Shenyang (瀋陽市瀋北新區第三屆人民代表大會). Ms. Ge obtained a diploma of practical secretary in foreign affairs from Shenyang Television and Broadcasting University in July 1996 and a graduate certificate of self-study examination of Chinese language and literature from Liaoning University in December 1997. Ms. Ge is a director of Champ Harvest Limited.

Mr. SO Wing Hoi (蘇永海), aged 47, was appointed as Director and chief financial officer on July 12, 2012 and re-designated as executive Director on September 5, 2013, who is principally responsible for the financial reporting, investment and financing, and internal control of the Group. Mr. So has approximately 20 years of experience in accounting and finance. He joined our Group in July 2012 and served as director of several subsidiaries of our Group. Mr. So joined KPMG, one of the four largest international accounting firms, in August 1993, and he worked in its Hong Kong, Beijing and Shenyang offices during his time at KPMG. He was a senior partner of Shenyang office, KPMG (China) since November 2007, until his early retirement in June 2012. Mr. So became a member of Association of Chartered Certified Accountants (ACCA) and Hong Kong Institute of Certified Public Accountants in November 1996 and January 1997 respectively, and became a fellow member of Association of Chartered Certified Accountants (ACCA) in November 2001. Mr. So was employed as foreign economic and trade consultant by Shenyang Foreign Economic Co-operation Advisory Committee between April 2008 and April 2010, and he was a member of Shenyang Political Consultative Conference from December 2007 to December 2012. Mr. So obtained a bachelor of accounting degree from City University of Hong Kong in November 1993.

Mr. XU Guangyi (徐廣義), aged 39, was appointed as Director on June 28, 2011 and re-designated as executive Director on September 5, 2013. Mr. Xu joined our Group in February 2011 as a vice president and was promoted to senior vice president in December 2012, who is principally responsible for the dairy farming business, feeds plantation, feeds processing and project and infrastructure management of our Group. Mr. Xu has approximately 15 years of experience in the food and dairy industry. He joined Liaoning Holdings in January 2009 as vice president. Prior to that, Mr. Xu served as the chief quality officer and vice general manager of Shenyang Dairy from April 2003 to January 2009. He also served as head of quality control department and assistant to vice general manager of Shenyang Longdi High-Tech Foodstuff Production Co., Ltd.* (瀋陽隆迪高科技糧食製品股份有限公司) between October 1998 and October 2002, and served as inspector of Liaoning Huishan Dairy for six months since November 2002. Mr. Xu also held prominent positions in various organizations, including vice chairman of Liaoning Dairy Association (遼寧省奶業協會), vice chairman of the 8th executive committee of Animal Infectious Diseases Branch of Liaoning Livestock veterinary Society (遼寧省畜牧獸醫學會畜禽傳染病學分會) and chairman of Dairy Products Branch of Shenyang Agricultural Industry Leading Enterprises Association (瀋陽市農業產業化龍頭企業協會乳品分會). Mr. Xu also received various awards including 2nd Prize for Science and Technology in Liaoning Province (遼寧省科學技術獎勵二等獎), 2nd Prize for Excellent New Product in Liaoning Province (遼寧省優秀新產品獎勵二等獎) and "Technology Tackling Prize" of Tacking the Important Technology Difficulties Activity in Shenyang (瀋陽市重大技術難題攻關活動「技術攻關優勝獎」). Mr. Xu was a representative of the 16th and 17th session of People's Congress of Faku county, Shenyang city, Liaoning Province. Mr. Xu graduated from Nantong Medical College (南通醫學院) in July 1998 and obtained diploma of health inspection, and he obtained a master's degree in business administration from Liaoning University in December 2011.

Mr. KWOK Hok Yin (郭學研), aged 50, was appointed as executive Director on September 5, 2013. Mr. Kwok joined our Group in January 2013 as a vice president, principally responsible for the dairy ingredient business of our Group. Mr. Kwok has over 20 years of experience in the dairy product business and marketing of Chinese dairy products, and over 17 years of experience in multinational corporate management. Prior to joining the Group, Mr. Kwok held various positions at the Fonterra Co-operative Group between 1990 and 2011, including sales manager of Eastern China and Northern China, country marketing manager and general manager of PRC, general manager of business development department and board representative of Fonterra invested joint ventures in China, Shijiazhuang San Lu Group Co. Ltd., and Fonterra (Ing) Ltd — Taiwan Branch. Between May 2011 and December 2012, Mr. Kwok served as chief business development officer of Asia-Pacific and vice president of Greater China Region at Barry Callebaut AG. Mr. Kwok obtained a diploma in economics with honours from Hong Kong Baptist College in December 1988, and a bachelor's degree of business administration in applied economics with honours in December 1992. Mr. Kwok completed the course of accountancy training at Nanyang Technological University in May 1995 and attended the industry marketing strategy programme in INSEAD business school in October 2002. He obtained the master's degree in international marketing from the University of Strathclyde, Scotland, in July 2000.

NON-EXECUTIVE DIRECTORS

Mr. LI Kar Cheung (李家祥), aged 57, was appointed as Director on November 22, 2012 and re-designated as non-executive Director on September 5, 2013. Mr. Li has been appointed as Director of the Company since November 22, 2012. From October 2004 to date, Mr. Li has been a group director of Jebsen & Co., Ltd. and the managing director of Jebsen & Co (China) Ltd., principally responsible for overseeing the Consumer Products Business Unit and Jebsen's strategic development of the Greater China market. He had been employed by Jardine Matheson & Co. Ltd. from May 1985 to October 2004, and his last position was Group Director of Jardine OneSolution. From 1995 to date, Mr. Li has held significant positions in various organisations, including Hong Kong special member at the Research Institute of Culture and History of the People's Government of Guangdong Province (廣東省人民政府文史研究館香港特聘館員), vice president of China Foreign Trade Council (中國對外貿易理事會), consultant of the 6th Committee of the Overseas Chinese Federation in Hunan Province (湖南省僑聯第六屆委員會), director of the 4th session of the board of the Guangzhou Association of Enterprises with Foreign Investment (廣州外商投資企業協會第四屆理事會), director of the board of the Jebsen Education Fund of Nankai University ("南開大學捷成教育基金"理事會), special advisor appointed for Hong Kong at the Advisory Office of the People's Government of Guangdong Province (廣東省人民政府參事室香港特聘參事), member of the 10th session of Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政協會議第十屆廣東省委員會) and member of the 9th session of the Zhaoqing City Standing Committee of the Chinese People's Political Consultative Conference* (中國人民政協會議肇慶市第九屆委員會). Mr. Li obtained his Bachelor of Arts degree from the University of Hong Kong in November 1982 and his Master of Business Administration degree from the Chinese University of Hong Kong in October 1990.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kan Yu Leung Peter (簡裕良), aged 49, was appointed as independent non-executive Director on August 28, 2015 and graduated from the University of Birmingham in the UK in 1988 with a degree of Bachelor of Commerce (Accounting). Mr. Kan served in KPMG for approximately 26 years, where he provided professional services to clients in various sectors. Mr. Kan joined KPMG Birmingham in the UK in 1988 and was transferred to KPMG Hong Kong in 1992. He became a partner of KPMG Hong Kong in 2001. He was an audit partner in the Beijing office of KPMG China prior to his retirement in June 2014. He has extensive experience in providing audit service for PRC and overseas companies, including the initial public offerings of large state-owned and privately owned enterprises overseas. Mr. Kan is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. SONG Kungang (宋昆岡), aged 67, was appointed as independent non-executive Director on September 5, 2013. Mr. Song worked in the dairy industry for nearly 30 years and has extensive experience in drafting and formulating plans, projects, policies and regulations, standards and direction of the development of PRC dairy industry. Between August 1982 and October 1998, Mr. Song was a senior engineer of the former Food Industry Bureau of State Light Industry Ministry (國家輕工業部食品工業局), the former PRC Light Industry Association (中國輕工總會) and Food and Paper Manufacturing Department of State Light Industry Bureau (國家輕工業局食品造紙部), where he was mainly involved in production planning of the dairy products industry at the central government level. Since June 1995, he served as chairman of executive committee of China Dairy Industry Association (中國乳製品工業協會) from the first session to the fourth session consecutively, honorary chairman of the fifth session of executive committee, and vice president and president of the Chinese National Committee of International Dairy Federation (IDF). Since August 2011, Mr. Song has been serving as independent non-executive director of Henan Kedi Milk Industry Co., Ltd.* (河南科迪乳業股份有限公司). Mr. Song was awarded the qualification of senior engineer from PRC Light Industry Association (中國輕工總會) in December 1993. He obtained a degree in livestock and agronomy from Beijing Agricultural University (now known as China Agricultural University) in July 1982.

Mr. GU Ruixia (顧瑞霞), aged 53, was appointed as independent non-executive Director on September 5, 2013. Mr. Gu has been engaged in the dairy products business for approximately 20 years, where he has extensive experience. He served as head of factory of Jiangnong Biology Products Factory of Yangzhou University (揚州大學江儂生物製品廠) since October 1994, and head of factory of Medicines and Health Products Factory of Yangzhou University (揚州大學醫藥保健品廠) between September 1995 and September 1996. Mr. Gu served as director of Dairy Products Research Institute of Yangzhou University (揚州大學乳品研究所) since September 2001. Since August 2003, Mr. Gu served as deputy director, professor and PhD supervisor of School of Food Science and Engineering of Yangzhou University (揚州大學食品科學與工程學院), director of Yangzhou Modern Dairy Processing Service Centre of Jiangsu (江蘇揚州現代乳業加工服務中心) and director of Jiangsu Province Dairy Products Biology Technology and Safety Control Key Laboratory (江蘇省乳品生物技術與安全控制重點實驗室). Mr. Gu obtained a bachelor's degree from the Jiangsu Agricultural School (江蘇農學院) in June 1987, and doctorate degree of science in food science from Northeast Agricultural University in January 2001.

Mr. TSUI Kei Pang (徐奇鵬), aged 55, was appointed as independent non-executive Director on September 5, 2013. Mr. Tsui is currently a partner of Messrs. Gallant Y.T. Ho & Co. and specializes in China business practices. Mr. Tsui has been an independent non-executive director of CIMC Enric Holdings Limited (stock code: 3899), a company listed on the Hong Kong Stock Exchange, since November 2009. He is also the vice chairman of the Greater China Legal Affairs Committee of The Law Society of Hong Kong, an honorary legal adviser of The Hong Kong Real Property Federation Limited and a member of China Committee of Hong Kong General Chamber of Commerce. He is a solicitor of Hong Kong, a solicitor of England and Wales (non-practising), a China Appointed Attesting Officer and a Civil Celebrant of Marriages. Mr. Tsui obtained a bachelor degree in law (Honours) and a master degree in law from The University of Hong Kong in December 1990 and December 1997 respectively.

SENIOR MANAGEMENT

Mr. YIN Dongli (尹東利), aged 40, joined our Group in February 2011 as vice president, mainly responsible for marketing of liquid milk business of the Group. Mr. Yin has approximately 15 years of experience in management. He joined Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司) in July 1997 where he remained until November 2002, and held various positions as workshop foreman, head of production department and deputy general manager of purchases and sales from November 2002 to November 2006 in Shenyang Longdi Foods Co., Ltd.* (瀋陽隆迪食品有限公司). Mr. Yin served as general manger of the marketing centre of Shenyang Dairy from December 2006 to January 2009, and served as vice president of Liaoning Holdings from January 2009 to February 2011, responsible for the sales of liquid milk and milk powder, research and development of liquid milk products as well as logistics management. Mr. Yin has previously supported various dairy projects for their award nominations. From 2007 to date, he received a number of awards, including the Second Prize for Excellent New Products in Liaoning Province (遼寧省優秀新產品獎二等獎), the Third Prize of the Shenyang Village Technology Promotion Awards (瀋陽市農村科技推廣獎三等獎) and another Third Prize of the Shenyang Village Technology Promotion Awards (瀋陽市農村科技推廣獎三等獎). Mr. Yin has obtained the bachelor degree of business administration at the university level of professional studies at the Online Education Institute of Renmin University of China* (中國人民大學網絡教育學院專科起點本科層次工商管理本科課程) in September 2014.

Mr. WANG Jinpeng (王金鵬), aged 40, joined our Group in February 2011 as vice president, mainly responsible for the operation of the Group's liquid milk and milk powder production. Prior to joining our Group, Mr. Wang served as a vice president at Liaoning Holdings, mainly responsible for liquid milk production from January 2009 to February 2011. Mr. Wang also served as workshop foreman, head of factory and deputy general manager at Shenyang Dairy from August 1999 to December 2008. The products of probiotic yogurt and milk drinks of tropical juice series researched and developed by Mr. Wang had won the Third Prize of the Shenyang Rural Area Technology Promotion Awards (瀋陽市農村科技推廣獎三等獎), Gold Prize of the Shenyang Excellent New Product Awards (瀋陽市優秀新產品金獎) and Third Prize of the Shenyang Technology Breakthrough Activities Awards (瀋陽市技術攻關活動三等獎) from 2005 to 2007, and the products of the active colostrum milk series researched and developed by him also won the Gold Prize of Shenyang Excellent New Product Awards (瀋陽市優秀新產品金獎) and the Third Prize of Liaoning Province Excellent New Product Awards (遼寧省優秀新產品三等獎) in 2007. Mr. Wang was awarded the honorary title of "Innovator of Professional Skills in Shenyang" (瀋陽市職工技術創新能手稱號) and the Meritorious Service Medals for the Young in Shenyang (瀋陽市五四榮譽獎章) in 2009 and 2010 respectively. Mr. Wang obtained the bachelor's degree in computer and applications from the Liaoning Shihua University (遼寧石油化工大學) in July 1999.

Ms. WANG Xinyu (王欣宇), aged 42, joined our Group in February 2011 as vice president, mainly responsible for the Group's information technology, media relations, brand management and marketing of the milk powder business. Ms. Wang has over 10 years of experience in the food and dairy industry. Ms. Wang worked in Dalian Jialing Logistics Co., Ltd* (大連佳菱物流有限公司) from May 1999 to May 2001, and served as head of sales department of Shenyang L&D Cereals & Foods Co., Ltd* (瀋陽隆迪糧食製品有限公司) from June 2001 to July 2002. From August 2002 to January 2009, Ms. Wang served as deputy general manager of Shenyang Dairy, mainly responsible for sales. She worked in Liaoning Holdings from January 2009 to February 2011, mainly responsible for branding, public relations, legal affairs and information technology. Her article "The road to the birth of a cup of quality milk" was published in the May 2010 issue of the "Food Industry Management and Computerisation" magazine. Ms. Wang obtained a bachelor's degree in economics from the Dongbei University of Finance and Economics (東北財經大學) in July 1997.

Mr. CHOU, Michael (周曉思), aged 34, was appointed as the Company Secretary of the Company on June 1, 2013. Mr. Chou joined KPMG in Melbourne Australia in February 2005, and worked in the corporate finance department of KPMG Australia providing consultancy services on mergers and acquisitions matters. Subsequently, he was deployed to the corporate finance department of KPMG China from October 2008 to November 2011. Mr. Chou obtained the qualifications of Institute of Chartered Accountants Australia in April 2008. In December 2004, Mr. Chou obtained a bachelor's degree with honours in commerce from the University of Melbourne. Since December 2011, Mr. Chou has served as the Group's Head of Corporate Finance.

The Company is committed to achieving sound corporate governance, in order to protect shareholders' interests and enhance investors' confidence, thus paving the way for the Company's development. Save as set out below, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Reporting Year. Pursuant to Code Provision A.2.1, the roles of the Board's chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Yang Kai is the chairman of the Board and the Chief Executive Officer and he is principally responsible for the overall strategic planning and business development of the Company. The Board considers such arrangement beneficial to the Company as the Board believes that Mr. Yang Kai, who has extensive experience in the industry, can provide the Company with strong and consistent leadership and vision and also allows for effective and efficient planning and implementation of business decisions and strategies. He can also ensure efficient and timely exchange of information between the Board and management. In addition, the Board is of the view that the balanced composition of executive and non-executive Directors (including the independent non-executive Directors) on the Board and the various committees of the Board (primarily comprising independent non-executive Directors) in overseeing different aspects of the Company's affairs would provide adequate safeguards to ensure a balance of power and authority. The Company will continue to commit itself to enhancing its corporate governance standard, promoting sustainable development of the Company and adding value.

BOARD OF DIRECTORS AND MANAGEMENT

The Board is responsible and has general power for the management and conduct of the Group's business. The Board consists of ten Directors, comprising five executive Directors, namely Mr. Yang Kai (being the chairman of the Board and Chief Executive Officer of the Company), Ms. Ge Kun, Mr. So Wing Hoi, Mr. Xu Guangyi and Mr. Kwok Hok Yin, one non-executive Directors, namely Mr. Li Kar Cheung, and four independent non-executive Directors, namely Mr. Kan Yu Leung Peter, Mr. Song Kungang, Mr. Gu Ruixia and Mr. Tsui Kei Pang. Mr. Yang Kai and Ms. Ge Kun are parties acting in concert. Further details of such relationship are set out in the notes to the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Directors' Report. Biographical details of the Directors are set out in the "Directors and Senior Management" section on pages 40 to 44.

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

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

- reviewing the Company's compliance with the Corporate Governance Code under the Listing Rules of the Stock Exchange and disclosure as set out in the corporate governance reports included in annual reports of the Company; and

- reviewing and monitoring the Company's policies and practices regarding compliance with laws and regulations.

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

BOARD MEETINGS

The Board meets regularly. During the Reporting Year, five Board meetings were held at approximately quarterly intervals.

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

- to consider and approve acquisition and merger proposals;

- to consider and approve proposals to optimize liquidity of the Group;

- to consider and approve guarantees in connection with bank borrowings;

- to consider and approve capital expenditures;

- to consider and approve internal control policies;

- to consider and approve the announcement of financial results; and

- to consider and approve other disclosures specifically required by or matters as specifically mentioned under the Listing Rules.

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor of the Company, to approve the remuneration and terms of engagement of the external auditor, and any matters in connection with the resignation or dismissal of the auditor; to discuss with the external auditor on the nature and scope of the audit work prior to the commencement of the audit work;
- to discuss with the auditors on the nature and scope of the audit and reporting obligations prior to the commencement of the audit work;
- to review the Group's financial and accounting policies and practices;
- to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- to monitor the integrity of the financial statements of the Company and the Company's annual reports and accounts and half-year reports and consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts;
- to monitor the financial reporting system, risk management and internal control of the Company and to review the financial controls, internal control and risk management systems of the Company;
- to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to have effective internal control systems; and
- to review the arrangements for employees to raise concerns about improprieties in financial reporting, internal control and other respects.

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

- reviewing the annual results for the financial year ended March 31, 2015;
- reviewing the interim results for the six months ended September 30, 2015;
- confirming the related disclosures in the financial reports were complete, accurate and fair and recommending the same to the Board for approval;

- approving the auditor's fees for review of interim financial report for the six months ended September 30, 2015;
- approving the PRC statutory auditor's fee for domestic companies for the accounting year ended December 31, 2015;
- approving auditor's fee for the Hong Kong listed company for the financial year ended March 31, 2016;
- recommending on the re-appointment of the auditor; and
- reviewing the relevant procedures of financial control, internal control, risk management and the effectiveness of internal audit function of the Company.

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

Nomination Committee

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

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

During the Reporting Year, the nomination committee held two meetings and matters deliberated thereat included the following:

- reviewing the structure, size, composition and diversity (including gender, age, cultural and education background, ethnicity, skills, knowledge and experience) of the Board and agreed that such measurable goals may facilitate diversity of Board members and thus improve corporate strategies and business development of the Group;
- assessing and confirming the independence of independent non-executive Directors;
- supervising the company secretary on his arrangement and record of continuous training for Directors; and
- to make recommendation to the Board on employing Mr. Kan Yu Leung Peter and appointing Mr. Kan Yu Leung Peter as an independent non-executive Director of the Company.

Appointment of Directors

Each Director of the Company (including executive Directors, non-executive Directors and independent non-executive Directors) has entered into a service contract with the Company for a term of three years commencing from the Listing Date, being September 27, 2013 (except Mr. Kan Yu Leung Peter, whose service contract with the Company is for a term of three years commencing from his appointment date, being August 28, 2015) and is subject to retirement by rotation but is eligible for re-election at the annual general meeting in accordance with the articles of association of the Company. None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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

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

Training and Development of Directors

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

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

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

Remuneration Committee

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

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

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

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

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

Directors and Senior Management emoluments

For the year ended March 31, 2016, the emoluments of the employees who are members of the senior management were within the following bands:

	Year ended March 31, 2016
HK$3,000,001 — HK$3,500,000	4

Pursuant to Appendix 16 of the Listing Rules, the emoluments of the employees who are Directors and who are amongst the five highest paid individuals are set out in Notes 10 and 11 to the Financial Statements.

Food Quality and Safety Advisory Committee

The food quality and safety advisory committee consists of five executive Directors, being Mr. Yang Kai, Mr. So Wing Hoi, Ms. Ge Kun, Mr. Xu Guangyi and Mr. Kwok Hok Yin, and four independent non-executive Directors, being Mr. Kan Yu Leung Peter, Mr. Gu Ruixia, Mr. Song Kungang and Mr. Tsui Kei Pang. The chairman of the food quality and safety advisory committee is Mr. Yang Kai. The primary duties of the food quality and safety advisory committee include, but are not limited to, the followings:

- to establish a comprehensive and effective quality control system; to review and assess the overall hygienic condition of the Group's food products at least twice a year or as and when required;
- to monitor the internal safety measures of the Group towards food production, storage and transportation and to check whether such measures are appropriately in place and compliant with regulations;
- to check whether our products have achieved all quality inspection standards and/or quality system certification; and
- to report any food safety hazard to the Board once identified and to explore any solution to it so as to address such potential safety issue, and to supervise the effective implementation of such solution throughout production, storage and transportation.

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

ATTENDANCE RECORDS OF ANNUAL GENERAL MEETING ("AGM"), EXTRAORDINARY GENERAL MEETING ("EGM"), BOARD MEETINGS AND BOARD COMMITTEE MEETINGS HELD DURING THE REPORTING YEAR

Details of the Directors' attendance at the annual general meeting, extraordinary general meeting, Board meetings and Board committee meetings held during the Reporting Year are set out in the following table.

	Number of Meetings Attended/Number of Meetings Held						
Directors	**AGM**	**EGM**	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**Food Quality and Safety Advisory Committee Meeting**
Mr. Yang Kai	1/1	1/1	5/5	—	2/2	—	2/2
Ms. Ge Kun	1/1	1/1	4/5	—	2/2	1/1	2/2
Mr. So Wing Hoi	1/1	1/1	5/5	—	2/2	1/1	2/2
Mr. Xu Guangyi	1/1	1/1	5/5	—	—	—	2/2
Mr. Kwok Hok Yin	1/1	1/1	5/5	—	—	—	2/2
Mr. Li Kar Cheung	1/1	1/1	3/5	—	—	—	—
Mr. Kan Yu Leung Peter [1]	N/A	N/A	2/2	1/1	—	—	1/1
Mr. Song Kungang	1/1	1/1	3/5	2/2	2/2	—	2/2
Mr. Gu Ruixia	1/1	1/1	4/5	—	1/2	1/1	2/2
Mr. Tsui Kei Pang	1/1	1/1	4/5	2/2	1/2	1/1	2/2

Note (1): Mr. Kan Yu Leung Peter was appointed on August 28, 2015, and his attendance in AGM, EGM, board meeting and board committee meetings was recorded since the date of his appointment.

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

INDEPENDENCE

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

INSURANCE ON DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for liability insurance cover to indemnify the Board, Directors and certain members of the senior management of the Company against liability for compensation arising from their corporate activities. Purchase of liability insurance can enhance the Company's ability to reduce exposure to risks. The insurance coverage is reviewed by the Company on an annual basis.

FINANCIAL REPORTING

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

The Board and the audit committee have reviewed the resources for financial reporting function to ensure the adequacy of resources, qualifications and experience of staff for the Group's accounting and financial reporting function, their training programmes and related budget.

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

AUDITORS AND THEIR REMUNERATIONS

During the Reporting Year, the fees paid and payable to the Company's auditor, KPMG, for audit services were approximately RMB6,800,000.

INTERNAL CONTROL

The company has an internal audit function. During the Reporting Year, the Board has conducted an annual review of the effectiveness of the risk management and the internal control system of the Group. The review has covered the financial, operational and compliance controls and risk management aspects of the Group for the Reporting Year.

The Board considered the risk management and the internal control systems of the Company effective and adequate.

COMPANY SECRETARY

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

The Board is of the view that Mr. Michael Chou, the company secretary appointed by the Board and also an employee of the Company, is qualified and has appropriate experience to discharge his duties as the company secretary. During the Reporting Year, Mr. Michael Chou has received not less than 15 hours of relevant professional training. During the Reporting Year, the Company has provided Mr. Michael Chou with sufficient resources to receive not less than 15 hours of relevant professional training as required by Rule 3.29 of the Listing Rules.

SHAREHOLDERS' COMMUNICATION POLICY AND RIGHTS

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

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

Convening of Extraordinary General Meetings on Requisition of Shareholders

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

The written requisition (i) must state the purpose(s) of the meeting, and (ii) must be signed by the requisitionist(s) and deposited at the principal office of the Company in Hong Kong (Unit 01, 19th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong), for the attention of the company secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified by the Company's share registrar and upon its confirmation that the written requisition is proper and in order, the company secretary will make arrangements in accordance with the relevant laws and regulations for the Board to convene an extraordinary general meeting by serving sufficient notice to all Shareholders.

Procedures of Making Enquiry to the Board

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

The Board undertakes that it listens to and takes note of Shareholders' opinion, and Shareholders are welcome to raise questions or concerns as to the management and governance of the Group. They may at any time send their questions or concerns to the company secretary by post at Unit 01, 19th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong, which will be forwarded to the Board.

Constitutional Documents of the Company

There has been no material change to the constitutional documents of the Company during the Reporting Year.

Director's Report

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

PRINCIPAL ACTIVITIES

The Group principally operates three business segments: (i) dairy farming business, under which we produced and sold raw milk; (ii) liquid milk business, under which we produced and sold liquid milk products; and (iii) milk powder business, under which we produced and sold infant milk formula ("IMF") products, adult milk powder products and dairy ingredient products. Details of principal activities of the major subsidiaries of the Company are set out in Note 19 to the Financial Statements.

RESULTS OF THE GROUP

The Group's results for the Reporting Year and the financial position of the Group as at March 31, 2016 are set out in the Financial Statements on pages 73 to 171.

DIVIDEND

The Board recommended a final dividend of RMB1.25 cents per share for the Reporting Year. The total dividend amounted to approximately RMB168.4 million.

BUSINESS REVIEW

A review of the business of the Group during the Reporting Year, a discussion on the Group's future business development and possible risks and uncertainties that the Group may be facing, and an analysis of the Group's performance using financial key performance indicators are provided in the Chairman's Statement on pages 4 to 7, the Management Discussion and Analysis on pages 8 to 39 of the annual report and in Notes 18(a) and 39 to the Financial Statements. These discussions form part of this report.

Other than financial performance, the Group believes that a high standard of corporate social responsibility is essential for building up a good corporate and social relationship and motivating staff and creating a sustainable return to the Group. We are committed to contributing to the sustainability of the environment and community in which we conduct business and where our stakeholders live.

ENVIRONMENTAL PROTECTION

The Group strictly endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental technologies to ensure our products meet the required standards and ethics in respect of environment protection.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The management of the Group is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five reporting years, as extracted from the audited financial statements and restated as appropriate, is set out on page 172 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Reporting Year are set out in Note 37 to the Financial Statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended March 31, 2016, the Company repurchased a total of 847,526,000 ordinary shares of the Company at an aggregate consideration of HK$2,007,506,680 (excluding expenses) on the Stock Exchange. Details of the repurchase of such ordinary shares are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate consideration of repurchase (excluding expenses)
		Highest	Lowest	
		(HK$)	(HK$)	(HK$)
July 2015	341,441,000	2.35	1.55	716,765,040
August 2015	387,358,000	2.66	2.31	959,446,400
September 2015	91,382,000	2.88	2.39	252,503,790
October 2015	27,345,000	2.92	2.80	78,791,450
Total	847,526,000			2,007,506,680

All the above 847,526,000 repurchased ordinary shares were cancelled during the Reporting Year. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from Shareholders, with a view to benefiting Shareholders as a whole as it would enhance the net asset value per share. As at March 31, 2016, the total number of issued shares of the Company was 13,474,957,000.

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

RESERVES

Details of the movements in the reserves of the Company and the Group during the Reporting Year are set out in Note 37 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at March 31, 2016, the Company's reserves available for distribution to Shareholders, comprising retained profits, if any, and share premium, amounted to approximately RMB6,659.2 million (March 31, 2015: RMB8,490.5 million). The share premium of the Company may be distributed in the form of fully paid bonus shares.

PROPERTY, PLANT AND EQUIPMENT

Details of the changes in the property, plant and equipment of the Group during the Reporting Year are set out in Note 15 to the Financial Statements.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and interest in associates, the Group did not hold any significant investment in equity interests in any other company during the Reporting Year.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Year, the largest customer and supplier of the Group accounted for 13.4% and 8.6% of the Group's total revenue and total purchases, respectively, and the five largest customers and five largest suppliers of the Group accounted for 30.1% and 26.9% of the Group's total revenue and total purchases, respectively.

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

DIRECTORS

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

Executive Directors

Mr. YANG Kai *(Chairman of the Board and the Chief Executive Officer)*
Ms. GE Kun
Mr. SO Wing Hoi
Mr. XU Guangyi
Mr. KWOK Hok Yin
Mr. Mark Anthony WILSON (resigned on August 28, 2015)

Non-executive Directors

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

Independent non-executive Directors

Mr. SIU Wai Keung (resigned on August 28, 2015)
Mr. KAN Yu Leung Peter (appointed on August 28, 2015)
Mr. SONG Kungang
Mr. GU Ruixia
Mr. TSUI Kei Pang

Pursuant to article 104(1) of the articles of association of the Company, Mr. SONG Kungang, Mr. TSUI Kei Pang and Mr. GU Ruixia are subject to the rotation and retirement requirements in the annual general meeting and being eligible, will offer themselves for re-election as Directors.

Pursuant to article 99(3) of the articles of association of the Company, the term of office of Mr. KAN Yu Leung Peter, who is proposed and eligible for re-election, will expire at the forthcoming annual general meeting, and he will offer himself for re-election as Director.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as set out in the section headed "CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS":

(a) none of the Directors or their connected persons had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group during the Reporting Year or at the end of the Reporting Year;

(b) no contract of significance had been entered into between the Company, or any of its subsidiaries, and the controlling shareholders of the Company or any of its subsidiaries as of March 31, 2016.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN SECURITIES

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

EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "SHARE OPTION SCHEME", no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

As set out in Article 179 of the Articles of Association of the Company, a permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout the year.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") at an extraordinary general meeting held on September 5, 2013. The Share Option Scheme is valid and effective for a period of 10 years commencing on the Listing Date of the Company, i.e. September 27, 2013. The purpose of the Share Option Scheme is to incentivize and reward the Participant (as defined below) for their contribution to our Company and the subsidiaries and associated companies of our Company and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to the Directors and employees, who the Board considers, in its sole discretion, has contributed or will contribute to our Company or any subsidiaries or associated companies of our Company (collectively, the "Participant").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any options granted under any other share option schemes of our Company is 1,440,778,800 ordinary shares, representing approximately 10.69% of the number of issued Shares of the Company as at the date of this annual report. Pursuant to the Share Option Scheme, no options shall be granted to any Participant which, if exercised, would result in such Participant becoming entitled to subscribe for such number of Shares under the share options granted or to be granted as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer, exceeds 1% of the shares of the Company (the "Share(s)") in issue at such date. Any further grant of options in excess of this 1% limit shall be subject to the approval of our shareholders in general meeting with such Participant and his core associates and (if the Participant is a connected person) associates (as defined in the Listing Rules) abstaining from voting.

An offer of options shall be open for acceptance for such period (not exceeding 14 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Participant concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a partial payment of the exercise price. From the adoption of the Share Option Scheme up to and including March 31, 2016, the Company has received HK$6,458,730 in total under the Share Option Scheme. Any option which remains unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed 10 years from the offer date of the option. An option shall be subject to such terms and conditions (if any) as may be determined by the Board at the date of offer and specified in the offer of the option. Notwithstanding the above, there is no minimum period for which any option must be held before it can be exercised and no performance target which needs to be achieved by an option holder before the option can be exercised.

The exercise price in respect of any option shall be such price as determined by the Board and notified to an option holder and which shall not be less than the highest of:

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

- the average closing price of the Shares of the Company on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and

- the nominal value of the Shares of the Company.

Summary of the Share Options granted by the Company, a part of which was still outstanding as of March 31, 2016, is as follows:

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

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

Name or Category of Participant	Number of Share Options					Date of grant of Share Options	Exercise period of Share Options (both dates inclusive)	Exercise price of Share Option (HK$)
	As at April 1, 2015	Exercised during the period	Granted during the period	Lapsed/ Cancelled during the period	As at March 31, 2016			
So Wing Hoi	101,250,000	Nil	Nil	Nil	101,250,000	September 27, 2013	September 27, 2013 to September 26, 2019	2.67
Xu Guangyi	101,250,000	Nil	Nil	Nil	101,250,000	September 27, 2013	September 27, 2013 to September 26, 2019	2.67
Kwok Hok Yin	33,750,000	Nil	Nil	Nil	33,750,000	September 27, 2013	September 27, 2013 to September 26, 2019	2.67
Mark Anthony Wilson (resigned as the Director of the Company on August 28, 2015)	33,750,000	Nil	Nil	33,750,000 (cancelled)	Nil	October 8, 2014	October 8, 2017 to October 8, 2020	1.72
Other Employees	442,147,500	2,419,000	Nil	2,137,500 (cancelled)	437,591,000	September 27, 2013	September 27, 2013 to September 26, 2019	2.67
Total	712,147,500	2,419,000	Ni	35,887,500	673,841,000			

No Participant of the Share Option Scheme was granted options in excess of the individual limit stated above during the year ended March 31, 2016. Save as disclosed above, no option was granted, exercised, lapsed or cancelled during the year ended March 31, 2016.

SHARE AWARD SCHEME

A share award scheme ("Share Award Scheme") was approved by shareholders of the Company at the EGM convened on August 28, 2015 for the purpose of recognising and motivating the contribution of Eligible Participants (as defined in the EGM circular dated August 13, 2015) and to provide incentives or awards for their commitment and/or contribution to the Group and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. Pursuant to the Share Award Scheme, the Company commissioned Core Pacific-Yamaichi International (H.K.) Nominees Limited, which is an independent third party, as the trustee (the "Trustee") to purchase shares of the Company from the secondary market in accordance with the terms and conditions of the Share Award Scheme and the trust deed signed by the Company and the Trustee ("Trust Deed") as shares to be awarded. The Share Award Scheme is subject to the administration by the Board and the Trustee pursuant to the Share Award Scheme and the Trust Deed. The Trustee will hold the trust fund in accordance with the terms of the Trust Deed. The total number of shares to be awarded under the Share Award Scheme is not expected to exceed 3% of the total issued shares of the Company as at the date of the EGM (as at August 28, 2015, the number of total issued shares of the Company was 13,963,034,000 shares).

Details of the Share Award Scheme are set out in the Proposal for Adoption of Share Award Scheme and the Notice of EGM dated August 13, 2015.

No shares of the Company was awarded to any of the Eligible Participants pursuant to the Share Award Scheme from the date of its adoption up to March 31, 2016.

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

As at March 31, 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

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

(i) In our Company

Name of Director	Nature of Interest	Total number of Shares/Underlying Shares	Approximate percentage in the issued share capital of the Company as of March 31, 2016
Mr. Yang Kai(1)(2)(3)	Interest in controlled corporation	9,809,192,316 (L)	72.80%
	Beneficial owner	124,093,000 (L)	0.92%
	Concert Party	2,000,000 (L)	0.01%
Ms. Ge Kun(4)	Beneficial owner	2,000,000 (L)	0.01%
	Concert Party	9,933,285,316 (L)	73.72%
Mr. So Wing Hoi(5)	Beneficial owner	101,250,000 (L)	0.75%
	Beneficial owner	3,000,000 (L)	0.02%
Mr. Xu Guangyi(5)	Beneficial owner	101,250,000 (L)	0.75%
Mr. Kwok Hok Yin(5)	Beneficial owner	33,750,000 (L)	0.25%

(ii) In associated corporation

Name of Director	Name of associated corporation	Total number of shares	Percentage in the associated corporation's issued share capital
Mr. Yang Kai[(6)]	Champ Harvest Limited ("Champ Harvest")	10,000 (L)	100%
Ms. Ge Kun[(6)]	Champ Harvest	10,000 (L)	100%

Notes:

(1) As at March 31, 2016, Champ Harvest directly held 9,809,192,316 Shares. Mr. Yang Kai directly held 70% of the total issued share capital of Champ Harvest, and indirectly held 20% of the total issued share capital of Champ Harvest through King Pavilion Limited, a company wholly-owned by Mr. Yang Kai. In light of the above, Mr. Yang Kai is deemed to be interested in the 9,809,192,316 Shares held by Champ Harvest, which is a substantial shareholder of our Company.

(2) As at March 31, 2016, Mr. Yang Kai is directly interested in 124,093,000 Shares.

(3) As at March 31, 2016, Ms. Ge Kun directly held 2,000,000 Shares and indirectly held 10% of the total issued share capital of Champ Harvest through Gain Excellence Limited, a company wholly-owned by Ms. Ge Kun. Ms. Ge Kun held the economic interest in such shares in Champ Harvest on behalf of Mr. Yang Kai. Ms. Ge Kun was the concert party of Mr. Yang Kai. Mr. Yang Kai is deemed to be interested in 2,000,000 Shares held by Ms. Ge Kun.

(4) As at March 31, 2016, Ms. Ge Kun indirectly held 10% of the total issued share capital of Champ Harvest through Gain Excellence Limited, a company wholly-owned by Ms. Ge Kun. Ms. Ge Kun held the economic interest in such shares in Champ Harvest on behalf of Mr. Yang Kai. Ms. Ge Kun, being the concert party of Mr. Yang Kai, is deemed to be interested in 9,933,285,316 Shares held by Mr. Yang Kai. At the same time, Ms. Ge Kun directly held 2,000,000 Shares.

(5) Mr. So Wing Hoi, Mr. Xu Guangyi and Mr. Kwok Hok Yin were granted 101,250,000 Share Options, 101,250,000 Share Options and 33,750,000 Share Options respectively, on September 27, 2013. Upon full exercise of the above Share Options, Mr. So Wing Hoi, Mr. Xu Guangyi and Mr. Kwok Hok Yin will acquire 101,250,000 Shares, 101,250,000 Shares and 33,750,000 Shares respectively. As at March 31, 2016, Mr. So Wing Hoi also directly held 3,000,000 Shares.

(6) As at March 31, 2016, Mr. Yang Kai directly held 7,000 shares in Champ Harvest, being 70% of its total issued share capital, and indirectly held 2,000 shares in Champ Harvest, being 20% of its total issued share capital, through King Pavilion Limited, a company wholly-owned by him. Ms. Ge Kun indirectly held 1,000 shares in Champ Harvest and the economic interest thereof on behalf of Mr. Yang Kai, being 10% of its total issued share capital. Mr. Yang Kai and Ms. Ge Kun, being the concert parties, are deemed to have joint interests in 10,000 shares of Champ Harvest.

Save as disclosed above, as at March 31, 2016, none of the Directors and chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at March 31, 2016, the interests or short positions of persons (other than the Directors and chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO were as follows:

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

Name of Substantial Shareholders	Nature of Interest	Total Number of Shares	Approximate percentage in the issued share capital of the Company as at March 31, 2016
Champ Harvest[1]	Beneficial owner	9,809,192,316 (L)	72.80%
Ping An Insurance (Group) Company of China, Ltd.	Interest in controlled corporation	4,642,000,000 (L)	34.45%
Ping An Bank Co., Ltd.	Person having a security interest in shares	4,642,000,000 (L)	34.45%

Note:

(1) As at March 31, 2016, Champ Harvest directly held 9,809,192,316 Shares. Mr. Yang Kai directly held 70% of the total issued share capital of Champ Harvest and indirectly held 20% of the total issued share capital of Champ Harvest through King Pavilion Limited, a company wholly-owned by Mr. Yang Kai. Ms. Ge Kun indirectly held 1,000 shares of Champ Harvest and the economic interest thereof on behalf of Mr. Yang Kai, being 10% of the total issued share capital of Champ Harvest. Mr. Yang Kai and Ms. Ge Kun, being concert parties, are deemed to have joint interests in 10,000 shares of Champ Harvest.

Save as disclosed above, as at March 31, 2016, the Company had not been notified by any other persons (other than Directors and chief executive of the Company) who had interests or short positions in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of significant related party transactions of the Group (including those constitute connected transactions and continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) are set out in Note 41 to the Financial Statements. Matters required to be disclosed pursuant to the requirements under Chapter 14A of the Listing Rules are set out as follows:

Connected Transactions

As at September 29, 2015, Mr. Yang Kai, the controlling shareholder of the Company and Director, and his son, Mr. Yang Jianing directly owned Shenyang Zhaoji Investment and Management Co., Ltd. as to 62% and 38%. Shenyang Zhaoji Investment and Management Co., Ltd. was principally engaged in holding equity interests in businesses engaged in environmentally-clean and renewable energy generating activities. On September 29, 2015, Liaoning Huishan Dairy Group Co., Ltd., an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement with Mr. Yang Kai and Mr. Yang Jianning, as vendors, in relation to the sale and purchase of the entire equity interest in Shenyang Zhaoji Investment and Management Co., Ltd. for a total cash consideration of RMB83,200,000, as the Board decided to extend the scope of the Group's business to include such renewable energy assets. The transaction under the sale and purchase agreement constituted a connected transaction under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

(1) Continuing Connected Transaction with Shenyang Dairy Co., Ltd.

As at March 31, 2016, Mr. Yang Kai and Ms. Ge Kun, the controlling shareholders of the Company and Directors, indirectly owned the entire interest of Shenyang Dairy Co., Ltd. ("Shenyang Dairy"). Therefore, Shenyang Dairy is an associate of Mr. Yang Kai and Ms. Ge Kun and a connected person of the Company under the Listing Rules. Shenyang Dairy, as landlord, entered into the following dairy farm leases (as amended) (the "Dairy Farm Leases with Shenyang Dairy") and the production and operating properties leases (the "Properties Leases with Shenyang Dairy") respectively with certain subsidiaries of our Company, as tenants, whereby Shenyang Dairy agreed to lease to the Group the dairy farms, premises, machinery and facilities used for dairy livestock farming as well as its properties which were used for liquid milk processing. The above leasing arrangements under the Dairy Farm Leases with Shenyang Dairy and Properties Leases with Shenyang Dairy constituted continuing connected transactions under Chapter 14A of the Listing Rules.

In relation to the dairy farm leases entered into by Liaoning Huishan Group Taiping Farming Co., Ltd. ("Taiping Farming"), Liaoning Huishan Group Yushu Farming Co., Ltd. ("Yushu Farming"), Liaoning Huishan Group Pengjia Farming Co., Ltd. ("Pengjia Farming") and Liaoning Shiling Farming Co., Ltd. ("Liaoning Shiling Farming"), the parties thereto have amended the term of the leases on September 5, 2013 for a term of three years commencing from April 1, 2013 and ending on March 31, 2016. Pursuant to the Dairy Farm Leases with Shenyang Dairy, the tenants have options (i) to renew the terms of the Dairy Farm Leases with Shenyang Dairy every three years with the following rents and similar terms and (ii) to terminate the Dairy Farm Leases with Shenyang Dairy if required under regulatory requirements. Other major terms of the Dairy Farm Leases with Shenyang Dairy are listed below:

	Date of the Agreements	Lessee	Location	Area (Mu)	Payment term	Annual rent (RMB)
(i)	November 1, 2010, as amended on September 5, 2013	Taiping Farming	Xinmin City, Liaoning Province	242	monthly in advance	840,000
(ii)	November 1, 2010, as amended on September 5, 2013	Taiping Farming	Xinmin City, Liaoning Province	290	monthly in advance	840,000
(iii)	November 1, 2010, as amended on September 5, 2013 [(1)]	Taiping Farming	Sujiatun District, Shenyang City, Liaoning Province	188.5	monthly in advance	360,000
(iv)	November 1, 2010, as amended on September 5, 2013	Yushu Farming	Sujiatun District, Shenyang City, Liaoning Province	208	monthly in advance	420,000
(v)	November 1, 2010, as amended on September 5, 2013	Pengjia Farming	Zhangwu County, Fuxin City, Liaoning Province	630	monthly in advance	1,680,000
(vi)	November 1, 2010, as amended on September 5, 2013	Pengjia Farming	Zhangwu County, Fuxin City, Liaoning Province	405	monthly in advance	840,000
(vii)	November 1, 2010, as amended on September 5, 2013	Pengjia Farming	Zhangwu County, Fuxin City, Liaoning Province	340	monthly in advance	840,000
(viii)	November 1, 2010, as amended on September 5, 2013	Pengjia Farming	Zhangwu County, Fuxin City, Liaoning Province	340	monthly in advance	840,000
(ix)	January 1, 2013, as amended on September 5, 2013	Liaoning Shiling Farming	Xinchengzi District, Shenyang City, Liaoning Province	152.4	monthly in advance	840,000
					Total:	7,500,000

Note:

(1) During the Reporting Year, Taiping Farming did not renew the Guanghui dairy farm of Shenyang Dairy with a size of 188.5 mu located in Sujiatun District, Shenyang City. The relevant original lease agreement has expired upon the end of its term.

The aggregate annual rent under the Dairy Farm Leases with Shenyang Dairy is RMB7,500,000. The proposed annual caps for leasing arrangements under the Dairy Farm Leases with Shenyang Dairy for each of the years ending March 31, 2014, 2015 and 2016 are RMB7,500,000, RMB7,500,000 and RMB7,500,000, respectively. For each of the years ended March 31, 2014, 2015 and 2016, the total annual rent for leasing the above farmlands by the Group amounted to RMB7,500,000, RMB7,500,000 and RMB7,140,000, respectively.

In relation to Properties Leases with Shenyang Dairy, the parties entered into the lease agreement on March 27, 2015. According to the lease agreement, Liaoning Huishan Dairy Group (Shenyang) Co., Ltd. would lease the production and operational properties of Shenyang Dairy situated at Shenbei New District, Shenyang City with gross floor area of approximately 113,303 square meters. The term of the lease agreement is for a period of three years commencing from April 1, 2015 to March 31, 2018 (both dates inclusive). Subject to compliance with the Listing Rules, the parties may renew such term upon expiry by entering into a new lease agreement. The rental under the lease agreement is RMB33,600,000 per year, payable quarterly by Liaoning Huishan Dairy Group (Shenyang) Co., Ltd. to Shenyang Dairy. The proposed annual cap for the lease arrangements contemplated under the Properties Leases with Shenyang Dairy for each of the year ending March 31, 2016, 2017 and 2018 is RMB33,600,000, RMB33,600,000 and RMB33,600,000, respectively. For the year ended March 31, 2016, the aggregate amount of annual rent paid by the Group for the above-mentioned production and operational properties was RMB33,600,000.

(2) Continuing Connected Transaction with Liaoning Ainyveal Co., Ltd.

As of March 31, 2016, Liaoning Ainyveal Co., Ltd. ("Liaoning Ainyveal") is indirectly owned as to 66.7% by Mr. Yang Kai, the controlling shareholder and executive director of the Company, and his spouse. Therefore, Liaoning Ainyveal is an associate of Mr. Yang Kai and a connected person of the Company under the Listing Rules. Liaoning Ainyveal (as purchaser) and Liaoning Huishan Dairy Group Co., Ltd., a wholly-owned subsidiary of the Company (as vendor) have entered into the Saleable Cattle Purchase Agreement ("Cattle Agreement") and the Feeds Purchase Agreement ("Feeds Agreement"), respectively.

On September 25, 2015, both parties entered into the agreement, pursuant to which Liaoning Huishan Dairy Group Co., Ltd. and/or its several wholly-owned subsidiaries will sell certain saleable cattle to Liaonin Ainyveal and/or its wholly-owned subsidiaries from September 25, 2015 to March 31, 2017 (both dates inclusive). Subject to compliance with the Listing Rules, both parties may, by giving the other party a written notice one month before the expiry of this agreement, extend the term of the agreement for two years. The price for dairy cows will be RMB16 per kilogram and the unit price for bull calves will be RMB1,300 per bull calf. Once the purchase orders are agreed between the parties, the purchaser shall pay 30% of total consideration to the account of the vendor as a prepayment. The purchaser shall pay 65% of total consideration within three working days from the date on which the Saleable Cattle passes the quarantine inspection. The purchaser shall pay the remaining 5% to the account of the vendor as a quality guarantee fee within seven working days from the first anniversary of passing the quarantine inspection. The proposed annual caps for the arrangements contemplated under the Cattle Agreement for each of the years ending March 31, 2016 and 2017 are RMB170,000,000 and RMB196,000,000, respectively. For the year ended March 31, 2016, the total annual sales of the above mentioned cattle of the Group were RMB107,909,671.

On November 30, 2015, both parties entered into the agreement, pursuant to which Liaoning Huishan Dairy Group Co., Ltd. and/or its subsidiaries will sell feeds (primarily comprising corn silage and highly hydrated corn on cob) to Liaoning Ainyveal and/or its subsidiaries from November 30, 2015 to March 31, 2018 (both dates inclusive). Subject to compliance with the Listing Rules, both parties may, by giving the other party a written notice one month before the expiry of this agreement, extend the term of the agreement for three years. The selling price of corn silage is RMB540 per tonne and the selling price of highly hydrated corn on cob is RMB1,815 per tonne under the agreement. After inspection and acceptance by the purchaser of the feeds in each transaction, the vendor shall issue the invoice to the purchaser as soon as possible (within three working days), and the purchaser shall make payment within 30 days after the receipt of such invoice. The proposed annual caps for the arrangements contemplated under the Feeds Agreement for each of the years ending March 31, 2016, 2017 and 2018 are RMB60,000,000, RMB50,000,000 and RMB40,000,000, respectively. For the year ended March 31, 2016, the total annual sales of the above mentioned feeds were RMB49,844,624.

The Company confirmed that it has complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions (including continuing connected transactions) conducted by the Group during the Reporting Year.

The independent non-executive Directors of the Company have reviewed the connected transactions and continuing connected transactions set out herein, and have confirmed that, during the year ended March 31, 2016:

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

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

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

Our Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Our Company's auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 66 to 69 of the annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

POST BALANCE SHEET EVENTS

Details of post balance sheet events of the Group are set out in Note 43 to the Financial Statements.

DONATIONS

During the Reporting Year, the Group made charitable and other donations amounted to RMB500,000.

SUFFICIENCY OF PUBLIC FLOAT

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

ON BEHALF OF THE BOARD

Yang Kai
Chairman

Hong Kong, June 29, 2016

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

We have audited the consolidated financial statements of China Huishan Dairy Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 73 to 171, which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2016 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

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

June 29, 2016

Consolidated Statement of Profit or Loss

For the year ended March 31, 2016
(Expressed in Renminbi)

	Note	Year ended March 31, 2016 Results before biological fair value adjustments RMB'000	Year ended March 31, 2016 Biological fair value adjustments RMB'000	Year ended March 31, 2016 Total RMB'000	Year ended March 31, 2015 Results before Biological fair value adjustments RMB'000 (Restated)	Year ended March 31, 2015 Biological fair value adjustments RMB'000 (Restated)	Year ended March 31, 2015 Total RMB'000 (Restated)
Revenue	4, 5	**4,526,533**	**—**	**4,526,533**	3,923,384	—	3,923,384
Cost of sales	5, 7(a)	**(1,993,689)**	**(1,592,692)**	**(3,586,381)**	(1,662,739)	(1,371,693)	(3,034,432)
Gross profit		**2,532,844**	**(1,592,692)**	**940,152**	2,260,645	(1,371,693)	888,952
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	7(b)	**—**	**1,861,107**	**1,861,107**	—	1,789,708	1,789,708
Loss arising from changes in fair value less costs to sell of biological assets	7(c)	**—**	**(431,184)**	**(431,184)**	—	(448,628)	(448,628)
Net gain on disposal of subsidiaries	8	**59,214**	**—**	**59,214**	—	—	—
Other income	6	**123,122**	**—**	**123,122**	34,130	—	34,130
Distribution costs		**(696,881)**	**—**	**(696,881)**	(595,037)	—	(595,037)
Administrative expenses		**(434,917)**	**—**	**(434,917)**	(418,420)	—	(418,420)
Profit from operations		**1,583,382**	**(162,769)**	**1,420,613**	1,281,318	(30,613)	1,250,705
Finance income		**52,407**	**—**	**52,407**	101,131	—	101,131
Finance costs		**(734,218)**	**—**	**(734,218)**	(424,005)	—	(424,005)
Net finance costs	7(d)	**(681,811)**	**—**	**(681,811)**	(322,874)	—	(322,874)
Share of losses of associates	20	**(45,235)**	**—**	**(45,235)**	—	—	—
Profit before taxation	5, 7	**856,336**	**(162,769)**	**693,567**	958,444	(30,613)	927,831
Income tax	9(a)	**(33,978)**	**—**	**(33,978)**	(60,122)	—	(60,122)
Profit for the year		**822,358**	**(162,769)**	**659,589**	898,322	(30,613)	867,709
Attributable to:							
Equity shareholders of the Company				**661,875**			868,856
Non-controlling interests				**(2,286)**			(1,147)
Profit for the year				**659,589**			867,709
Earnings per share							
— Basic and diluted (RMB)	14			**0.05**			0.06

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year ended March 31, 2016 are disclosed in Note 37(b).

The notes on pages 81 to 171 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended March 31, 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000 (Restated)
		Years ended March 31,	
Profit for the year		**659,589**	867,709
Other comprehensive income for the year (after tax)			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation to presentation currency	13	**46,280**	(34,113)
— Exchange reserve reclassified to profit or loss on disposal of subsidiaries	13	**(11,334)**	—
Total comprehensive income for the year		**694,535**	833,596
Attributable to:			
Equity shareholders of the Company		**696,836**	834,743
Non-controlling interests		**(2,301)**	(1,147)
Total comprehensive income for the year		**694,535**	833,596

The notes on pages 81 to 171 form part of these financial statements.

Consolidated Statement of Financial Position

At March 31, 2016
(Expressed in Renminbi)

	Note	At March 31, 2016 RMB'000	2015 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	15	**7,813,238**	6,452,106
Prepayments for acquisition of property, plant and equipment		**806,127**	1,052,566
Lease prepayments	17	**4,017,062**	3,840,509
Biological assets	18	**6,007,333**	5,353,494
Prepayments for acquisition of biological assets		**—**	5,943
Interest in associates	20	**654,104**	—
Deferred tax assets	36(b)	**39,364**	17,110
Other non-current assets	21	**81,015**	5,858
		19,418,243	16,727,586
Current assets			
Inventories	22	**1,992,670**	1,582,346
Trade receivables	23	**248,946**	270,933
Amounts due from the controlling shareholder	24	**4,046**	—
Deposits, prepayments and other receivables	25	**3,799,233**	1,021,974
Term deposits	26	**1,873,378**	527,050
Cash and cash equivalents	27	**2,185,253**	2,613,628
Assets held for sale	8	**—**	1,805,121
		10,103,526	7,821,052
Current liabilities			
Trade and bills payables	28	**2,488,208**	1,400,617
Receipts in advance	29	**493,837**	41,133
Amounts due to the controlling shareholder	30	**—**	4,000
Accrued expenses and other payables	31	**879,882**	575,793
Bank loans	32	**6,947,481**	2,887,199
Other borrowings	33	**183,784**	—
Income tax payable	36(a)	**23,675**	10,963
Liabilities held for sale	8	**—**	401,216
		11,016,867	5,320,921
Net current (liabilities)/assets		**(913,341)**	2,500,131
Total assets less current liabilities		**18,504,902**	19,227,717

The notes on pages 81 to 171 form part of these financial statements.

	Note	2016 RMB'000	2015 RMB'000 (Restated)
		At March 31,	
Non-current liabilities			
Bank loans	32	**5,372,021**	5,199,808
Other borrowings	33	**357,198**	—
Deferred income	34	**340,443**	257,247
		6,069,662	5,457,055
NET ASSETS		**12,435,240**	13,770,662
CAPITAL AND RESERVES			
Share capital	37	**1,062,466**	1,135,678
Reserves	37	**11,376,200**	12,636,109
Total equity attributable to equity shareholders of the Company		**12,438,666**	13,771,787
Non-controlling interests		**(3,426)**	(1,125)
TOTAL EQUITY		**12,435,240**	13,770,662

Approved and authorised for issue by the board of directors on June 29, 2016.

Yang Kai
Director

Ge Kun
Director

The notes on pages 81 to 171 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended March 31, 2016
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 Note 37(c)	Share premium RMB'000 Note 37(d)(1)	Capital redemption reserve RMB'000 Note 37(c)	Other reserves RMB'000 Note 37(d)(2)	PRC statutory reserves RMB'000 Note 37(d)(3)	Exchange reserve RMB'000 Note 37(d)(4)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at March 31, 2014 (as previously reported)	1,142,619	8,913,219	—	193,793	132,232	44,031	2,769,300	13,195,194	—	13,195,194
Effect of the change in accounting policy (Note 2(d))	—	—	—	—	—	—	(795)	(795)	—	(795)
Effect of the business combination under common control (Note 38)	—	—	—	100,000	—	—	(5,365)	94,635	—	94,635
Restated balance at April 1, 2014	1,142,619	8,913,219	—	293,793	132,232	44,031	2,763,140	13,289,034	—	13,289,034
Changes in equity for 2015:										
Profit for the year (restated)	—	—	—	—	—	—	868,856	868,856	(1,147)	867,709
Other comprehensive income (Note 13)	—	—	—	—	—	(34,113)	—	(34,113)	—	(34,113)
Total comprehensive income (restated)	—	—	—	—	—	(34,113)	868,856	834,743	(1,147)	833,596
Appropriation to reserves	—	—	—	—	110,525	—	(110,525)	—	—	—
Purchase of own shares										
— par value paid	(6,941)	—	—	—	—	—	—	(6,941)	—	(6,941)
— premium paid	—	(104,600)	—	—	—	—	—	(104,600)	—	(104,600)
— transfer between reserves	—	(6,941)	6,941	—	—	—	—	—	—	—
Equity-settled share-based transactions										
— share option scheme (Note 35(a))	—	—	—	70,759	—	—	—	70,759	—	70,759
Forfeiture of share options	—	—	—	(118)	—	—	118	—	—	—
Capital injection by a non-controlling shareholder	—	—	—	—	—	—	—	—	22	22
Dividends approved and paid in respect of the previous year (Note 37(b))	—	(311,208)	—	—	—	—	—	(311,208)	—	(311,208)
Transactions with equity holders of the Group	(6,941)	(422,749)	6,941	70,641	110,525	—	(110,407)	(351,990)	22	(351,968)
Restated balance at March 31, 2015	1,135,678	8,490,470	6,941	364,434	242,757	9,918	3,521,589	13,771,787	(1,125)	13,770,662

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 Note 37(c)	Share premium RMB'000 Note 37(d)(1)	Capital redemption reserve RMB'000 Note 37(c)	Other reserves RMB'000 Note 37(d)(2)	PRC statutory reserves RMB'000 Note 37(d)(3)	Exchange reserve RMB'000 Note 37(d)(4)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Restated balance at April 1, 2015	1,135,678	8,490,470	6,941	364,434	242,757	9,918	3,521,589	13,771,787	(1,125)	13,770,662
Changes in equity for 2016:										
Profit for the year	—	—	—	—	—	—	661,875	661,875	(2,286)	659,589
Other comprehensive income (Note 13)	—	—	—	—	—	34,961	—	34,961	(15)	34,946
Total comprehensive income	—	—	—	—	—	34,961	661,875	696,836	(2,301)	694,535
Appropriation to reserves	—	—	—	—	74,179	—	(74,179)	—	—	—
Issuance of shares under a share option scheme (Note 37(c)(i))	199	6,031	—	(908)	—	—	—	5,322	—	5,322
Purchase of own shares (Note 37(c)(ii))										
— par value paid	(68,293)	—	—	—	—	—	—	(68,293)	—	(68,293)
— premium paid	—	(1,561,029)	—	—	—	—	—	(1,561,029)	—	(1,561,029)
— transfer between reserves	—	(68,293)	68,293	—	—	—	—	—	—	—
Equity-settled share-based transactions										
— share option scheme (Note 35(a))	—	—	—	32,840	—	—	—	32,840	—	32,840
— share award scheme (Note 35(b))	(5,118)	—	5,118	—	—	—	(147,651)	(147,651)	—	(147,651)
Forfeiture of share options	—	—	—	(565)	—	—	565	—	—	—
Business combination under common control (Note 38)	—	—	—	(105,393)	—	—	22,193	(83,200)	—	(83,200)
Dividends approved and paid in respect of the previous year (Note 37(b))	—	(207,946)	—	—	—	—	—	(207,946)	—	(207,946)
Transactions with equity holders of the Group	(73,212)	(1,831,237)	73,411	(74,026)	74,179	—	(199,072)	(2,029,957)	—	(2,029,957)
Balance at March 31, 2016	1,062,466	6,659,233	80,352	290,408	316,936	44,879	3,984,392	12,438,666	(3,426)	12,435,240

The notes on pages 81 to 171 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended March 31, 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000 (Restated)
		Years ended March 31,	
Operating activities			
Profit for the year		**659,589**	867,709
Adjustments for:			
Write-down of inventories	7(a),(b)	**117,975**	—
Depreciation and amortisation	7(f)	**220,095**	225,881
Loss arising from changes in fair value less costs to sell of biological assets	7(c)	**431,184**	448,628
Share of losses of associates		**45,235**	—
Interest income	7(d)	**(52,407)**	(101,131)
Interest expenses	7(d)	**504,730**	414,620
Net foreign exchange loss/(gain)	7(d)	**191,962**	(1,083)
Government grants recognised and amortised in profit or loss		**(14,266)**	(17,253)
Equity-settled share option expenses	7(e)	**32,840**	70,759
Investment income on wealth management products purchased from banks	6	**(10,680)**	(16,243)
Net loss/(gain) on disposal of non-current assets	6	**376**	(3)
Gain on disposal of subsidiaries	8	**(59,214)**	—
Income tax expense	9(a)	**33,978**	60,122
Changes in working capital:			
Increase in inventories		**(248,267)**	(524,265)
Decrease/(increase) in trade receivables		**21,987**	(54,951)
(Increase)/decrease in deposits, prepayments and other receivables		**(1,351,984)**	9,001
Increase in trade and bills payables		**1,087,591**	705,709
Increase in receipts in advance		**381,426**	16,255
Increase in accrued expenses and other payables		**131,565**	46,287
Cash generated from operating activities		**2,123,715**	2,150,042
Income tax paid	36(a)	**(46,218)**	(63,485)
Net cash generated from operating activities		**2,077,497**	2,086,557

The notes on pages 81 to 171 form part of these financial statements.

	Note	Years ended March 31, 2016 RMB'000	2015 RMB'000 (Restated)
Investing activities			
Payments for purchase of property, plant and equipment		**(1,179,074)**	(2,709,705)
Lease prepayments		**(518,222)**	(1,219,877)
Payments for purchase of biological assets		**—**	(378,944)
Payments for breeding calves and heifers (breeding costs of calves and heifers capitalised other than depreciation and amortisation)		**(1,216,526)**	(1,211,219)
Payments for purchase of wealth management products from banks		**(854,150)**	(50,000)
Cash placed with banks as term deposits with initial terms of over three months		**(1,978,489)**	(587,128)
Proceeds from disposal of property, plant and equipment		**1,107**	1,868
Proceeds from disposal of biological assets		**318,226**	158,010
Proceeds from disposal of subsidiaries	8	**658,414**	—
Interest received		**52,727**	117,356
Cash received from government grants		**146,162**	64,412
Amounts received from banks for wealth management products purchased		**—**	351,500
Income received from wealth management products		**10,680**	17,666
Cash received from maturity of term deposits with initial terms of over three months		**632,161**	360,078
Advances granted to associates		**(125,000)**	—
Net cash used in investing activities		**(4,051,984)**	(5,085,983)

The notes on pages 81 to 171 form part of these financial statements.

	Note	2016 RMB'000	2015 RMB'000 (Restated)
		Years ended March 31,	
Financing activities			
Proceeds from new bank loans		**8,443,587**	5,528,592
Proceeds from new other borrowings		**531,000**	—
Proceeds from shares issued under a share option scheme		**5,322**	—
Repayments of bank loans		**(4,326,632)**	(3,612,676)
Interest paid of bank loans		**(512,202)**	(490,414)
Payments for initial public offering expenses		**—**	(12,349)
Cash paid for business combination under common control	38	**(83,200)**	—
Net increase in deposits with banks to secure bills payables, letters of credit and letters of guarantee		**(487,782)**	(432,361)
Dividends paid to equity shareholders of the Company	37(b)	**(207,946)**	(311,208)
Payments for purchase of own shares	37(c)(ii)	**(1,629,322)**	(111,541)
Payments for purchase of own shares under share award scheme	37(c)(iii)	**(147,651)**	—
Net increase in advances granted by third parties		**1,762**	58,732
Net increase in advances granted to the controlling shareholder		**(8,046)**	—
Net cash generated from financing activities		**1,578,890**	616,775
Net decrease in cash and cash equivalents		**(395,597)**	(2,382,651)
Cash and cash equivalents at the beginning of the year		**2,613,628**	5,065,479
Effect of foreign exchange rate changes		**(32,778)**	(1,174)
Cash and cash equivalents at the end of the year		**2,185,253**	2,681,654
Represented by:			
Cash and cash equivalents	27	**2,185,253**	2,613,628
Cash and cash equivalents reclassified as assets held for sale		**—**	68,026

The notes on pages 81 to 171 form part of these financial statements.

1 REPORTING ENTITY

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

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

- biological assets are measured at fair value less costs to sell (Note 2(k));

- agricultural produce are initially recognised as inventories at fair value less costs to sell at the point of harvest (Note 2(l)).

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

As at March 31, 2016, the Group's current liabilities exceeded its current assets by RMB913,341,000. As at March 31, 2016, the Group had cash and cash equivalents of RMB2,185,253,000 and short term bank loans, including current portion of long-term bank loans, and short term other borrowings of RMB7,131,265,000. The liquidity of the Group is primarily depending on its ability to maintain adequate cash flows from operations, to renew its short-term bank loans and to obtain adequate external financing to support its working capital and meet its obligations and commitments when they become due.

These consolidated financial statements have been prepared on a going concern basis notwithstanding the net current liabilities as at March 31, 2016 because the directors of the Company are of the opinion that based on the unconditional banking facilities of RMB11,231,622,000 not yet utilised by the Group as of the date of issue of these consolidated financial statements, the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

(c) Functional and presentation currency

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's financial performances and positions for the current or prior periods have been prepared or presented.

The Group has not applied any amendment or new standard that is not yet effective for the current accounting period except for the Amendments to IAS 16 and IAS 41, *Agriculture: Bearer plants* (the "Amendments"), which was issued in June 2014 and is effective for annual periods beginning on or after January 1, 2016.

The Amendments allow an entity applies these amendments for an earlier period and require an entity apply these amendments retrospectively. By following the Amendments, the Group simplified the accounting for its bearer plants, alfalfa roots, from the measurement at fair value less costs to sell under IAS 41, *Agriculture*, to the measurement at cost less accumulated depreciation and impairment losses and reclassified the carrying amounts of such bearer plants from the account of biological assets to the account of property, plant and equipment in the current accounting period. This change in accounting policy increased the carrying amount of the Group's property, plant and equipment at March 31, 2014 by RMB5,451,000 (March 31, 2015: RMB4,429,000) while decreased the carrying amount of the Group's biological assets at March 31, 2014 by RMB6,246,000 (March 31, 2015: RMB5,276,000), and decreased the Group's retained profits at March 31, 2014 by RMB795,000 and the profit for the year ended March 31, 2015 by RMB52,000.

Given the above retrospective restatements and reclassifications do not have any material effect on the Group's financial performances (including the earnings per share calculated) and positions for any prior periods, the Group did not present a third statement of financial position as at March 31, 2014 in these financial statements.

(e) Business combinations involving entities under common control

Business combinations involving the entities that are all under the control of the controlling shareholder of the Group are accounted for as if the combinations had occurred at the beginning of the earliest reporting period presented or, if later, at the date that common control was established and the opening balances and the comparative figures of the consolidated financial statements are also restated. The assets acquired and liabilities assumed are recognised at their carrying amounts recognised previously from the controlling shareholder's perspective, with any difference between the carrying amount of the net assets acquired and the consideration paid for the combination being recognised directly in equity.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests and no gain or loss is recognised. In the circumstance, the adjustment of non-controlling interests includes a proportionate amount of the goodwill allocated to that subsidiary.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in consolidated statement of profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate. On disposal of a subsidiary, any attributable amount of goodwill is included in the calculation of the gain or loss on disposal.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Associates

An associate is an entity in which the Group or Company has significant influence, but not control over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(o)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(i) Property, plant and equipment

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

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

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

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

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

	Estimated useful lives
Plant and buildings	20–40 years
Machinery and equipment	10–15 years
Office and other equipment	3–5 years
Motor vehicles	5–10 years
Alfalfa roots	7 years

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

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

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

The cost of acquiring land held under an operating lease is amortised to profit or loss on a straight-line basis over the period of the lease term.

(iii) Sale and leaseback transactions

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

When the seller's risks and rewards incident to owning the underlying asset do not substantively change, the arrangement is that the seller borrows cash, secured by the underlying asset and repayable in instalments over the lease period.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Biological assets

Biological assets comprise dairy cows which are divided into three groups of calves, heifers and milkable cows and alfalfa grass (the produce growing on alfalfa roots) and other feed crops, which are raised or grown by the Group for the purposes of producing raw milk and feeding dairy cows.

Biological assets are measured on initial recognition and at the end of each reporting period at their fair values less costs to sell. Any resulting gain or loss arising on initial recognition at fair value and from subsequent changes in fair value less costs to sell is charged to profit or loss for the period in which the gain or loss arises.

The feeding costs and other related costs such as staff costs, depreciation and amortisation expenses and utility costs incurred for breeding calves and heifers are capitalised until they begin to produce milk and transfer to the group of milkable cows. Such costs incurred for milkable cows are also capitalised while upon milking, such costs incurred to bring the raw milk are transferred to inventories (see Note 2(l) below).

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

(l) Inventories

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. When the write-down occurs on the inventories produced by using the agricultural produce as illustrated below, the amount of the write-down is first reduced from any fair value gain recognised on such agricultural produce as illustrated below as biological fair value adjustments in cost of sales, and then charged to cost of sales under results before biological fair value adjustments in the statement of profit or loss. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories (Continued)

Agricultural produce harvested from the Group's biological assets are raw milk, alfalfa grass and other feed crops. Upon harvest, agricultural produce are initially recognised as inventories at their fair values less costs to sell at the point of harvest, which are determined based on their market prices quoted in the local area. Any resulting gain or loss arising on initial recognition of such fair values (i.e. the difference between the fair values less costs to sell of the agricultural produce at the point of harvest and the breeding costs and/(or) the plantation costs incurred to bring such agricultural produce to harvest) is recognised in profit or loss in the period of harvest. Upon subsequent sales, such amount of the inventories initially recognised is recognised in profit or loss as cost of sales.

(m) Trade and other receivables

Trade and other receivables including the amounts receivable from banks for the wealth management products purchased with determinable returns are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(o)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see Note 2(o)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the market, economic or legal environment that have an adverse effect on the debtor.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of assets (Continued)

(i) Impairment of receivables (Continued)

If any such evidence exists, the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the receivable's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables), where the effect of discounting is material. This assessment is made collectively where these receivables share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for receivables with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the receivable's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding receivables directly, except for impairment losses recognised in respect of the receivables whose recoveries are considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

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

— goodwill;

— interest in associates; and

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

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

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

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

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

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

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences, respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purpose, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Share capital

(i) Ordinary shares

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

(ii) Redemption and reissue of ordinary shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the redemption reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented within share premium.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods
Revenue from sale of goods is recognised when the customer has accepted the goods and the related significant risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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

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

(w) Government grants

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

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

(x) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Translation of foreign currencies (Continued)

The results of the operations which have a functional currency other than the Group's presentation currency, RMB, are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The assets and liabilities of the operations which have a functional currency other than RMB are translated into RMB at the closing foreign exchange rates at the reporting period end date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

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

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

(z) Research and development expenditure

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

(aa) Non-current assets held for sale

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Non-current assets held for sale (Continued)

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

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

(bb) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 39(f) contains information about the assumptions relating to the fair values of bearer biological assets. Other key sources of estimation uncertainty are as follows:

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of reporting period to ensure inventories are carried at the lower of cost and net realisable value.

(b) Impairment of receivables

The management assesses doubtful accounts for estimated losses resulting from the inability of the debtors to make the required payments. The management bases the estimates on the assessment of recoverability of individual receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(c) Impairment of non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with the accounting policy for impairment of non-current assets as described in Note 2(o)(ii). The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying amount of the assets and could result in an additional impairment charge or a reversal of impairment in future periods, where applicable.

(d) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and residual values are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

4 REVENUE

The principal activities of the Group are producing and selling raw milk, liquid milk products and milk powder products.

Revenue represents the sales value of products supplied to customers. The amount of each significant category of revenue recognised in revenue during the year ended March 31, 2016 is as follows:

	Years ended March 31, 2016 RMB'000	2015 RMB'000
Raw milk	**947,203**	1,028,336
Liquid milk products	**3,090,251**	2,421,709
Milk powder products	**489,079**	473,339
	4,526,533	3,923,384

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's annual revenue. During the year ended March 31, 2016, revenue from sales of raw milk to this customer, amounted to approximately RMB607.89 million (year ended March 31, 2015: RMB711.72 million). Details of concentration of credit risk arising from this customer are disclosed in Note 39(a).

5 SEGMENT REPORTING

The Group manages its business by lines of products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments, which are Dairy Farming, Liquid Milk Products Production and Milk Powders Production. Each reportable segment is a separate business unit which offers different products, and is managed separately because they require different technology and marketing strategies. The financial information of the different segments is regularly reviewed by the Group's management to make decisions about resources to be allocated to each segment and assess its performance.

- Dairy Farming — planting, growing and harvesting alfalfa grass and other feed crops, processing feeds, and breeding dairy cows to produce and sell raw milk.

- Liquid Milk Products Production — producing and selling pasteurized milk, UHT milk, yoghurt and milk beverages.

- Milk Powders Production — producing and selling infant milk formula products, adult milk powder products and dairy ingredient products.

5 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of goodwill, deferred tax assets and other headoffice or corporate assets. Segment liabilities include all current and non-current liabilities with the exception of other headoffice or corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reportable segment cost of sales is "cost of sales before biological fair value adjustments", where "gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest" is excluded.

The measure used for reportable segment gross profit is "gross profit before biological fair value adjustments", which is calculated by subtracting the above "cost of sales before biological fair value adjustments" from revenue, where "gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest" is excluded.

The measure used for reportable segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including interest income and interest expenses, and "depreciation and amortisation" is regarded as including the depreciation and amortisation of and the impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments such as directors' remuneration and other headoffice or corporate administration costs, the gains and losses arising from the changes in fair value (including the changes arising from biological assets and agricultural produce), net gain on disposal of subsidiaries and share of losses of associates as management believes that such adjusted information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In addition to receiving segment information concerning the above items, management is provided with segment information concerning interest income, interest expenses, depreciation and amortisation expenses and changes in carrying amounts of non-current segment assets related to each segment and capital expenditure used by each segment in their operations. There are transfers of the raw milk produced by Dairy Farming segment to Liquid Milk Products Production and Milk Powders Production segments. The pricing is determined on an arm's length basis.

5 SEGMENT REPORTING (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for each of the years ended March 31, 2016 and 2015 is set out below.

	Year ended March 31, 2016			
	Dairy Farming RMB'000	Liquid Milk Products Production RMB'000	Milk Powders Production RMB'000	Total RMB'000
Revenue from external customers	947,203	3,090,251	489,079	4,526,533
Inter-segment revenue	2,146,530	—	—	2,146,530
Reportable segment revenue	3,093,733	3,090,251	489,079	6,673,063
Cost of sales related to revenue from external customers	432,152	2,217,249	330,021	2,979,422
Inter-segment cost of sales	987,596	—	—	987,596
Reportable segment cost of sales (cost of sales before biological fair value adjustments)	1,419,748	2,217,249	330,021	3,967,018
Reportable segment gross profit (gross profit before biological fair value adjustments)	1,673,985	873,002	159,058	2,706,045
Reportable segment profit/(loss) (adjusted EBITDA)	1,667,007	391,703	(76,131)	1,982,579
Interest income	14,659	20,387	2,892	37,938
Interest expenses	280,569	101,285	37,529	419,383
Depreciation and amortisation	154,379	35,742	15,715	205,836
Net gain on disposal of subsidiaries	—	—	59,214	59,214
Share of losses of associates	—	—	45,235	45,235
Reportable segment assets (including interest in associates)	24,976,448	14,869,333	2,482,865	42,328,646
Increase in carrying amounts of non-current segment assets during the year	1,145,104	477,347	134,815	1,757,266
Capital expenditure	945,631	289,162	82,258	1,317,051
Reportable segment liabilities	16,507,333	7,656,652	2,031,837	26,195,822

5 SEGMENT REPORTING (Continued)

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

	Year ended March 31, 2015			
	Dairy Farming RMB'000 (Restated)	Liquid Milk Products Production RMB'000	Milk Powders Production RMB'000	Total RMB'000 (Restated)
Revenue from external customers	1,028,336	2,421,709	473,339	3,923,384
Inter-segment revenue	1,783,966	—	—	1,783,966
Reportable segment revenue	2,812,302	2,421,709	473,339	5,707,350
Cost of sales related to revenue from external customers	451,220	1,705,559	332,250	2,489,029
Inter-segment cost of sales	795,554	—	—	795,554
Reportable segment cost of sales (cost of sales before biological fair value adjustments)	1,246,774	1,705,559	332,250	3,284,583
Reportable segment gross profit (gross profit before biological fair value adjustments)	1,565,528	716,150	141,089	2,422,767
Reportable segment profit/(loss) (adjusted EBITDA)	1,549,760	373,520	(58,675)	1,864,605
Interest income	4,406	33,392	2,989	40,787
Interest expenses	283,648	22,784	50,948	357,380
Depreciation and amortisation	158,303	23,902	38,725	220,930
Reportable segment assets	19,479,621	9,046,946	2,651,002	31,177,569
Increase in carrying amounts of non-current segment assets during the year	3,706,554	721,621	1,725	4,429,900
Capital expenditure	3,620,087	640,796	210,705	4,471,588
Reportable segment liabilities	12,621,544	2,611,343	1,786,646	17,019,533

5 SEGMENT REPORTING (Continued)

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

	Years ended March 31, 2016 RMB'000	2015 RMB'000
Revenue		
Reportable segment revenue	**6,673,063**	5,707,350
Elimination of inter-segment revenue	**(2,146,530)**	(1,783,966)
Consolidated revenue	**4,526,533**	3,923,384

	Years ended March 31, 2016 RMB'000	2015 RMB'000 (Restated)
Cost of sales		
Reportable segment cost of sales	**3,967,018**	3,284,583
Inclusion of gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest charged to cost of sales	**1,592,692**	1,371,693
Elimination of inter-segment cost of sales	**(1,973,329)**	(1,621,844)
Consolidated cost of sales	**3,586,381**	3,034,432

	Years ended March 31, 2016 RMB'000	2015 RMB'000 (Restated)
Gross profit		
Reportable segment gross profit	**2,706,045**	2,422,767
Inclusion of gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest charged to cost of sales	**(1,592,692)**	(1,371,693)
Elimination of inter-segment gross profit	**(173,201)**	(162,122)
Consolidated gross profit	**940,152**	888,952

5 SEGMENT REPORTING (Continued)

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

	Years ended March 31, 2016 RMB'000	2015 RMB'000 (Restated)
Profit		
Reportable segment profit	**1,982,579**	1,864,605
Interest income	**52,407**	101,131
Interest expenses	**(504,730)**	(414,620)
Depreciation and amortisation	**(220,095)**	(225,881)
Net gain on disposal of subsidiaries	**59,214**	—
Share of losses of associates	**(45,235)**	—
Unallocated headoffice and corporate expenses	**(294,603)**	(204,669)
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest, net of the amount already charged to cost of sales	**268,415**	418,015
Loss arising from the changes in fair value less costs to sell of biological assets	**(431,184)**	(448,628)
Elimination of inter-segment gross profit	**(173,201)**	(162,122)
Consolidated profit before taxation	**693,567**	927,831

	At March 31, 2016 RMB'000	2015 RMB'000 (Restated)
Assets		
Reportable segment assets	**42,328,646**	31,177,569
Deferred tax assets	**39,364**	17,110
Goodwill and deferred tax assets reclassified as held for sale	**—**	975,548
Unallocated headoffice and corporate assets	**8,841,698**	7,361,573
Elimination between segments	**(21,687,939)**	(14,983,162)
Consolidated total assets	**29,521,769**	24,548,638

	At March 31, 2016 RMB'000	2015 RMB'000 (Restated)
Liabilities		
Reportable segment liabilities	**26,195,822**	17,019,533
Unallocated headoffice and corporate liabilities	**12,578,646**	8,741,605
Elimination between segments	**(21,687,939)**	(14,983,162)
Consolidated total liabilities	**17,086,529**	10,777,976

5 SEGMENT REPORTING (Continued)

(c) Geographic information

Since all the revenue from external customers is derived from the customers located in the mainland of the PRC and almost all the non-current assets are obtained and located in the mainland of the PRC while all the segments are managed on a nationwide basis because of the similarity of the type or class of the customers and the similarity of the regulatory environment in the whole region, there is no information separated by different geographical locations within the mainland of the PRC provided to the Group's management.

6 OTHER INCOME

	Years ended March 31,	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Government grants	**102,870**	17,253
Net profit/(loss) from sales of raw materials	**8,637**	(4,433)
Investment income on wealth management products purchased from banks	**10,680**	16,243
Income from waiver of payables	**—**	6,203
Net (loss)/gain on disposal of non-current assets	**(376)**	3
Donation	**(500)**	(72)
Others	**1,811**	(1,067)
	123,122	34,130

7 PROFIT BEFORE TAXATION

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

(a) Cost of sales:

	Years ended March 31, 2016 RMB'000	2015 RMB'000 (Restated)
Plantation and breeding costs incurred to produce raw milk*	**1,419,748**	1,246,774
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest (Note 7(b))	**1,592,692**	1,371,693
Production costs incurred for dairy products*	**541,377**	415,965
Write-down of inventories**	**32,564**	—
Cost of sales	**3,586,381**	3,034,432

* Plantation and breeding costs incurred to produce raw milk and production costs incurred for dairy products include, in aggregate, RMB593.90 million and RMB424.20 million for each of the years ended March 31, 2016 and 2015, respectively, relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately in Note 7(e) and Note 7(f) for each of these types of expenses.

** This represents the amount of the write-down of inventories charged to cost of sales under results before biological fair value adjustments in the statement of profit or loss in accordance with the accounting policy set out in Note 2(l).

(b) Reconciliation of gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest:

	Years ended March 31, 2016 RMB'000	2015 RMB'000 (Restated)
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest (the "Gain"), recognised during the year	**1,861,107**	1,789,708
The Gain included in the inventories used for growing the biological assets that have not reached the age of produce agricultural produce	**(144,233)**	(84,911)
The Gain included in the inventories held at the beginning of the year	**419,616**	86,512
The Gain included in the inventories held at the end of the year	**(629,209)**	(419,616)
The Gain included in the inventories sold during the year	**1,507,281**	1,371,693
The Gain reduced for write-down of inventories*	**85,411**	—
The Gain charged to cost of sales as biological fair value adjustments during the year (Note 7(a))	**1,592,692**	1,371,693

7 PROFIT BEFORE TAXATION (Continued)

(b) Reconciliation of gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest: (Continued)

* In accordance with the accounting policy set out in Note 2(l), when the write-down occurs on the inventories produced by using the agricultural produce, the amount of the write-down is first reduced from any fair value gain recognised on such agricultural produce as biological fair value adjustments in cost of sales, and then charged to cost of sales under results before biological fair value adjustments in the statement of profit or loss (see Note 7(a)).

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

	Years ended March 31,	
	2016 RMB'000	2015 RMB'000 (Restated)
Loss arising from changes in fair value less costs to sell of biological assets (Note 18(b))	**431,184**	448,628

(d) Net finance costs:

	Years ended March 31,	
	2016 RMB'000	2015 RMB'000 (Restated)
Finance income — interest income	**(52,407)**	(101,131)
Interest expenses on bank loans	**527,261**	490,567
Interest expenses on other borrowings	**6,909**	—
Less: interest expenses capitalised*	**(29,440)**	(75,947)
Bank charges and other finance costs	**37,526**	10,468
Net foreign exchange loss/(gain)	**191,962**	(1,083)
Finance costs	**734,218**	424,005
Net finance costs	**681,811**	322,874

* The borrowing costs have been capitalised at a rate of 4.90% to 7.68% (year ended March 31, 2015: 2.25% to 7.68%) per annum.

7 PROFIT BEFORE TAXATION (Continued)

(e) Staff costs:

	Years ended March 31, 2016 RMB'000	2015 RMB'000 (Restated)
Salaries, bonuses and allowances	**284,713**	234,380
Pension insurance (Note (i))	**44,765**	36,814
Other social insurances (Note (ii))	**44,298**	33,328
Fees charged for hiring workers from labour dispatching companies	**150,974**	130,345
Equity-settled share option expenses (Note 35(a))	**32,840**	70,759
Staff welfare	**35,526**	28,102
	593,116	533,728

Notes:

(i) The employees of the subsidiaries of the Group established in the PRC (the "PRC subsidiaries") participate in defined contribution retirement benefit schemes managed by local government authorities, whereby the PRC subsidiaries are required to contribute to the schemes at a rate of 20% of the employees' salaries, bonuses and allowances. Employees of the PRC subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salary level in the PRC, from the above mentioned retirement schemes at their normal retirement age. The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (year ended March 31, 2015: HK$30,000). Contributions to the MPF scheme vest immediately.

(ii) Pursuant to the relevant laws and regulations of the PRC, employees of the PRC subsidiaries participate in the social insurance system established and managed by local government organisations. The PRC subsidiaries make social insurance contributions, including contributions to basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, as well as contributions to housing fund, at the applicable benchmarks and rates stipulated by the local government for the benefit of their employees.

(f) Other items:

	Years ended March 31, 2016 RMB'000	2015 RMB'000 (Restated)
Depreciation and amortisation	**220,095**	225,881
Auditors' remuneration — audit services	**6,603**	7,308
Consultants' remunerations	**4,644**	21,055
Write-off of trade receivables	**—**	5,530

8 DISPOSAL OF SUBSIDIARIES

In October 2014, the Group entered into a sale and purchase agreement with FrieslandCampina Hong Kong Holding II B.V. to sell its 50% equity interests in China Huishan Dairy Investments (Hong Kong) Limited and Liaoning Huishan Group (Xiushui) Co., Ltd. (the "Disposal Group"). The disposal has been completed on April 1, 2015 when the Group received the payment pursuant to the sale and purchase agreement and the rights and duties under the agreement became enforceable. The total consideration is RMB698.25 million. The Group has accounted for its equity interests retained in the Disposal Group as an investment in associates after the disposal (see Note 20).

The following summarises the effect of the disposal in the consolidated financial statements:

	At April 1, 2015 RMB'000
Assets of the Disposal Group*	1,819,329
Liabilities of the Disposal Group*	(510,548)
Net assets of the Disposal Group	1,308,781
Reclassification of exchange reserve of the Disposal Group from exchange reserve to profit or loss	(11,334)
Fair value of the interests retained in the Disposal Group determined with reference to the cash consideration received	(698,247)
Transaction tax	39,833
Net gain on disposal	59,214
Total consideration in cash	698,247
Transaction tax paid	(39,833)
Net cash received during the year ended March 31, 2016	658,414

* Assets of the Disposal Group include the receivables of RMB14.21 million due from other subsidiaries within the Group, and liabilities of the Disposal Group include the payables of RMB109.33 million due to other subsidiaries within the Group.

9 INCOME TAX

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

	Years ended March 31,	
	2016 **RMB'000**	2015 RMB'000
Current taxation:		
PRC income tax (Note 36(a))	**56,232**	54,731
Deferred taxation:		
Origination and reversal of temporary differences (Note 36(b))	**(22,254)**	5,391
	33,978	60,122

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

	Years ended March 31,	
	2016 **RMB'000**	2015 RMB'000 (Restated)
Profit before taxation	**693,567**	927,831
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	**182,968**	229,920
Effect of non-deductible expenses (Note (iv))	**33,523**	15,272
Utilisation of previously unrecognised tax losses	**(185)**	—
Effect of tax losses not recognised	**127,183**	86,222
Reduction of deferred tax assets recognised in previous years in respect of tax losses	**—**	16,961
Tax rate differential on deferred tax items (Note (v))	**(64,307)**	(64,695)
Effect of tax exemption (Note (iii))	**(245,204)**	(223,558)
Income tax	**33,978**	60,122

Notes:

(i) The Company and its subsidiaries incorporated in British Virgin Islands are not subject to any income tax pursuant to the local rules and regulations.

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the years ended March 31, 2016 and 2015.

(iii) All the PRC subsidiaries of the Company are subject to PRC Enterprise Income Tax rate of 25% for each of the years ended March 31, 2016 and 2015.

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

9 INCOME TAX (Continued)

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

Notes: (Continued)

(iv) Non-deductible expenses are mainly the share option expenses (see Note 35(a)) recognised but cannot deduct the taxable income until the options are exercised or expired, the staff welfare and the entertainment expenses charged over the tax limit, the interest expense on the bank loans borrowed by the Company and its subsidiaries incorporated in Hong Kong and the foreign exchange loss occurred by the Company and its subsidiaries incorporated outside of the PRC.

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

10 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended March 31, 2016					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based payments RMB'000 (Note (i))	Total RMB'000
Executive directors						
Mr. Yang Kai	—	519	—	34	—	553
Ms. Ge Kun	—	519	—	34	—	553
Mr. Xu Guangyi	—	887	215	34	4,934	6,070
Mr. So Wing Hoi	—	2,770	—	30	4,934	7,734
Mr. Kwok Hok Yin	—	4,444	266	30	1,645	6,385
Mr. Mark Anthony Wilson (resigned on August 28, 2015)	—	5,129	—	12	—	5,141
Non-executive directors						
Mr. Cheng Chi Heng (resigned on June 23, 2015)	—	—	—	—	—	—
Mr. Li Kar Cheung	—	—	—	—	—	—
Independent non-executive directors						
Mr. Siu Wai Keung (resigned on August 28, 2015)	147	—	—	—	—	147
Mr. Kan Yu Leung (appointed on August 28, 2015)	213	—	—	—	—	213
Mr. Song Kungang	360	—	—	—	—	360
Mr. Gu Ruixia	360	—	—	—	—	360
Mr. Tsui Kei Pang	360	—	—	—	—	360
	1,440	14,268	481	174	11,513	27,876

10 DIRECTORS' EMOLUMENTS (Continued)

	Year ended March 31, 2015					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based payments RMB'000 (Note (i))	Total RMB'000
Executive directors						
Mr. Yang Kai	—	515	450	31	—	996
Ms. Ge Kun	—	693	450	31	—	1,174
Mr. Xu Guangyi	—	669	450	31	10,033	11,183
Mr. So Wing Hoi	—	2,607	—	31	10,033	12,671
Mr. Kwok Hok Yin	—	5,341	472	10	3,344	9,167
Mr. Mark Anthony Wilson (appointed on October 8, 2014)	—	3,242	—	—	3,223	6,465
Non-executive directors						
Mr. Cheng Chi Heng	—	—	—	—	—	—
Mr. Li Kar Cheung	—	—	—	—	—	—
Independent non-executive directors						
Mr. Siu Wai Keung	360	—	—	—	—	360
Mr. Song Kungang	360	—	—	—	—	360
Mr. Gu Ruixia	360	—	—	—	—	360
Mr. Tsui Kei Pang	360	—	—	—	—	360
	1,440	13,067	1,822	134	26,633	43,096

Notes:

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

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the section "Share Option Scheme" in the Director's Report and Note 35(a) to these financial statements. No options were exercised during the years ended March 31, 2016 and 2015.

(ii) No emoluments were paid or payable to these directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended March 31, 2016 and 2015. There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended March 31, 2016 and 2015.

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (year ended March 31, 2015: four) are directors whose emoluments are disclosed in Note 10. The aggregate of the emoluments in respect of the remaining one (year ended March 31, 2015: one) individual with the highest emoluments are as follows:

	Years ended March 31,	
	2016	2015
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**750**	579
Discretionary bonuses	**168**	320
Share-based payments	**1,645**	3,344
Retirement scheme contributions	**34**	31
	2,597	4,274

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

	Years ended March 31,	
	2016	2015
HK$3,000,001 – HK$3,500,000	**1**	—
HK$5,000,001 – HK$5,500,000	**—**	1
	1	1

No emoluments were paid or payable to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended March 31, 2016 and 2015.

12 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company for the year ended March 31, 2016 includes a loss of RMB292.25 million (year ended March 31, 2015: a loss of RMB39.04 million) which has been dealt with in the financial statements of the Company (see Note 37(a)).

13 OTHER COMPREHENSIVE INCOME

	Year ended March 31, 2016			Year ended March 31, 2015		
	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation to presentation currency	**46,280**	**—**	**46,280**	(34,113)	—	(34,113)
Exchange reserve reclassified to profit or loss on disposal of subsidiaries (Note 8)	**(11,334)**	**—**	**(11,334)**	—	—	—
Other comprehensive income	**34,946**	**—**	**34,946**	(34,113)	—	(34,113)

14 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended March 31, 2016 is based on the profit attributable to equity shareholders of the Company of RMB661.88 million (year ended March 31, 2015: profit of RMB868.86 million, restated for the effect of the change in accounting policy as disclosed in Note 2(d) and the effect of the business combination under common control as disclosed in Note 38) and the weighted average of 13,746,067,997 (year ended March 31, 2015: 14,374,288,184) ordinary shares of the Company in issue during the year as calculated in Note 14(b).

(b) Weighted average number of ordinary shares

	Years ended March 31,	
	2016	2015
Issued ordinary shares at 1 April	**14,320,064,000**	14,407,788,000
Effect of shares issued under a share option scheme (Note 37(c)(i))	**1,265,293**	—
Effect of own shares purchased and cancelled during the year (Note 37(c)(ii))	**(541,773,771)**	(33,499,816)
Effect of shares purchased under share award scheme during the year (Note 37(c)(iii))	**(33,487,525)**	—
Weighted average number of ordinary shares	**13,746,067,977**	14,374,288,184

(c) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the years ended March 31, 2016 and 2015. For the years ended March 31, 2016 and 2015, the share options as disclosed in Note 35(a) did not have any dilutive effect because the average market price of the Company's ordinary shares during the years did not exceed the sum of the exercise prices of the options and the fair values of the services to be received by the Group from the employees granted with the options (i.e. the fair values of the options at the dates of grant), details of which are disclosed in Note 35(a).

15 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Alfalfa roots RMB'000	Total RMB'000
Cost:							
At March 31, 2014 (as previously reported)	2,992,127	1,099,339	98,866	131,801	313,009	—	4,635,142
Effect of the change in accounting policy (Note 2(d))	—	—	—	—	—	8,695	8,695
Effect of the business combination under common control (Note 38)	—	7,981	406	—	10,495	—	18,882
Restated balance at April 1, 2014	2,992,127	1,107,320	99,272	131,801	323,504	8,695	4,662,719
Additions	4,879	399,399	66,028	75,222	2,362,019	267	2,907,814
Transfer in/(out)	418,390	94,948	—	—	(513,338)	—	—
Disposals	—	—	(2,017)	(1,733)	—	—	(3,750)
Other decrease	(29,005)	—	—	—	—	—	(29,005)
Reclassification to assets held for sale for the subsidiaries disposed of (Note 8)	(303,816)	(289,162)	(13,168)	(6,018)	(4,089)	—	(616,253)
Restated balance at March 31, 2015	3,082,575	1,312,505	150,115	199,272	2,168,096	8,962	6,921,525
Accumulated depreciation and impairment losses:							
At March 31, 2014 (as previously reported)	(134,459)	(129,815)	(27,294)	(26,411)	—	—	(317,979)
Effect of the change in accounting policy (Note 2(d))	—	—	—	—	—	(3,244)	(3,244)
Effect of the business combination under common control (Note 38)	—	—	(7)	—	—	—	(7)
Restated balance at April 1, 2014	(134,459)	(129,815)	(27,301)	(26,411)	—	(3,244)	(321,230)
Depreciation for the year	(72,214)	(100,988)	(23,463)	(20,912)	—	(1,289)	(218,866)
Impairment loss	—	—	—	—	—	—	—
Disposals	—	—	765	1,200	—	—	1,965
Reclassification to assets held for sale for the subsidiaries disposed of (Note 8)	16,904	44,704	5,191	1,913	—	—	68,712
Restated balance at March 31, 2015	(189,769)	(186,099)	(44,808)	(44,210)	—	(4,533)	(469,419)
Net book value:							
Restated balance at March 31, 2015	2,892,806	1,126,406	105,307	155,062	2,168,096	4,429	6,452,106

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Alfalfa roots RMB'000	Total RMB'000
Cost:							
Restated balance at April 1, 2015	3,082,575	1,312,505	150,115	199,272	2,168,096	8,962	6,921,525
Additions	19,934	202,152	84,030	65,641	1,269,518	1,806	1,643,081
Transfer in/(out)	1,327,608	687,109	—	—	(2,014,717)	—	—
Disposals	—	—	(463)	(1,610)	—	—	(2,073)
At March 31, 2016	4,430,117	2,201,766	233,682	263,303	1,422,897	10,768	8,562,533
Accumulated depreciation and impairment losses:							
Restated balance at April 1, 2015	(189,769)	(186,099)	(44,808)	(44,210)	—	(4,533)	(469,419)
Depreciation for the year	(86,953)	(125,265)	(34,321)	(30,057)	—	(4,195)	(280,791)
Impairment loss	—	—	—	—	—	—	—
Disposals	—	—	237	678	—	—	915
At March 31, 2016	(276,722)	(311,364)	(78,892)	(73,589)	—	(8,728)	(749,295)
Net book value:							
At March 31, 2016	4,153,395	1,890,402	154,790	189,714	1,422,897	2,040	7,813,238

As at March 31, 2016, the aggregate net book value of the secured property, plant and equipment of the Group was RMB2,155.91 million (March 31, 2015: RMB1,710.98 million).

16 GOODWILL

	Years ended March 31, 2016 RMB'000	2015 RMB'000
Cost:		
At the beginning of the year	—	931,985
Reclassification to assets held for sale for the subsidiaries disposed of (Note 8)	—	(931,985)
At the end of the year	—	—
Accumulated impairment losses:		
At the beginning and the end of the year	—	—
Carrying amount:		
At the beginning of the year	—	931,985
At the end of the year	—	—

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities acquired from the acquiree, China Huishan Dairy Investments International Limited and its subsidiaries, China Huishan Dairy Investments (Hong Kong) Limited and Liaoning Huishan Group (Xiushui) Co., Ltd., which represents the future economic benefits the Group expected to arise from the assets not individually identified and recognised in the combination.

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

17 LEASE PREPAYMENTS

	Years ended March 31, 2016 RMB'000	2015 RMB'000 (Restated)
Cost:		
At the beginning of the year (as previously reported)	**4,309,302**	3,201,535
Effect of the business combination under common control (Note 38)	—	17,141
Additions	**485,928**	1,180,675
Reclassification to assets held for sale for the subsidiaries disposed of (Note 8)	—	(90,049)
At the end of the year	**4,795,230**	4,309,302
Accumulated amortisation and impairment losses:		
At the beginning of the year (as previously reported)	**(468,793)**	(158,277)
Effect of the business combination under common control (Note 38)	—	(832)
Amortisation for the year	**(309,375)**	(319,182)
Reclassification to assets held for sale for the subsidiaries disposed of (Note 8)	—	9,498
Impairment loss	—	—
At the end of the year	**(778,168)**	(468,793)
Net book value:		
At the end of the year	**4,017,062**	3,840,509

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

At March 31, 2016, the aggregate net book value of the lease prepayments with a lease term within 10 years was RMB0.7 million (March 31, 2015: RMB388.37 million). The lease terms of the remaining lease prepayments are over 10 years but within 50 years.

At March 31, 2016, the aggregate net book value of the secured lease prepayments of the Group was RMB836.19 million (March 31, 2015: RMB1,518.24 million).

(Expressed in Renminbi unless otherwise indicated)

18 BIOLOGICAL ASSETS

(a) Nature of the Group's agricultural activities

The biological assets of the Group are dairy cows held to produce raw milk and alfalfa grass and other feed crops grown for feeding dairy cows. Dairy cows are categorised as bearer biological assets while the alfalfa grass (the growing part on alfalfa roots) and the other feed crops are categorised as consumable biological assets before harvest given their attributes illustrated below.

The quantities of the dairy cows owned by the Group as at March 31, 2016 and 2015 are listed below. The Group's dairy cows are milkable cows held for raw milk production and heifers and calves that have not reached the age to produce raw milk.

	At March 31,	
	2016	2015
	Head	Head
Milkable cows	**96,339**	74,389
Heifers	**70,624**	79,951
Calves	**33,929**	25,991
	200,892	180,331

In general, the heifers are inseminated when they reach approximately 14 months old. After a gestation period of approximately 10 months, a calf is born and the heifers begin to produce raw milk and the lactation periods begin. The heifers, at this time, will be transferred to the group of milkable cows. A milkable cow is typically milked for approximately 300 days in each lactation period and has as many as 6 lactation periods. The male calves newly born will be sold while the female calves will be bred for 6 months and then transferred to the group of heifers for preparation of insemination.

Alfalfa is a perennial flowering plant of pea family, which is usually sown in spring. When the stem of alfalfa grows up, it will be reaped for feeding cows. After the harvest, alfalfa roots will generally grow up new stems in about 60-70 days. Generally, alfalfa has a sustainable growth for seven years with each growth period lasts about 60-70 days in spring to autumn.

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

At March 31, 2016, the Group leased about 480,000 mu fields for planting alfalfa grass and other feed crops (March 31, 2015: about 480,000 mu).

18 BIOLOGICAL ASSETS (Continued)

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

The Group is exposed to a number of risks related to its biological assets. In addition to the financial risk as disclosed in Note 39(e), the Group is exposed to the following operating risks:

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates plantations and breeding. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

(ii) Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls and surveys and insurance.

(b) Value of the Group's biological assets

The amounts of the dairy cows, alfalfa grass and other feed crops are as below:

	Year ended March 31, 2015					
	Calves RMB'000	Heifers RMB'000	Milkable cows RMB'000	Alfalfa grass RMB'000	Other feed crops RMB'000	Total RMB'000
At March 31, 2014 (as previously reported)	204,802	1,777,423	2,309,180	6,246	—	4,297,651
Effect of the change in accounting policy (Note 2(d))	—	—	—	(6,246)	—	(6,246)
Restated balance at April 1, 2014	204,802	1,777,423	2,309,180	—	—	4,291,405
Add: purchase costs	—	423,871	—	—	10,510	434,381
Add: breeding costs#	278,883	1,007,105	1,623,172	—	—	2,909,160
Add: plantation costs	—	—	—	87,697	346,723	434,420
Transfer between groups:						
— transfer in	—	481,502	1,276,862	—	—	1,758,364
— transfer out	(481,502)	(1,276,862)	—	—	—	(1,758,364)
Changes in fair value less costs to sell of biological assets*	346,315	(257,557)	(537,386)	—	—	(448,628)
Gain arising on initial recognition of milk and grass and other feed crops at fair value less costs to sell upon milking and harvest	—	—	1,308,689	224,690	256,329	1,789,708
Transfer to inventories upon milking and harvest	—	—	(2,931,861)	(312,387)	(613,562)	(3,857,810)
Decrease due to disposal	(20,444)	(14,738)	(163,960)	—	—	(199,142)
Restated balance at March 31, 2015	328,054	2,140,744	2,884,696	—	—	5,353,494

18 BIOLOGICAL ASSETS (Continued)

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

	Year ended March 31, 2016					
	Calves RMB'000	Heifers RMB'000	Milkable cows RMB'000	Alfalfa grass RMB'000	Other feed crops RMB'000	Total RMB'000
Restated balance at April 1, 2015	328,054	2,140,744	2,884,696	—	—	5,353,494
Add: purchase costs	—	—	—	—	19,497	19,497
Add: breeding costs#	426,678	913,438	1,859,741	—	—	3,199,857
Add: plantation costs	—	—	—	66,217	368,342	434,559
Transfer between groups:						
— transfer in	—	739,609	1,735,123	—	—	2,474,732
— transfer out	(739,609)	(1,735,123)	—	—	—	(2,474,732)
Changes in fair value less costs to sell of biological assets*	427,517	(205,671)	(653,030)	—	—	(431,184)
Gain arising on initial recognition of milk and grass and other feed crops at fair value less costs to sell upon milking and harvest	—	—	1,420,249	132,851	308,007	1,861,107
Transfer to inventories upon milking and harvest	—	—	(3,279,990)	(199,068)	(695,846)	(4,174,904)
Decrease due to disposal	(53,943)	(13,034)	(188,116)	—	—	(255,093)
At March 31, 2016	388,697	1,839,963	3,778,673	—	—	6,007,333

Breeding costs incurred for dairy cows include the plantation costs of the alfalfa grass and other feed crops fed to the cows after harvest and their gain arising on initial recognition at fair value less costs to sell upon harvest as well as other feeding costs, staff costs, depreciation and amortisation expenses and utility costs incurred.

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

The Group's bearer biological assets, dairy cows, were independently valued by an independent valuer, Jones Lang LaSalle Sallmanns Limited. The valuation techniques used in determination of fair values as well as the key inputs used in the valuation models are disclosed in Note 39(f).

(Expressed in Renminbi unless otherwise indicated)

18 BIOLOGICAL ASSETS (Continued)

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

	Years ended March 31,	
	2016	2015
	Tonne	Tonne
Raw milk produced	**743,021**	601,604
Alfalfa grass produced	**85,054**	133,600
Other feed crops produced	**1,043,817**	1,318,156

(Expressed in Renminbi unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES

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

			Proportion of ownership interest			
Name of subsidiary	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
China Huishan Dairy Holdings International Limited***	British Virgin Islands	1,000 shares	100%	100%	—	Investment holding
Liaoning Huishan Dairy Group Co., Ltd. ("Liaoning Huishan Dairy") 遼寧輝山乳業集團有限公司 *	The PRC	US$240,000,000	100%	—	100%	Feeds production, sales of dairy products and investment holding
Liaoning Huishan Group Xiahe Farming Co., Ltd. 遼寧輝山乳業集團峽河牧業有限公司 **	The PRC	RMB65,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Jiubing Farming Co., Ltd. 遼寧輝山乳業集團救兵牧業有限公司 **	The PRC	RMB65,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Baihua Farming Co., Ltd. 遼寧輝山乳業集團百花牧業有限公司 **	The PRC	RMB20,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group (Fushun) Co., Ltd. 遼寧輝山乳業集團(撫順)有限公司**	The PRC	RMB260,000,000	100%	—	100%	Milk powders production
Liaoning Huishan Group Xiushui Farming Co., Ltd. 遼寧輝山乳業集團秀水牧業有限公司 **	The PRC	RMB100,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Wangshu Farming Co., Ltd. 遼寧輝山乳業集團王樹牧業有限公司 **	The PRC	RMB70,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Yushu Farming Co., Ltd. 遼寧輝山乳業集團榆樹牧業有限公司 **	The PRC	RMB62,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Pengjia Farming Co., Ltd. 遼寧輝山乳業集團彭家牧業有限公司 **	The PRC	RMB65,000,000	100%	—	100%	Dairy farming

(Expressed in Renminbi unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Liaoning Huishan Group Sunjia Farming Co., Ltd. 遼寧輝山乳業集團孫家牧業有限公司 **	The PRC	RMB90,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Yemaotai Farming Co., Ltd. 遼寧輝山乳業集團葉茂台牧業有限公司 **	The PRC	RMB75,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Dasan Farming Co., Ltd. 遼寧輝山乳業集團大三牧業有限公司 **	The PRC	RMB60,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Woniushi Farming Co., Ltd. 遼寧輝山乳業集團臥牛石牧業有限公司 **	The PRC	RMB45,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Shuangtaizi Farming Co., Ltd. 遼寧輝山乳業集團雙台子牧業有限公司 **	The PRC	RMB90,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Taiping Farming Co., Ltd. 遼寧輝山乳業集團太平牧業有限公司 **	The PRC	RMB60,000,000	100%	—	100%	Dairy farming
Yixian Guanghua Farming Co., Ltd. 義縣光華牧業有限公司 **	The PRC	RMB78,000,000	100%	—	100%	Dairy farming
Yixian Aohua Farming Co., Ltd. 義縣澳華牧業有限公司 **	The PRC	RMB77,000,000	100%	—	100%	Dairy farming
Yixian Shengdao Farming Co., Ltd. 義縣勝道牧業有限公司 **	The PRC	RMB48,000,000	100%	—	100%	Dairy farming
Yixian Longbang Farming Co., Ltd. 義縣龍邦牧業有限公司 **	The PRC	RMB50,000,000	100%	—	100%	Dairy farming
Yixian Zhongao Farming Co., Ltd. 義縣中澳牧業有限公司 **	The PRC	RMB72,610,000	100%	—	100%	Dairy farming
Yixian Heguang Farming Co., Ltd. 義縣荷光牧業有限公司 **	The PRC	RMB46,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group (Jinzhou) Co., Ltd. 遼寧輝山乳業集團(錦州)有限公司 **	The PRC	RMB900,000,000	100%	—	100%	Liquid milk products and milk powders production

(Expressed in Renminbi unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (Continued)

			Proportion of ownership interest			
Name of subsidiary	**Place of incorporation and principal place of operation**	**Particulars of issued and paid up capital**	**The Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Liaoning Shiling Farming Co., Ltd. 遼寧世領自營牧場有限公司 *	The PRC	US$50,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Sihecheng Farming Co., Ltd. 遼寧輝山乳業集團四合城牧業有限公司 **	The PRC	RMB30,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Fuxing Farming Co., Ltd. 遼寧輝山乳業集團福興牧業有限公司 **	The PRC	RMB110,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Xinqiu Farming Co., Ltd. 遼寧輝山乳業集團新秋牧業有限公司 **	The PRC	RMB145,000,000	100%	—	100%	Dairy farming
Zhangwu Youpin Agriculture Feedstock Co., Ltd. 彰武優品農牧飼料有限公司 **	The PRC	RMB60,000,000	100%	—	100%	Feeds production
China Huishan Dairy Holdings (Hong Kong) Limited***	Hong Kong	10,000 shares	100%	—	100%	Investment holding
Shenyang Dacang Life Agriculture Technology Co., Ltd. 瀋陽大倉生態農業科技有限公司 **	The PRC	RMB220,000,000	100%	—	100%	Alfalfa grass and other feed crops growing
Shenyang Fengle Life Agriculture Technology Co., Ltd. 瀋陽豐樂生態農業科技有限公司 **	The PRC	RMB100,000,000	100%	—	100%	Alfalfa grass and other feed crops growing
Huishan Dairy (Shenyang) Sales Co., Ltd. 輝山乳業(瀋陽)銷售有限公司 *	The PRC	RMB1,616,999,970	100%	—	100%	Sales of dairy products
Huishan Dairy (Jinzhou) Sales Co., Ltd. 輝山乳業(錦州)銷售有限公司 *	The PRC	RMB1,853,000,000	100%	—	100%	Sales of dairy products
Liaoning Huishan Group (Shenyang) Co., Ltd. 遼寧輝山乳業集團(瀋陽)有限公司 ****	The PRC	US$69,998,366 and RMB278,900,000	100%	—	100%	Liquid milk products production
Huishan Dairy (Fuxin) Co., Ltd. 輝山乳業(阜新)有限公司 *	The PRC	RMB150,000,000	100%	—	100%	Milk powders production

(Expressed in Renminbi unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Liaoning Huishan Life Technology Research Co., Ltd. 遼寧輝山生物科技研究有限公司 **	The PRC	RMB5,000,000	100%	—	100%	Research and consulting
China Huishan Dairy Investments International Limited***	British Virgin Islands	58,800,000 shares	100%	100%	—	Investment holding
Shenyang Maoyuan Grass Co., Ltd. 瀋陽茂源草業有限公司 **	The PRC	RMB20,000,000	100%	—	100%	Alfalfa grass growing
Jinzhou Guhai Life Agriculture Technology Co., Ltd. 錦州穀海生態農業科技有限公司 **	The PRC	RMB1,000,000	100%	—	100%	Alfalfa grass and other feed crops growing
Liaoning Huishan Group Jinxing Farming Co., Ltd. 遼寧輝山乳業集團金星牧業有限公司 **	The PRC	RMB100,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Fengyuan Farming Co., Ltd. 遼寧輝山乳業集團豐源牧業有限公司 **	The PRC	RMB180,000,000	100%	—	100%	Dairy farming
Tieling Shenghui Life Agriculture Technology Co., Ltd. 鐵嶺盛匯生態農業科技有限公司 **	The PRC	RMB210,000,000	100%	—	100%	Alfalfa grass and other feed crops growing
Shenyang Guanlin Life Agriculture Technology Co., Ltd. 瀋陽冠林生態農業科技有限公司 **	The PRC	RMB180,000,000	100%	—	100%	Alfalfa grass and other feed crops growing
Liaoning Huishan Group Jinqiu Farming Co., Ltd. 遼寧輝山乳業集團金秋牧業有限公司 **	The PRC	RMB100,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Wangsheng Farming Co., Ltd. 遼寧輝山乳業集團汪盛牧業有限公司 **	The PRC	RMB100,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Lvyuan Farming Co., Ltd. 遼寧輝山乳業集團綠園牧業有限公司 **	The PRC	RMB100,000	100%	—	100%	Dairy farming

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19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shenyang Jinsui Life Agriculture Technology Co., Ltd. 瀋陽金穗生態農業科技有限公司 **	The PRC	RMB20,000,000	100%	—	100%	Alfalfa grass and other feed crops growing
Liaoning Huishan Group Xinzhuang Farming Co., Ltd. 遼寧輝山乳業集團新莊牧業有限公司 **	The PRC	RMB1,000,000	100%	—	100%	Dairy farming
Heishan Jinrun Life Agriculture Technology Co., Ltd. 黑山金潤生態農業科技有限公司 **	The PRC	RMB100,000	100%	—	100%	Alfalfa grass and other feed crops growing
Liaoning Huishan Group Zhonghui Farming Co., Ltd. 遼寧輝山乳業集團中輝牧業有限公司 **	The PRC	RMB500,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Yongchun Farming Co., Ltd. 遼寧輝山乳業集團永淳牧業有限公司 **	The PRC	RMB500,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Zhoujia Farming Co., Ltd. 遼寧輝山乳業集團周家牧業有限公司 **	The PRC	RMB1,000,000	100%	—	100%	Dairy farming
Shenyang Hongda Life Agriculture Technology Co., Ltd. 瀋陽宏大生態農業科技有限公司 **	The PRC	RMB280,000,000	100%	—	100%	Alfalfa grass and other feed crops growing
Huishan Dairy (China) Co., Ltd. 輝山乳業(中國)有限公司*	The PRC	RMB7,678,560,000	100%	—	100%	Investment holding
Kangping Youpin Agriculture Feedstock Co., Ltd. 康平優品農牧飼料有限公司 **	The PRC	RMBNil	100%	—	100%	Feeds production
Huishan Investment (Shenyang) Dairy Co., Ltd. 輝山投資(瀋陽)乳業有限公司*	The PRC	RMB100,000,000	100%	—	100%	Liquid milk products production
Liaoning Huishan Group Xixia Farming Co., Ltd. 遼寧輝山乳業集團棲霞牧業有限公司 **	The PRC	RMB60,000,000	100%	—	100%	Dairy farming

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19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Huishan Fenghuang Farming (Shenyang) Co., Ltd. 輝山鳳凰牧業(瀋陽)有限公司*	The PRC	RMB30,000,000	100%	—	100%	Dairy farming
Huishan Hengfeng Farming (Shenyang) Co., Ltd. 輝山恒豐牧業(瀋陽)有限公司*	The PRC	RMB120,000,000	100%	—	100%	Dairy farming
Huishan Shajing Farming (Shenyang) Co., Ltd. 輝山沙金牧業(瀋陽)有限公司*	The PRC	RMB50,000,000	100%	—	100%	Dairy farming
Huishan Tengda Farming (Shenyang) Co., Ltd. 輝山騰達牧業(瀋陽)有限公司*	The PRC	RMB30,000,000	100%	—	100%	Dairy farming
Huishan Wanfu Farming (Fuxin) Co., Ltd. 輝山萬福牧業(阜新)有限公司*	The PRC	RMB20,000,000	100%	—	100%	Dairy farming
Liaoning Huishan Group Wufeng Farming Co., Ltd. 遼寧輝山乳業集團五峰牧業有限公司 **	The PRC	RMB50,000,000	100%	—	100%	Dairy farming
Huishan Dairy (Xifeng) Co., Ltd. 輝山乳業(西豐)有限公司*	The PRC	RMB100,000,000	100%	—	100%	Liquid milk products production
Upking Holding Limited***	British Virgin Islands	10,000 shares	100%	100%	—	Investment holding
Blue Treasure Limited***	British Virgin Islands	10,000 shares	65%	—	65%	Investment holding
China Huishan Dairy Development (Hong Kong) Limited***	Hong Kong	10,000 shares	65%	—	65%	Investment Holding
Liaoning Youpin Enterprise Management Co., Ltd. 遼寧優品企業管理有限公司 **	The PRC	RMBNil	100%	—	100%	Investment Holding
Faku Youpin Agriculture Feedstock Co., Ltd. 法庫優品畜牧飼料有限公司 **	The PRC	RMBNil	100%	—	100%	Feeds production
Huishan Farming Development (Jiangsu) Co., Ltd. 輝山牧業發展(江蘇)有限公司 *	The PRC	RMB32,000,000	65%	—	65%	Dairy farming, alfalfa grass and other feed crops growing

(Expressed in Renminbi unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Huishan Dairy Development (Jiangsu) Co., Ltd. 輝山乳業發展（江蘇）有限公司 *	The PRC	RMB110,000,000	65%	—	65%	Liquid milk products production
Liaoning Huishan Liangpin Trading Co., Ltd. 遼寧輝記良品商貿有限公司**	The PRC	RMB1,000,000	100%	—	100%	Sales of milk powders products
Huishan Dairy Development (Shanghai) Co., Ltd. 輝山乳業發展(上海)有限公司*	The PRC	RMB10,000,000	65%	—	65%	Sales of dairy products
Liaoning Huishan Lingkong New Energy Group Co., Ltd. 遼寧輝山淩空新能源集團有限公司**	The PRC	RMB100,000,000	100%	—	100%	Investment holding
Liaoning Huishan Lingkong New Energy Group (Shenyang) Co., Ltd. 遼寧輝山淩空新能源集團(瀋陽)有限公司**	The PRC	RMB30,000,000	100%	—	100%	Photovoltaic power generation
Liaoning Huishan Lingkong New Energy Group (Kangping) Co., Ltd. 遼寧輝山淩空新能源集團(康平)有限公司**	The PRC	RMBNil	100%	—	100%	Photovoltaic power generation
Liaoning Huishan Lingkong New Energy Group (Tieling) Co., Ltd. 遼寧輝山淩空新能源集團(鐵嶺)有限公司**	The PRC	RMBNil	100%	—	100%	Photovoltaic power generation
Liaoning Huishan Lingkong New Energy Group (Faku) Co., Ltd. 遼寧輝山淩空新能源集團(法庫)有限公司**	The PRC	RMB50,000,000	100%	—	100%	Photovoltaic power generation
Liaoning Huishan Lingkong New Energy Group (Fushun) Co., Ltd. 遼寧輝山淩空新能源集團(撫順)有限公司**	The PRC	RMBNil	100%	—	100%	Photovoltaic power generation
Liaoning Huishan Lingkong New Energy Group (Jinzhou) Co., Ltd. 遼寧輝山淩空新能源集團(錦州)有限公司**	The PRC	RMBNil	100%	—	100%	Photovoltaic power generation
Liaoning Huishan Lingkong New Energy Group (Fuxin) Co., Ltd. 遼寧輝山淩空新能源集團(阜新)有限公司**	The PRC	RMBNil	100%	—	100%	Photovoltaic power generation

(Expressed in Renminbi unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (Continued)

			Proportion of ownership interest			
Name of subsidiary	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shenyang Zhaoji Investment and Management Co., Ltd. 瀋陽兆基投資管理有限公司**	The PRC	RMB100,000,000	100%	—	100%	Investment holding
Liaoning Haocheng Biogas Generation Co., Ltd. 遼寧昊晟沼氣發電有限公司**	The PRC	RMB68,800,000	100%	—	100%	Biomass power generation, biogas compressed natural gas production and bio-fertiliser processing
Fushun Tianshi Biomass Energy Co., Ltd. 撫順天時生物質能源有限公司**	The PRC	RMB10,000,000	100%	—	100%	Biomass power generation, biogas compressed natural gas production and bio-fertiliser processing
Shenyang Tianshi Biomass Energy Co., Ltd. 瀋陽天時生物質能源有限公司**	The PRC	RMB100,000	100%	—	100%	Biomass power generation, biogas compressed natural gas production and bio-fertiliser processing
Yancheng Tianshi Biomass Energy Co., Ltd. 鹽城天時生物質能源有限公司**	The PRC	RMBNil	100%	—	100%	Biomass power generation, biogas compressed natural gas production and bio-fertiliser processing
Jinzhou Tianshi Biomass Energy Co., Ltd. 錦州天時生物質能源有限公司**	The PRC	RMB10,000,000	100%	—	100%	Biomass power generation, biogas compressed natural gas production and bio-fertiliser processing
Fuxin Tianshi Biomass Energy Co., Ltd. 阜新天時生物質能源有限公司**	The PRC	RMB10,000,000	100%	—	100%	Biomass power generation, biogas compressed natural gas production and bio-fertiliser processing
Liaoning Black Soil Environmental Protection Co., Ltd. 遼寧黑土環保有限公司**	The PRC	RMBNil	100%	—	100%	Biomass power generation, biogas compressed natural gas production and bio-fertiliser processing

(Expressed in Renminbi unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (Continued)

			Proportion of ownership interest			
Name of subsidiary	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Liaoning Yifeng New Energy Technology Co., Ltd. 遼寧益豐新能源科技有限公司**	The PRC	RMBNil	100%	—	100%	New energy technology development

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

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

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

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

As of March 31, 2016, all the subsidiaries engaging in photovoltaic and biomass power generation, biogas compressed natural gas production and bio-fertiliser processing activities were still in their start-up period.

As at March 31, 2015 and 2016, the non-controlling interests of the Group only have an interest in the subsidiaries of Blue Treasure Limited, China Huishan Dairy Development (Hong Kong) Limited, Huishan Farming Development (Jiangsu) Co., Ltd., Huishan Dairy Development (Jiangsu) Co., Ltd., and Huishan Dairy Development (Shanghai) Co., Ltd., which have not started their operations as of March 31, 2016.

(Expressed in Renminbi unless otherwise indicated)

20 INTEREST IN ASSOCIATES

The following list contains the particulars of the associates, which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Place of incorporation and principal place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
China Huishan Dairy Investments (Hong Kong) Limited	Hong Kong	696,000,000 shares	50%	—	50%	Investment holding
Friesland Huishan Dairy Co., Ltd.* (previous name: Liaoning Huishan Group (Xiushui) Co., Ltd.)	The PRC	RMB 588,000,000	50%	—	50%	Milk powders production

* China Huishan Dairy Investments (Hong Kong) Limited holds 100% equity interests in Friesland Huishan Dairy Co., Ltd.

As disclosed in Note 8, to develop the milk powder business of its own brand in the PRC, FrieslandCampina Hong Kong Holding II B.V. ("FrieslandCampina"), a group entity of Royal FrieslandCampina N.V., acquired 50% equity interests in China Huishan Dairy Investments (Hong Kong) Limited on April 1, 2015. According to the joint venture agreement, the relevant activities of China Huishan Dairy Investments (Hong Kong) Limited are decided by its board and the board is consist of five members and three of them are appointed by FrieslandCampina and two of them are appointed by the Group. Each member has one vote and a decision to approve any matter must be taken by simple majority of the vote cast. Based on this, management understands that FrieslandCampina controls China Huishan Dairy Investments (Hong Kong) Limited and accounts for the Group's equity interests retained in China Huishan Dairy Investments (Hong Kong) Limited as an investment in associates by using the equity method in the consolidated financial statements.

20 INTEREST IN ASSOCIATES (Continued)

Summarised consolidated financial information of the above associates and reconciled to the carrying amount in the consolidated financial statements are disclosed below:

	At March 31, 2016 RMB'000
Gross amounts of the associates	
Non-current assets	693,629
Current assets	176,169
Non-current liabilities	(364,248)
Current liabilities	(213,950)
Net assets	291,600
Revenue	415,403
Loss for the year	(90,470)
Other comprehensive income	5,274
Total comprehensive income	(85,196)
Reconciled to the Group's interests in the associates	
Gross amounts of net assets of the associates	291,600
Group's effective interest	50%
Unrealised profits on downstream transactions	(1,545)
Group's share of net assets of the associates	144,255
Goodwill	509,849
Carrying amount in the consolidated financial statements	654,104

21 OTHER NON-CURRENT ASSETS

	At March 31, 2016 RMB'000	2015 RMB'000 (Restated)
Deductible value added tax expected to be deducted after one year	35,787	5,858
Deposits with banks to secure long-term bank loans	45,228	—
	81,015	5,858

22 INVENTORIES

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

	At March 31,	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Feeds and other materials for breeding dairy cows	**1,012,081**	1,036,817
Materials for producing dairy products	**111,326**	82,558
Semi-finished and finished goods	**987,238**	462,971
	2,110,645	1,582,346
Less: write-down of inventories	**(117,975)**	—
	1,992,670	1,582,346

(b) The analysis of the amount of inventories recognised as cost of sales in the consolidated statement of profit or loss during the year ended March 31, 2016 is as follows:

	Years ended March 31,	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Carrying amount of inventories sold (Note 7(a))	**3,468,406**	3,034,432
Write-down of inventories (Note 7(a))	**117,975**	—
	3,586,381	3,034,432

23 TRADE RECEIVABLES

	At March 31, 2016 RMB'000	2015 RMB'000
Trade receivable due from third parties	**240,199**	270,933
Trade receivable due from the associates	**8,747**	—
	248,946	270,933
Less: allowance for impairment of doubtful debts	**—**	—
	248,946	270,933

(a) Aging analysis

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

	At March 31, 2016 RMB'000	2015 RMB'000
Less than 3 months	**206,902**	162,750
More than 3 months but less than 6 months	**26,291**	48,806
More than 6 months but less than 1 year	**10,788**	53,903
More than 1 year but less than 2 years	**3,367**	5,474
More than 2 years but less than 3 years	**1,598**	—
	248,946	270,933

Trade receivables are due within 15-90 days from the date of billing. Further details on the Group's credit policy are disclosed in Note 39(a).

(b) Impairment of trade receivables

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

At March 31, 2016 and 2015, no trade receivables are individually determined to be impaired.

23 TRADE RECEIVABLES (Continued)

(c) Trade receivables that are not impaired

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

	At March 31, 2016 RMB'000	At March 31, 2015 RMB'000
Neither past due nor impaired	**210,890**	229,528
Less than 1 month past due	**9,451**	14,584
More than 1 month but less than 3 months past due	**12,852**	12,077
More than 3 months but less than 6 months past due	**8,321**	7,749
More than 6 months past due	**7,432**	6,995
	38,056	41,405
	248,946	270,933

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

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

24 AMOUNTS DUE FROM THE CONTROLLING SHAREHOLDER

All the amounts as at March 31, 2016 are unsecured, non-interest bearing and have no fixed term of repayment.

25 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At March 31,	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Deposits with banks to secure bills payables	**946,490**	314,259
Deposits with banks to secure letters of credit	**3,700**	193,377
Prepayments for purchase of raw materials	**1,559,649**	242,275
Downpayments for acquisition of lands held under operating leases at annual rent	**9,987**	10,050
Prepaid operating leases		
— Third parties	**2,571**	1,370
— Affiliates of the controlling shareholder	**28,902**	—
Amounts receivable from banks for wealth management products purchased (over 3 months) (Note (i))	**854,150**	—
Amounts receivable from disposals of dairy cows		
— Third parties	**6,114**	39,610
— Affiliates of the controlling shareholder	**28,121**	—
Amounts due from the associates of the Group (Note (ii))	**125,000**	—
Advances to staff	**20,656**	21,055
Deductible value added tax	**43,352**	54,818
Prepaid income tax	**9,304**	6,606
Prepaid advertising and promotion expenses	**5,114**	21,370
Prepaid freight charges	**43,105**	800
Interest receivable on bank deposits	**10,522**	10,842
Prepayments to be returned for cancelled purchases of property, plant and equipment	**47,795**	57,595
Others	**54,701**	47,947
	3,799,233	1,021,974
Less: allowance for impairment of doubtful debts	**—**	—
	3,799,233	1,021,974

Notes:

(i) Amounts receivable from banks for wealth management products purchased (over 3 months) as at March 31, 2016 represent the RMB wealth management products purchased by the Group from China Guangfa Bank Co., Ltd., China Minsheng Banking Corp., Ltd. and Industrial and Commercial Bank of China Limited during the year ended March 31, 2016 and having not been due or early redeemed yet as of the year end. The total principals was RMB845.00 million and the annualised rates of return ranged from 3.20% to 3.80%. Given that the amounts of return of these wealth management products are determinable, the Group recorded these amounts at amortised cost using the effective interest method as other receivables in this account.

As at March 31, 2016, all the above amounts receivable from banks for wealth management products purchased (over 3 months) of the Group were secured for the Group's bills payables (March 31, 2015: RMBNil).

(ii) The amounts due from associates as at March 31, 2016 are unsecured, non-interest bearing and have no fixed term of repayment.

25 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

All of the deposits, prepayments and other receivables are expected to be recovered or recognised in profit or loss or to other items in the statement of financial position within one year.

Impairment of deposits, prepayments and other receivables

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

At March 31, 2016 and 2015, no deposits, prepayments and other receivables were individually determined to be impaired.

26 TERM DEPOSITS

The effective interest rate of the Group's term deposits placed with banks with initial terms of over three months but within 3 years for the year ended March 31, 2016 is 1.30% to 3.57% (year ended March 31, 2015: 2.80% to 4.50%).

As at March 31, 2016, the aggregate net book value of the secured term deposits of the Group for the Group's bills payable and bank loans was RMB373.38 million (March 31, 2015: RMBNil).

27 CASH AND CASH EQUIVALENTS

	At March 31,	
	2016 **RMB'000**	2015 RMB'000 (Restated)
Cash at bank and in hand	**2,185,253**	2,563,628
Amounts receivable from banks for wealth management products purchased (within 3 months) (Note (i))	**—**	50,000
	2,185,253	2,613,628

Note:

(i) This represents the RMB wealth management products purchased by the Group from China Guangfa Bank Co., Ltd. during the year ended March 31, 2015 and having not been redeemed as of March 31, 2015. Given that the amount of return of this wealth management product is determinable by known amounts of cash and the maturity is within three months from acquisition, the Group recorded the amount as cash equivalents at March 31, 2015.

Cash at bank and in hand totalling of RMB2,157.25 million as at March 31, 2016 (March 31, 2015: RMB2,480.47 million) is denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

28 TRADE AND BILLS PAYABLES

	At March 31,	
	2016	2015
	RMB'000	RMB'000
Trade payable for purchase of raw materials		
— Third parties	**1,025,473**	566,920
— Associates of the Group	**22,584**	—
Trade payable for purchase of products		
— Associates of the Group	**19,438**	—
Bills payable	**1,420,713**	833,697
	2,488,208	1,400,617

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

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

	At March 31,	
	2016	2015
	RMB'000	RMB'000
Within 1 month	**367,524**	567,967
Over 1 month but within 3 months	**597,728**	597,369
Over 3 months but within 6 months	**1,105,331**	211,435
Over 6 months but within 1 year	**405,706**	14,677
Over 1 year but within 2 years	**5,854**	4,339
Over 2 years	**6,065**	4,830
	2,488,208	1,400,617

29 RECEIPTS IN ADVANCE

	At March 31, 2016 RMB'000	At March 31, 2015 RMB'000
Receipts in advance for sales of products	**417,652**	41,133
Receipts in advance for sales of raw materials	**4,907**	—
Receipts in advance for disposals of dairy cows		
— Third parties	**8,015**	—
— Affiliates of the controlling shareholder	**62,938**	—
Receipts in advance for disposals of property, plant and equipment	**325**	—
	493,837	41,133

All of the receipts in advance are expected to be recognised as revenue or other income within one year.

30 AMOUNTS DUE TO THE CONTROLLING SHAREHOLDER

All the amounts as at March 31, 2015 are unsecured, non-interest bearing and have no fixed term of repayment. These amounts have been paid up in October 2015.

31 ACCRUED EXPENSES AND OTHER PAYABLES

	At March 31, 2016 RMB'000	At March 31, 2015 RMB'000 (Restated)
Payables for acquisition of property, plant and equipment	**466,809**	249,148
Payables for operating leases		
— Third parties	**12,337**	16,334
— Affiliates of the controlling shareholder	**233**	12,558
Payables for professional services	**7,520**	6,628
Employee benefits payables	**55,909**	38,597
Accrued advertising and promotion expenses	**39,614**	45,217
Payables for interest expenses	**25,396**	10,337
Payables for value added tax and other taxes	**6,488**	4,279
Conditional government grants received but not yet recognised (Note (i))	**103,200**	59,370
Amounts due to third parties (Note (ii))	**64,841**	63,079
Payables for freight charges	**43,110**	23,351
Others	**54,425**	46,895
	879,882	575,793

31 ACCRUED EXPENSES AND OTHER PAYABLES (Continued)

Notes:

(i) In accordance with the relevant guidance of government, these government grants can only be recognised upon the Group satisfying certain conditions preset by government in terms of the scale of capital expenditure on and completion of the Group's production facilities.

(ii) All the amounts due to third parties as at March 31, 2016 and 2015 are unsecured, non-interest bearing and have no fixed term of repayment.

The amount of the Group's payables for acquisition of property, plant and equipment expected to be settled after more than one year was RMB23.20 million as at March 31, 2016 (March 31, 2015: RMB26.98 million). All of the other accrued expenses and other payables are expected to be settled or recognised in profit or loss or to other items in the statement of financial position within one year.

32 BANK LOANS

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

	At March 31,	
	2016 RMB'000	2015 RMB'000 (Restated)
Within 1 year	**6,947,481**	2,887,199
After 1 year but within 2 years	**2,053,441**	2,092,497
After 2 years but within 5 years	**2,653,740**	2,320,961
After 5 years	**664,840**	786,350
	5,372,021	5,199,808
	12,319,502	8,087,007

32 BANK LOANS (Continued)

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

	At March 31,	
	2016 **RMB'000**	2015 RMB'000 (Restated)
Jointly secured by lease prepayments and property, plant and equipment and own equity interests of the Group and guaranteed by intra-group entities	**321,642**	418,870
Secured by property, plant and equipment of the Group and property, plant and equipment of the Group's associates and guaranteed by a third party	**100,000**	150,000
Secured by lease prepayments of the Group and guaranteed by the controlling shareholder and his close member of family	**60,000**	80,000
Secured by lease prepayments and property, plant and equipment of the Group	**1,082,250**	1,265,250
Secured by letters of credit and guaranteed by intra-group entities	**—**	644,590
Secured by term deposits with banks and guaranteed by intra-group entities	**80,000**	—
Secured by deposits with banks and guaranteed by a third party and intra-group entities	**142,146**	—
Guaranteed by intra-group entities, the controlling shareholder and his close member of family	**200,000**	—
Secured by the Group's own equity interests and guaranteed by intra-group entities	**109,675**	109,675
Secured by the Group's own equity interests	**—**	532,000
Guaranteed by intra-group entities	**8,623,195**	3,797,802
Guaranteed by a third party	**—**	8,000
Unguaranteed and unsecured	**1,600,594**	1,080,820
	12,319,502	8,087,007

At March 31, 2016, the secured bank loans were secured over property, plant and equipment, lease prepayments with an aggregate carrying value of RMB2,299.85 million (March 31, 2015: RMB3,229.22 million).

Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. Further details of the Group's management of liquidity risk are disclosed in Note 39(b). At March 31, 2016, none of the covenants relating to the bank loans had been breached.

33 OTHER BORROWINGS

Other borrowings as at March 31, 2016 represent the borrowings under two financing arrangements entered into by the Group with two third-party leasing companies, in the form of a sale and leaseback transaction which results in a finance lease and bears a repurchase option. The subjects sold and leased back under the financing arrangements are plant and buildings, and machinery and equipment of the Group. As the repurchase prices are set at RMB100 which is minimal compared to the expected fair values of the underlying assets at the end of the lease periods of three years and the Group is certain that it will exercise the repurchase option, and considering the amounts of the lease payments to be paid on the selling prices, the above financing arrangements are accounted for as collateralised borrowings at amortised cost using effective interest method in accordance with the accounting policy set out in Note 2(j).

At 31 March, the Group's other borrowings were repayable as follows:

	March 31, 2016 RMB'000
Within 1 year	183,784
After 1 year but within 2 years	199,063
After 2 years but within 3 years	158,135
	357,198
	540,982

At March 31, 2016, the above other borrowings have been secured over property, plant and equipment with an aggregate carrying value of RMB692.25 million.

34 DEFERRED INCOME

	At March 31,	
	2016 RMB'000	2015 RMB'000 (Restated)
Government grants	340,443	257,247

The Group has been awarded government grants in the years ended March 31, 2016 and 2015, which are conditional upon the construction and acquisition of property, plant and equipment for dairy farming, liquid milk products production, and milk powders production facilities. These government grants have been recognised as deferred income upon satisfaction of the conditions associated, and are amortised to profit or loss as other income over the useful lives of the related assets.

(Expressed in Renminbi unless otherwise indicated)

35 SHARE-BASED PAYMENT

(a) Share option scheme

The Company adopted a share option scheme on September 5, 2013, whereby the directors of the Company are authorised, at their discretion, to invite certain directors and qualified employees of the Group, to take up options to subscribe for the shares in the Company. On September 27, 2013, 680,085,000 share options were granted, among which, 204,025,500 share options will vest immediately from the date of grant, 136,017,000 share options will vest after one year from the date of grant, 102,012,750 share options will vest after two years from the date of grant, 102,012,750 share options will vest after three years from the date of grant, and the remaining 136,017,000 share options will vest after four years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company at an exercise price of HK$2.67 per share. The above share options granted will lapse on September 26, 2019.

On October 8, 2014, another 33,750,000 share options were granted to a newly hired director, which will vest after three years from the date of grant subject to the share price of the Company having reached HK$2.67 at any time during the first three years from October 8, 2014 and the director remaining in continuous employment with the Company pursuant to the service contract from October 8, 2014 for at least two calendar years, or after four years from the date of grant if the share price of the Company does not reach HK$2.67 during the three years from October 8, 2014. Each option gives this director the right to subscribe for one ordinary share in the Company at an exercise price of HK$1.72 per share. During the year ended March 31, 2016, this director resigned from the Company and thus these 33,750,000 share options have been forfeited in the year.

(i) The fair values of the share options

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

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

(Expressed in Renminbi unless otherwise indicated)

35 SHARE-BASED PAYMENT (Continued)

(a) Share option scheme (Continued)

(i) The fair values of the share options (Continued)

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

The fair values of the services received from the holders in return for the share options granted are recognised as a staff cost with a corresponding increase in other reserves within equity. During the year ended March 31, 2016, the Group has charged RMB32.84 million (year ended March 31, 2015: RMB70.76 million) share option expenses in "Administrative expenses" with the same amount credited to "Other reserves".

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

	Years ended March 31,			
	2016		2015	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HK$2.63**	**712,147,500**	HK$2.67	680,085,000
Granted during the year	**—**	**—**	HK$1.72	33,750,000
Forfeited during the year	**HK$1.78**	**(35,887,500)**	HK$2.67	(1,687,500)
Exercised during the year	**HK$2.67**	**(2,419,000)**	—	—
Outstanding at the end of the year	**HK$2.67**	**673,841,000**	HK$2.63	712,147,500
Exercisable at the end of the year	**HK$2.67**	**437,150,000**	HK$2.67	339,198,750

The weighted average share price at the dates of exercise for share options exercised during the year ended March 31, 2016 is HK$2.91. No share options were exercised during the year ended March 31, 2015.

The share options outstanding at March 31, 2016 had a weighted average exercise price of HK$2.67 (March 31, 2015: HK$2.63) and a weighted average remaining contractual life of 3.50 years (March 31, 2015: 4.55 years).

35 SHARE-BASED PAYMENT (Continued)

(b) Share award scheme

On August 28, 2015, the Group adopted a Share Award Scheme (the "Scheme") to recognise and motivate the contribution of the eligible participants (including the employees of the Group and the Group's customers and suppliers and the etc.) and to provide incentives or awards for their commitments and contributions to the Group and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. Unless terminated earlier by the board of directors, the Scheme shall be valid and effective for a term of ten years.

During the year ended March 31, 2016, 62,335,000 ordinary shares of the Company have been purchased in conjunction with the Scheme but no shares have been granted to any participant.

36 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Years ended March 31,	
	2016	2015
	RMB'000	RMB'000
At the beginning of the year	**4,357**	13,111
Provision for PRC income tax on the estimated taxable profits for the year (Note 9(a))	**56,232**	54,731
Income tax paid during the year	**(46,218)**	(63,485)
At the end of the year	**14,371**	4,357
Represents:		
— Income tax payable	**23,675**	10,963
— Prepaid income tax (Note 25)	**(9,304)**	(6,606)
	14,371	4,357

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

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year ended March 31, 2016 are as follows:

Deferred tax arising from:	**Unused tax losses** RMB'000	**The Group Government grants** RMB'000	**Total** RMB'000
At April 1, 2014	64,567	1,497	66,064
(Charged)/credited to profit or loss (Note 9(a))	(34,806)	29,415	(5,391)
Reclassification to assets held for sale for the subsidiaries disposed of (Note 8)	(14,275)	(29,288)	(43,563)
At March 31, 2015	15,486	1,624	17,110
Credited to profit or loss (Note 9(a))	18,540	3,714	22,254
At March 31, 2016	34,026	5,338	39,364

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), the Group has not recognised deferred tax assets in respect of the cumulative tax losses of RMB971.18 million as at March 31, 2016 (March 31, 2015: RMB467.74 million) mainly for certain investment holding subsidiaries in the PRC as management is not sure whether such tax losses are probable to be utilised before they expire in the relevant tax jurisdiction. The cumulative tax losses as at March 31, 2016 of RMB16.65 million, RMB15.10 million, RMB80.63 million, RMB350.20 million and RMB508.60 million will expire in 2017, 2018, 2019, 2020 and 2021, respectively.

(d) Deferred tax liabilities not recognised

At March 31, 2016, the taxable temporary differences relating to the retained profits of the Company's PRC subsidiaries amounted to RMB1,525.93 million (March 31, 2015: RMB1,422.42 million), of which no deferred tax liabilities in respect of the tax that would be payable on the distribution of these profits was provided in accordance with the accounting policy set out in Note 2(s) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

37 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity during the year ended March 31, 2016 are set out below:

	Year ended March 31, 2015					
	Share capital RMB'000 Note 37(c)	Share premium RMB'000 Note 37(d)(1)	Capital redemption reserve RMB'000 Note 37(c)	Exchange reserve RMB'000 Note 37(d)(4)	Accumulated losses RMB'000	Total RMB'000
Balance at April 1, 2014	1,142,619	8,913,219	—	(9,675)	(5,074)	10,041,089
Changes in equity for 2015:						
Loss for the year	—	—	—	—	(39,043)	(39,043)
Other comprehensive income	—	—	—	(94,003)	—	(94,003)
Total comprehensive income	—	—	—	(94,003)	(39,043)	(133,046)
Purchase of own shares						
— par value paid	(6,941)	—	—	—	—	(6,941)
— premium paid	—	(104,600)	—	—	—	(104,600)
— transfer between reserves	—	(6,941)	6,941	—	—	—
Dividends approved and paid in respect of the previous year (Note 37(b))	—	(311,208)	—	—	—	(311,208)
Transactions with equity holders of the Company	(6,941)	(422,749)	6,941	—	—	(422,749)
Balance at March 31, 2015	1,135,678	8,490,470	6,941	(103,678)	(44,117)	9,485,294

37 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

	Year ended March 31, 2016						
	Share capital RMB'000 Note 37(c)	Share premium RMB'000 Note 37(d)(1)	Capital redemption reserve RMB'000 Note 37(c)	Other reserves RMB'000 Note 37(d)(2)	Exchange reserve RMB'000 Note 37(d)(4)	Accumulated losses RMB'000	Total RMB'000
Balance at April 1, 2015	1,135,678	8,490,470	6,941	—	(103,678)	(44,117)	9,485,294
Changes in equity for 2016:							
Loss for the year	—	—	—	—	—	(292,253)	(292,253)
Other comprehensive income	—	—	—	—	392,281	—	392,281
Total comprehensive income	—	—	—	—	392,281	(292,253)	100,028
Issuance of shares under a share option scheme (Note 37(c)(i))	199	6,031	—	(908)	—	—	5,322
Purchase of own shares (Note 37(c)(ii))							
— par value paid	(68,293)	—	—	—	—	—	(68,293)
— premium paid	—	(1,561,029)	—	—	—	—	(1,561,029)
— transfer between reserves	—	(68,293)	68,293	—	—	—	—
Equity-settled share-based transactions	—	—	—	220,521	—	—	220,521
Forfeiture of share options	—	—	—	(565)	—	—	(565)
Dividends approved and paid in respect of the previous year (Note 37(b))	—	(207,946)	—	—	—	—	(207,946)
Transactions with equity holders of the Company	(68,094)	(1,831,237)	68,293	219,048	—	—	(1,611,990)
Balance at March 31, 2016	1,067,584	6,659,233	75,234	219,048	288,603	(336,370)	7,973,332

37 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

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

	Years ended March 31,	
	2016	2015
	RMB'000	RMB'000
Final dividend proposed after the end of the reporting period of RMB0.0125 per ordinary share (year ended March 31, 2015: RMB0.0153 per ordinary share)	**168,437**	219,097

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

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

	Years ended March 31,	
	2016	2015
	RMB'000	RMB'000
Final dividend in respect of the previous financial year approved and paid during the year of RMB0.0153 per ordinary share (year ended March 31, 2015: RMB0.0216 per ordinary share)	**207,946**	311,208

37 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

Authorised and issued share capital:

	At March 31,			
	2016		2015	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
Ordinary shares of:				
— HK$0.1 each	**20,000,000,000**	**2,000,000**	20,000,000,000	2,000,000

Ordinary shares, issued and fully paid:

	Years ended March 31,			
	2016		2015	
	No. of shares	**Amount RMB'000**	No. of shares	Amount RMB'000
At 1 April	**14,320,064,000**	**1,135,678**	14,407,788,000	1,142,619
Issuance of shares under a share option scheme (HK$0.1 each) (Note (i))	**2,419,000**	**199**	—	—
Purchase of own shares (HK$0.1 each) (Note (ii))	**(847,526,000)**	**(68,293)**	(87,724,000)	(6,941)
Shares purchased under a share award scheme (HK$0.1 each) (Note (iii))	**(62,335,000)**	**(5,118)**	—	—
At 31 March	**13,412,622,000**	**1,062,466**	14,320,064,000	1,135,678

37 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital (Continued)

Notes:

(i) Issuance of shares under a share option scheme

During the year ended March 31, 2016, the share options granted under a share option scheme of the Company were exercised to subscribe for 2,419,000 ordinary shares in the Company at a total consideration of HK$6,458,730 (equivalent to RMB5,322,091) (Note 35(a)), of which HK$241,900 (equivalent to RMB199,329) has been credited to the Company's share capital, and the remaining proceeds of HK$6,216,830 (equivalent to RMB5,122,762) and an amount of HK$1,146,364 (equivalent to RMB908,024) previously recorded in the other reserves account have been recorded and transferred to the share premium account.

(ii) Purchase of own shares

During the year ended March 31, 2016, the Company purchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	No. of shares purchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid RMB'000
July 2015	341,441,000	2.35	1.55	568,175
August 2015	387,358,000	2.66	2.31	785,996
September 2015	91,382,000	2.88	2.39	207,825
October 2015	27,345,000	2.92	2.80	67,326
	847,526,000			1,629,322

The above shares were purchased and cancelled in accordance with section 37(3) of the Companies Law of the Cayman Islands during the year ended March 31, 2016. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK$84,752,600 (equivalent to RMB68,293,125) was transferred from the share premium account to the capital redemption reserve account. The premium paid on the purchase of the shares of HK$1,933,157,536 (equivalent to RMB1,561,028,985) was charged to share premium.

(iii) Shares purchased under a share award scheme

Core Pacific — Yamaichi International (H.K.) Nominees Limited is an employee benefit trust used in conjunction with the share award schemes. The trustee has agreed to satisfy the award made under the share award scheme through the relevant employee benefit trust. As part of the share award scheme (details are disclosed in Note 35(b)), the Group funds the trust, from time to time to enable the trustee to acquire the Group's own ordinary shares to satisfy the award. All shares have been acquired through The Stock Exchange of Hong Kong Limited.

The trust is treated as a legal entity separate from the Company but as a subsidiary of the Company for consolidation purposes. The shares held by the trust are treated as treasury shares of the Company.

During the year ended March 31, 2016, the trustee acquired 62,335,000 ordinary shares at a total consideration of HK$179,836,057 (equivalent to RMB147,650,581) .

Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares purchased of HK$6,233,500 (equivalent to RMB5,117,869) was transferred from the share capital account to the capital redemption reserve account. The consideration paid on the purchase of the shares of HK$179,836,057 (equivalent to RMB147,650,581) was charged to retained profits.

During the year ended March 31, 2016, no shares have been granted to any participant under this share award scheme.

37 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(1) Share premium

At March 31, 2016 and 2015, share premium, where applicable comprises:

(i) On August 30, 2012, the Company acquired 100% equity interests in a group of companies engaged in production and sale of milk powder products (China Huishan Dairy Investments International Limited and its subsidiaries, China Huishan Dairy Investments (Hong Kong) Limited, Liaoning Cheungrui Trading Company Limited and Liaoning Huishan Group (Xiushui) Co., Ltd.) controlled by a third party by issuing 1,494,252 shares of US$0.001 each. The surplus of the fair value of the above newly issued shares over their par values was credited to equity as share premium.

(ii) Pursuant to the board resolution dated March 30, 2013, the controlling shareholder, through an affiliate 100% held by him, Talent Pool Holdings Limited, injected US$144.31 million cash to the Company. In return, the Company newly issued 1 share with the par value of US$0.001 to the affiliate. The surplus of the amount of the cash injected over the par value of the share issued was credited to equity as share premium.

(iii) Pursuant to the board resolution dated March 30, 2013, an amount of US$317.19 million standing advances from the Company's parent company, Champ Harvest Limited, a wholly-owned affiliate of the controlling shareholder, was applied in paying up in full 1 share of the Company at US$0.001, which was allotted and distributed as fully paid to Champ Harvest Limited. The surplus of the amount of the advances capitalised over the par value of the share issued was credited to equity as share premium.

(iv) The remaining proceeds and the amount previously recorded in the other reserves account recorded and transferred to this account as a result of the issuance of shares under a share option scheme as disclosed in Note 37(c)(i).

(v) The premium paid on the purchase of the shares as disclosed in Note 37(c)(ii).

(2) Other reserves

The other reserves represented (i) the surplus of the carrying values of the controlling equity interests in the subsidiaries under common control acquired over the considerations paid under the group reorganisation completed on March 13, 2013 to effect the structure for listing, (ii) the amount of the derivative financial liability, i.e. the credit derivatives provided to the Company's parent company for its issuance of secured exchangeable bonds, initially recognised in equity in the year ended March 31, 2012, (iii) the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(r)(ii) (further details are disclosed in Note 35).

37 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(3) PRC statutory reserves

In accordance with the relevant PRC laws and the articles of association of the PRC subsidiaries of the Group, the PRC subsidiaries are required to set up certain statutory reserves, which are non-distributable. The PRC statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(4) Exchange reserve

The exchange reserve comprises the foreign exchange differences arising from translation of the financial statements of the operations which have a functional currency other than the Group's presentation currency, RMB, into the presentation currency. The reserve is dealt with in accordance with the accounting policy set out in Note 2(x).

(e) Distributability of reserves

At March 31, 2016, the aggregate amount of reserves available for distribution to equity shareholders of the Company (including the Company's retained profits, if any, and share premium), as calculated in accordance with the statutory provisions applicable in the Cayman Islands, the Company's place of incorporation, was RMB6,659.23 million (March 31, 2015: RMB8,490.47 million). After the end of the current reporting period, the directors proposed a final dividend of RMB0.0125 per ordinary share (year ended March 31, 2015: RMB0.0153 per ordinary share), amounting to RMB168.44 million (year ended March 31, 2015: RMB219.10 million) (Note 37(b)). This dividend has not been recognised as a liability at the end of the current reporting period.

(f) Capital management

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

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

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

37 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(f) Capital management (Continued)

During the year ended March 31, 2016, the Group's policy, which was unchanged from the year ended March 31, 2015, is to keep the ratio above 45%. In order to maintain or adjust the ratio, the Group may raise new borrowings. The Group's bank loans and other borrowings to equity ratios at the end of the reporting periods were as follows:

	At March 31,	
	2016 RMB'000	2015 RMB'000 (Restated)
Total bank loans	**12,319,502**	8,087,007
Total other borrowings	**540,982**	—
Total equity	**12,435,240**	13,770,662
Total borrowings to equity ratio	**103%**	59%

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

38 BUSINESS COMBINATIONS UNDER COMMON CONTROL

On October 21, 2015, the subsidiary of the Company, Liaoning Huishan Dairy Group Co., Ltd., acquired 100% equity interests in Shenyang Zhaoji Investment and Management Co., Ltd. and its subsidiaries (together "Zhaoji Group") from the controlling shareholder of the Group and his close family member at a cash consideration of RMB83,200,000. The particulars of these subsidiaries acquired are disclosed in Note 19.

As the Company and Zhaoji Group are all controlled by the controlling shareholder of the Group before and after the transaction, the above acquisition has been accounted for as a business combination under common control in accordance with the accounting policy set out in Note 2(e). The assets and liabilities of Zhaoji Group have been recognised at their carrying amounts with difference between the carrying amount of the net assets acquired and the consideration paid for the combination recognised directly in "Other reserves" in the Group's consolidated financial statements. The consolidated financial statements of the Group have been restated as if the combination had occurred at the beginning of the earliest reporting period presented in the consolidated financial statements.

38 BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

The carrying amounts of the assets acquired and liabilities assumed at the acquisition date and the beginning of the earliest reporting period presented in these financial statements are:

	At the acquisition date RMB'000	At March 31, 2014 RMB'000
Property, plant and equipment	69,154	18,875
Lease prepayments	16,686	16,309
Prepayments for acquisition of property, plant and equipment	112,607	132,627
Inventories	234	—
Deposits, prepayments and other receivables	1,826	10,073
Cash and cash equivalents	1,368	2,860
Trade and bills payables	(1,341)	—
Amounts due to the controlling shareholder	—	(4,000)
Accrued expenses and other payables	(38,717)	(9,109)
Bank loans	(80,000)	(73,000)
Deferred income	(4,010)	—
Net assets	77,807	94,635

Zhaoji Group's principal activities are biomass power generation, biogas compressed natural gas production and bio-fertiliser processing activities. As of March 31, 2016, it was still in its start-up period.

39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks and the risks related to agricultural activities arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 15-90 days from the date of billing. Debtors with balances that are more than 7 working days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the group does not obtain collateral from customers.

39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At March 31, 2016 and 2015, 8% and 10% of the total trade receivables were due from the Group's largest customer and 29% and 41% were due from the five largest customers within the dairy farming, liquid milk products production and milk powders production.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 23.

(b) Liquidity risk

The raising of financings is centrally managed by the headoffice of the Group to cover the expected cash demands of all the group entities. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

	At March 31, 2016 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at March 31 RMB'000
Trade and bills payables	2,488,208	—	—	—	2,488,208	2,488,208
Accrued expenses and other payables	856,682	23,200	—	—	879,882	879,882
Bank loans	7,372,741	2,278,755	2,893,359	757,784	13,302,639	12,319,502
Other borrowings	217,684	218,272	162,115	—	598,071	540,982
	10,935,315	2,520,227	3,055,474	757,784	17,268,800	16,228,574

39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

	At March 31, 2015 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000 (Restated)	More than 1 year but less than 2 years RMB'000 (Restated)	More than 2 years but less than 5 years RMB'000 (Restated)	More than 5 years RMB'000 (Restated)	Total RMB'000 (Restated)	Carrying amount at March 31 RMB'000 (Restated)
Trade and bills payables	1,400,617	—	—	—	1,400,617	1,400,617
Accrued expenses and other payables	548,816	26,977	—	—	575,793	575,793
Amounts due to the controlling shareholder	4,000	—	—	—	4,000	4,000
Bank loans	3,273,074	2,333,479	2,687,673	912,433	9,206,659	8,087,007
	5,226,507	2,360,456	2,687,673	912,433	11,187,069	10,067,417

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group as at March 31, 2016 and 2015:

	At March 31, 2016		At March 31, 2015	
	Effective interest rate %	RMB'000	Effective interest rate % (Restated)	RMB'000 (Restated)
Fixed rate borrowings				
Bank loans	5.40%	4,028,040	6.25%	3,783,172
Variable rate borrowings				
Bank loans	4.50%	8,291,462	5.58%	4,303,835
Other borrowings	7.80%	540,982	—	—
		8,832,444		4,303,835
Total borrowings		12,860,484		8,087,007
Fixed rate borrowings as a percentage of total borrowings		31.32%		46.78%

(ii) Sensitivity analysis

At March 31, 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately RMB92.54 million (March 31, 2015: RMB55.54 million).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after taxation and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure the above variable rate bank loans and other borrowings and the fixed rate short-term bank loans that might be renewed held by the Group which expose the Group to cash flow interest rate risk at the end of the reporting period. The impact on the Group's profit after taxation and retained profits is estimated as an annualised impact on interest expenses of such a change in interest rates. The analysis is performed on the same basis for 2015.

39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through borrowing bank loans and purchases of dairy cows and property, plant and equipment which give rise to bank loans, deposits, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars ("USD") and RMB.

(i) Exposure to currency risk

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

	Exposure to foreign currencies (expressed in RMB) At March 31, 2016	
	RMB	**USD**
	RMB'000	**RMB'000**
Other receivables	**1,097,579**	**510,499**
Cash and cash equivalents	**1,338**	**8,080**
Other payables	**(215,028)**	**(960,713)**
Bank loans	**—**	**(2,371,219)**
Net exposure arising from recognised assets and liabilities	**883,889**	**(2,813,353)**

	Exposure to foreign currencies (expressed in RMB) At March 31, 2015	
	RMB	USD
	RMB'000	RMB'000
Other receivables	5,238	21
Cash and cash equivalents	1,175,176	48,807
Other payables	(25,739)	(2)
Bank loans	—	(1,021,689)
Net exposure arising from recognised assets and liabilities	1,154,675	(972,863)

39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after taxation and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	At March 31, 2016		At March 31, 2015	
	Strengthening/ (weakening) of foreign currency against functional currency	**Increase/ (decrease) in profit after taxation and retained profits RMB'000**	Strengthening/ (weakening) of foreign currency against functional currency	Increase/ (decrease) in profit after taxation and retained profits RMB'000
RMB	**5%**	**44,194**	5%	50,722
RMB	**(5%)**	**(44,194)**	(5%)	(50,722)
USD	**5%**	**(133,641)**	5%	(48,952)
USD	**(5%)**	**133,641**	(5%)	48,952

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after taxation and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those assets and liabilities held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes the differences that would result from the translation of the financial statements of the operations which have a functional currency other than the Group's presentation currency (RMB) into the Group's presentation currency. The analysis is performed on the same basis for 2015.

(e) Risks related to agricultural activities

The Group is exposed in financial risks arising from changes in milk prices. The Group does not anticipate that milk prices will decline significantly in the foreseeable future and therefore, has not entered into any derivative or other contracts to manage the risk of a decline in milk prices. The Group reviews its outlook for milk prices regularly in considering the need for active financial risk management.

39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair values

(i) Assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Recurring fair value measurements	At March 31, 2016			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Calves and heifers	—	—	2,228,660	2,228,660
Milkable cows	—	—	3,778,673	3,778,673
Total bearer biological assets	—	—	6,007,333	6,007,333

Recurring fair value measurements	At March 31, 2015			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000 (Restated)	Total RMB'000 (Restated)
Calves and heifers	—	—	2,468,798	2,468,798
Milkable cows	—	—	2,884,696	2,884,696
Total bearer biological assets	—	—	5,353,494	5,353,494

The reconciliations from the beginning balances to the ending balances for fair value measurements of the above assets and liabilities are disclosed in Notes 18.

The Group appointed the independent valuer, Jones Lang LaSalle Sallmanns Limited to value its bearer biological assets, dairy cows, at March 31, 2016 and 2015. The valuation reports are reviewed and acknowledged by the management of the Group.

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39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair values (Continued)

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Biological assets			
Calves and heifers	The fair value of 14 months old heifers is determined by referring to the market price of the actively traded market.	• Average market price of the heifers of 14 months old: RMB22,911 per head (year ended March 31, 2015: RMB22,898 per head).	• The estimated fair value increases when the market price increases.
	The fair values of the heifers older than 14 months old are determined by adding the breeding costs required to raise the heifers from 14 months old to the respective specific ages plus the estimated margins that would be required by a raiser. The fair values of the heifers younger than 14 months old and the fair values of calves are determined by subtracting the breeding costs required to raise the calves or heifers from the respective specific ages to 14 months old and the margins that would be required by a raiser.	• Average breeding costs per head for the breeding period and the estimated margins that would be required by a raiser of the heifers older than 14 months old: RMB11,343 for the year ended March 31, 2016 (year ended March 31, 2015: RMB11,264), while for the calves and the heifers younger than 14 months old: RMB13,814 in the year ended March 31, 2016 (year ended March 31, 2015: RMB13,693).	• The estimated fair value of the heifers older than 14 months old increases when the breeding costs and the estimated margins that would be required by a raiser increase. The estimated fair value of the calves and the heifers younger than 14 months old decreases when the breeding costs and the estimated margins that would be required by a raiser increase.
Milkable cows	The fair values of milkable cows are determined by using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows.	• For the quantity of the milkable cows, assuming the number of the existing milkable cows as at the reporting period ends will decrease in the projection period at certain culling rates due to natural or unnatural factors, which include illness, difficult birth, low milk production or finish of all lactation periods. Estimated overall culling rate is ranged from over 10% up to 100% along with the increase of the number of the lactation periods.	• The estimated fair value decreases when the estimated culling rates increase.

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39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair values (Continued)

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
		• A milkable cow could have as many as six lactation periods. Estimated average raw milk production volume per head for one lactation period is ranged from 8.9 tonnes to 9.6 tonnes for the year ended March 31, 2016 (year ended March 31, 2015: 8.0 tonnes to 10.0 tonnes) depending on the number of the lactation periods and the individual physical condition.	• The estimated fair value increases when the estimated raw milk production volume increases.
		• Future raw milk local market price estimated as at March 31, 2016: RMB4,450 per tonne (as at March 31, 2015: RMB4,924 per tonne).	• The estimated fair value increases when the estimated future raw milk local market price increases.
		• Discount rate is 12.39% for the year ended March 31, 2016 (year ended March 31, 2015: 12.17%) calculated by using the Capital Asset Pricing Model.	• The estimated fair value decreases when discount rate increases.

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

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

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at March 31, 2016 and 2015.

40 COMMITMENTS

(a) Capital commitments of the Group outstanding at March 31, 2016 not provided for in the financial statements were as follows:

	At March 31, 2016 RMB'000	At March 31, 2015 RMB'000 (Restated)
Contracted for:		
— Property, plant and equipment	**890,871**	813,863
Authorised but not contracted for:	**—**	—
	890,871	813,863

(b) At March 31, 2016, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	At March 31, 2016 RMB'000	At March 31, 2015 RMB'000
Within one year	**16,869**	37,321
After 1 year but within 2 years (inclusive)	**36,681**	37,708
After 2 years but within 3 years (inclusive)	**—**	37,708
Total	**53,550**	112,737

41 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with associates and the controlling shareholder and his affiliates

	Years ended March 31,	
	2016	2015
	RMB'000	RMB'000
Sales of raw milk and dairy ingredient products to associates	**104,153**	—
Purchase of goods from associates	**234,654**	—
Purchase of materials from the affiliates of the controlling shareholder	**—**	6,849
Receipt of consignment production services from associates	**2,958**	—
Operating leases of dairy farms, properties and office buildings from the affiliates of the controlling shareholder	**40,840**	7,600
Sales of dairy cows to the affiliates of the controlling shareholder	**107,910**	—
Sales of feeds to the affiliates of the controlling shareholder	**49,845**	—
Net increase in advances granted to the controlling shareholder	**4,046**	—
Net increase in advances granted to associates	**125,000**	—
Net decrease in advances granted by the controlling shareholder	**4,000**	—
Guarantees provided by the controlling shareholder and his affiliates for the Group's bank loans	**200,000**	—

(b) Balances due from/(to) associates and the controlling shareholder and his affiliates

	At March 31,	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Trade receivables	**8,747**	—
Amounts due from the controlling shareholder	**4,046**	—
Deposits, prepayments and other receivables	**182,023**	—
Trade and bills payables	**(42,022)**	—
Receipts in advance	**(62,938)**	—
Amounts due to the controlling shareholder	**—**	(4,000)
Accrued expenses and other payables	**(233)**	(12,558)

Further details on the above balances are disclosed in Note 23, Note 24, Note 25, Note 28, Note 29, Note 30 and Note 31.

41 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel emoluments

Emoluments for key management personnel of the Group, including the amounts paid to the Company's directors as disclosed in Note 10 and certain of the highest paid employees as disclosed in Note 11, is as follows:

	Years ended March 31,	
	2016	2015
	RMB'000	RMB'000
Short-term employee benefits	**19,043**	19,082
Retirement scheme contributions	**303**	228
Equity compensation benefits	**17,325**	38,448
	36,671	57,758

Total emoluments is included in "staff costs" (see Note 7(e)).

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

For the year ended March 31, 2016, certain related party transactions as included in Note 41(a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Save for the continuing connected transactions of operating leases of dairy farms, properties and office buildings from Shenyang Dairy Co., Ltd. and sales of dairy cows and sales of feeds to Liaoning Muhejia Cattle Industry Technology Co., Ltd. and its subsidiaries (the details of which have been disclosed pursuant to the requirements under Chapter 14A of the Listing Rules) as set out in the section "Connected Transactions and Continuing Connected Transactions" in the Director's Report, the other connected transactions and continuing connected transactions are exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

42 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

		At March 31, 2016 RMB'000	At March 31, 2015 RMB'000
Non-current assets			
Investments in subsidiaries		**9,785,049**	9,629,141
Current assets			
Other receivables		**210**	954
Cash and cash equivalents		**10,971**	364,431
		11,181	365,385
Current liabilities			
Accrued expenses and other payables		**18,791**	5,567
Bank loans		**120,609**	73,707
		139,400	79,274
Net current (liabilities)/assets		**(128,219)**	286,111
Total assets less current liabilities		**9,656,830**	9,915,252
Non-current liabilities			
Bank loans		**1,683,498**	429,958
NET ASSETS		**7,973,332**	9,485,294
CAPITAL AND RESERVES			
Share capital	37	**1,067,584**	1,135,678
Reserves	37	**6,905,748**	8,349,616
TOTAL EQUITY		**7,973,332**	9,485,294

Approved and authorised for issue by the board of directors on June 29, 2016.

Yang Kai	**Ge Kun**
Director	*Director*

43 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Proposed final dividend

On June 29, 2016, the directors of the Company have proposed a final dividend attributable to the year ended March 31, 2016. Further details are disclosed in Note 37(b).

(b) Sale and leaseback

On April 29, 2016, the Group, as the seller and lessee entered into a sale and leaseback agreement with Guangdong Yuexin Finance Lease Company Limited, as the purchaser and lessor. According to the agreement, the Group will sell and lease back about 50,000 dairy cows for a leased term commencing from the effective date of the agreement and expiring on April 30, 2021. The effective date of the agreement is the date when the Group receives the consideration of RMB1 billion paid by Guangdong Yuexin Finance Lease Company Limited for the purchase of the dairy cows. As of the date of issue of these financial statements, the Group has not received such consideration. If the transaction is completed, the Group will recognise a borrowing of around RMB1 billion and account it at amortised cost by using effective interest method during the lease period ending on April 30, 2021.

44 COMPARATIVE FIGURES

As a result of the change in accounting policy as disclosed in Note 2(d) and the business combination under common control as disclosed in Note 38, certain comparative figures as at March 31, 2015 and for the year then ended have been restated in accordance with the accounting policies set out in Notes 2(d) and (e).

45 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At March 31, 2016, the directors consider the immediate parent and ultimate controlling party of the Group to be Champ Harvest Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

(Expressed in Renminbi unless otherwise indicated)

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2016

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the annual period ended March 31, 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2012–2014 Cycle	January 1, 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	January 1, 2016
Amendments to IAS 1, *Disclosure initiative*	January 1, 2016
Amendments to IAS 7, *Disclosure initiative*	January 1, 2017
Amendments to IAS 12, *Income taxes — Recognition of deferred tax assets for unrealised losses*	January 1, 2017
IFRS 15, *Revenue from contracts with customers*	January 1, 2018
IFRS 9, *Financial instruments*	January 1, 2018
IFRS 16, *Leases*	January 1, 2019
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	Undetermined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that except for IFRS 16, *Leases*, for which the Group is still under the process in assessing the impact of its application, the adoption of the remaining amendments and new standards is unlikely to have a significant impact on the consolidated financial statements.

Financial Summary

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

	Years ended March 31,				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)[2]	(Restated)[2]	(Restated)[2]	(Restated)[2]
Revenue	**4,526,533**	3,923,384	3,530,419	2,552,438	1,332,794
Profit for the year	**659,589**	867,709	1,245,977	944,006	449,620
Attributable to equity shareholders of the Company	**661,875**	868,856	1,245,977	944,006	449,620
Attributable to non-controlling interests	**(2,286)**	(1,147)	—	—	—
Earnings per share (RMB)[1]	**0.05**	0.06	0.10	0.08	0.04
Proposed dividend per share (RMB)	**1.25 cents**	1.53 cents	2.16 cents	—	—
Total assets	**29,521,769**	24,548,638	21,200,029	10,678,777	7,258,807
Total liabilities	**17,086,529**	10,777,976	7,910,995	4,698,741	6,311,727
Total equity attributable to equity shareholders of the Company	**12,438,666**	13,771,787	13,289,034	5,980,036	947,080
Non-controlling interests	**(3,426)**	(1,125)	—	—	—

(1) Please refer to Note 14 on page 115 for calculation of earnings per share.

(2) The effect of the business combination under common control for the acquisition of renewable energy companies and the effect of the change in accounting policy led to the restatement of figures of the corresponding period in 2015, 2014, 2013 and 2012.

Huishan

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